

**NORTH IOWA AREA COMMUNITY COLLEGE
MASON CITY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

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Officials

Name	Title	Term Expires
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**Board of Directors
(Before September, 2006 Election)**

David Steffens, Jr.	President	2006
Jean Torgeson	Vice President	2007
Colin Robinson	Member	2006
Karen Knudtson	Member	2008
Dean Cataldo	Member	2008
John Heilskov	Member	2008
Doug Morse	Member	2007
Gordon Anderson	Member	2007
Jim Niemants	Member	2006

**Board of Directors
(After September, 2006 Election)**

David Steffens, Jr.	President	2009
Jean Torgeson	Vice President	2007
Karen Knudtson	Member	2008
Dean Cataldo	Member	2008
John Heilskov	Member	2008
Doug Morse	Member, resigned May, 2007	2007
Gordon Anderson	Member	2007
Jim Niemants	Member	2009
Toni Noah	Member	2009

Officials

Dr. Michael C. Morrison	President
Sandra L. Gobeli	Vice President, Administration and Board Secretary/ Treasurer, retired December 31, 2006
Katherine Grove	Vice President, Administration and Board Secretary/ Treasurer, effective January 1, 2007

Independent Auditor's Report

Board of Directors
North Iowa Area Community College
Mason City, Iowa

We have audited the accompanying financial statements of North Iowa Area Community College, Mason City, Iowa, at and for the year ended June 30, 2007, which along with the discretely presented component unit collectively comprise the College's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of North Iowa Area Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component unit, North Iowa Area Community College Foundation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the North Iowa Area Community College Foundation is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Iowa Area Community College and its discretely presented component unit at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2008 on our consideration of North Iowa Area Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on Pages 4 through 12 and Page 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Iowa Area Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2006 and 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements and supplemental data. The supplementary information on Pages 29 through 35, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, 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 our 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. Information included in the statistical section (Pages 38 through 40) has not been audited by us, and we express no opinion or provide any other assurance on it.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
February 12, 2008

**North Iowa Area Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

Management of North Iowa Area Community College (College) has prepared a discussion and analysis of the College's financial statements that provides an overview of financial activities for the year beginning July 1, 2006 and ending June 30, 2007. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- College operating revenue increased 3.01% in FY07. Some of the increase was due to tuition revenue. Tuition and fees rates were increased by 3.22% for FY07. Revenue associated with the Iowa Industrial New Jobs Training Program decreased by 1.47% in FY07. This program involves the diversion of state withholding to repay bonds that are issued for workforce training. Revenue for this program can vary from year to year depending on funds needed for annual bond payments.
- College operating expenses in FY07 increased 3.8% over FY06. Salary and benefit costs increased by 3.25%. Instructional positions were vacant in the Physics and Industrial departments. Due to the early retirement of three employees, the costs associated with the early retirement program also contributed to the salary and benefit costs.
- Construction on a new John Pappajohn Entrepreneurial Center (JPEC) Business Incubator office and remodeling began in FY07. A grant from the United States Small Business Administration will pay for the construction.

USING THIS ANNUAL REPORT

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

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

The College's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets and a Statement of Cash Flows. These statements provide information about the activities of the College as a whole and present an overall view of the College's finances.

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

Supplementary information further explains and supports the financial statements with a comparison of the College's actual results to its budget for the year, and provides detailed information about the individual funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the College.

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

REPORTING THE COLLEGE AS A WHOLE

The Statement of Net Assets

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

Net Assets

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Current and other assets	\$ 25,492,047	\$ 24,967,173
Non current assets	1,869,945	2,075,160
Capital assets, net of accumulated depreciation	<u>17,783,306</u>	<u>17,289,150</u>
Total assets	<u>\$ 45,145,298</u>	<u>\$ 44,331,483</u>
Current liabilities	\$ 8,317,259	\$ 7,775,370
Non current liabilities	<u>8,285,793</u>	<u>9,589,897</u>
Total liabilities	<u>16,603,052</u>	<u>17,365,267</u>
Net assets:		
Invested in capital assets, net of related debt	17,783,306	17,289,150
Restricted, expendable	1,938,793	1,260,285
Unrestricted	<u>8,820,147</u>	<u>8,416,781</u>
Total net assets	<u>28,542,246</u>	<u>26,966,216</u>
Total liabilities and net assets	<u>\$ 45,145,298</u>	<u>\$ 44,331,483</u>

The largest portion of the College’s net assets (62.3%) is in Invested in Capital Assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the Invested in Capital Assets is liquidated with sources other than capital assets. The restricted portion of net assets (6.8%) includes resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets represent the remaining net assets (30.9%). These can be used to meet the College’s obligations as they come due.

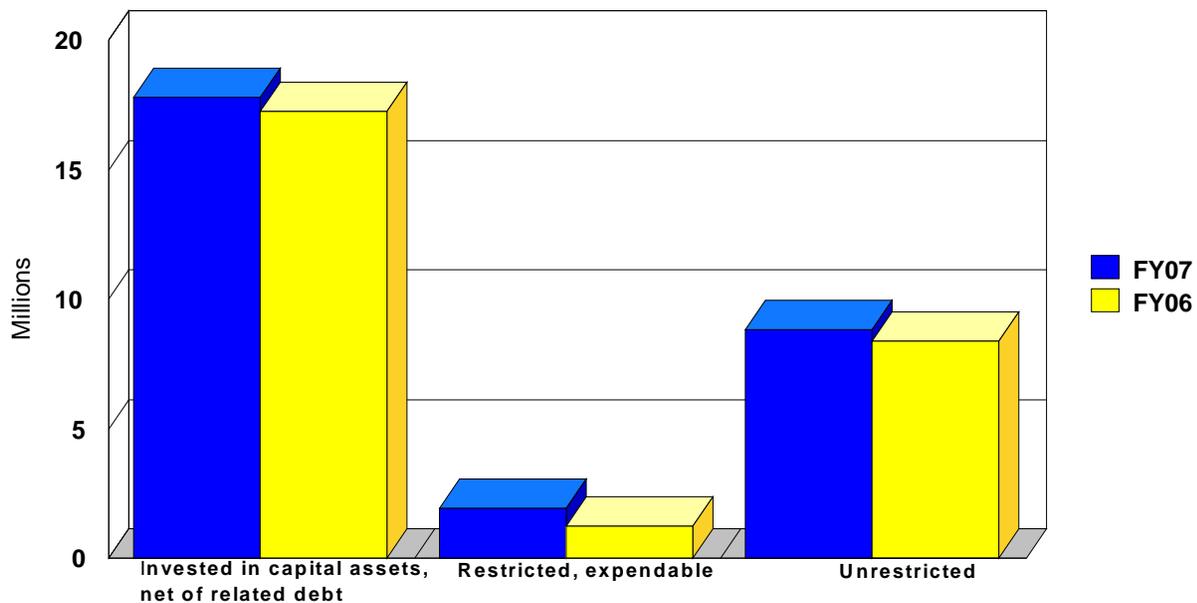
Restricted, expendable net assets in FY07 increased \$678,508 from FY06 or 53.8%. This was due to an increase in the performance of the Economic Development programs and some of the early retirement tax collection applying to the negative early retirement fund balance.

Unrestricted net assets increased \$403,366 or 4.8%. Much of this increase is the result of accounting for the dormitory operation and the food service activity. Construction on the Business Incubator began in March 2007.

Statement of Revenue, 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 Revenue, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenue received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenue, expenses, gains and losses received or spent by the College. The report reflects FY07 and FY06 numbers.

Comparison of Net Assets



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

Changes in Net Assets

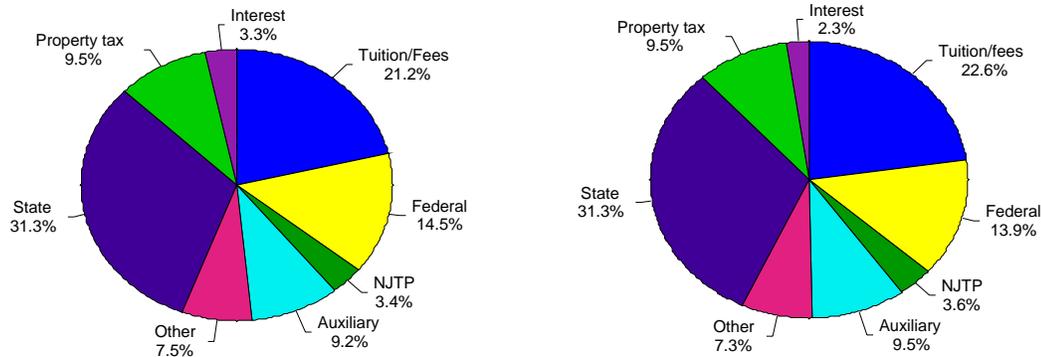
	<u>Year ended June 30, 2007</u>	<u>Year ended June 30, 2006</u>
Operating revenue:		
Tuition and fees	\$ 6,628,016	\$ 6,673,743
Federal appropriations	4,534,172	4,094,963
Sales and services	193,091	303,805
Iowa Industrial New Jobs Training Program	1,067,167	1,051,756
Accounts receivable and student loan interest	953	4,118
Auxiliary enterprises	2,861,372	2,820,567
Miscellaneous	<u>1,606,027</u>	<u>1,448,105</u>
Total operating revenue	16,890,798	16,397,057
Total operating expenses	<u>29,225,583</u>	<u>28,154,480</u>
Operating loss	<u>(12,334,785)</u>	<u>(11,757,423)</u>
Non-operating revenue (expenses)		
State appropriations	9,789,440	9,244,435
Property tax	2,962,592	2,810,438
Gifts	558,442	419,363
Interest income from investments	1,036,544	689,986
Interest on indebtedness	<u>(517,985)</u>	<u>(458,018)</u>
Net non-operating revenue	<u>13,829,033</u>	<u>12,706,204</u>
Increase in net assets before other revenue	1,494,248	948,781
Capital grants and gifts	<u>81,782</u>	<u>233,020</u>
Increase in net assets	1,576,030	1,181,801
Net assets beginning of year	<u>26,966,216</u>	<u>25,784,415</u>
Net assets end of year	<u>\$ 28,542,246</u>	<u>\$ 26,966,216</u>

The Statement of Revenue, Expenses, and Changes in Net Assets reflects a surplus with an increase (\$1,576,030 or 5.8%) in the net assets at the end of the fiscal year but did show an increase (\$577,362 or 4.9%) in net operating loss.

Total Revenue by Source

FY07

FY06



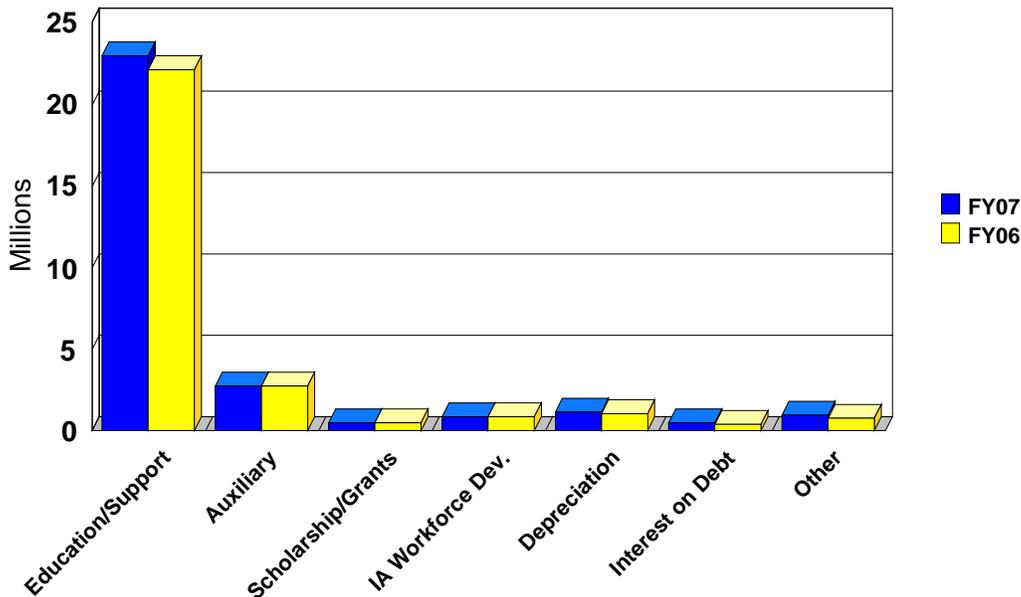
In fiscal year 2007, operating revenue increased \$493,741, or 3%, as a net result of the following changes:

- Tuition for credit classes increased due to an increase in the tuition rate from \$93.00 per credit hour in FY06 to \$96.00 per credit hour in FY07.
- Federal revenue increased \$439,209 or 10.7% in FY07 because of the activity supported by the United States Small Business Administration for the JPEC Incubator and the implementation of a United States Department of Education Title III Grant. The College's state aid increased by \$545,005. Unrestricted State aid dollars for FY07 are 5.9% higher than in FY06.
- Revenue associated with the Iowa Industrial New Jobs Training Program increased by \$15,411 in FY07. This program issues bonds used for workforce training by new or expanding companies. The bonds are repaid from employee state withholding revenue that is diverted to this program. Revenue depends on what is needed to make the annual principal and interest payments.

Operating Expenses

	<u>Year ended June 30, 2007</u>	<u>Year ended June 30, 2006</u>
Education and support:		
Liberal arts and science	\$ 5,949,220	\$ 5,582,036
Vocational technical	3,021,656	3,144,755
Adult education	3,485,018	3,483,153
Cooperative services	1,691,047	1,586,605
Administration	1,505,354	1,319,416
Student services	3,090,311	3,057,900
Learning resources	529,821	535,340
Physical plant	1,858,018	1,780,821
General institution	1,819,148	1,648,937
Auxiliary enterprises	2,726,290	2,746,834
Scholarship and grants	535,186	472,923
Iowa Workforce Development Contract	911,957	919,756
Loan cancellations and bad debt	2,125	2,309
Administrative and collection costs	967,613	791,378
Depreciation	<u>1,132,819</u>	<u>1,082,317</u>
 Total	 <u>\$ 29,225,583</u>	 <u>\$ 28,154,480</u>

Total Expenses



In FY07, operating expenses increased by 3.8% mainly due to faculty and staff receiving an average salary increase of 4.2% accompanied by a 5.35% increase in the cost of the College's health insurance program.

Statement of Cash Flows

The final statement included in North Iowa Area Community College's basic financial statements is the Statement of Cash Flows. The Statement of Cash Flows is an important tool in helping the users to assess an entity's ability to generate future net cash flows, its ability to meet its 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. Information is presented for FY07 and FY06.

Cash Flows

	<u>Year ended</u> <u>June 30, 2007</u>	<u>Year ended</u> <u>June 30, 2006</u>
Cash provided (used) by:		
Operating activities	\$ (11,176,376)	\$ (9,909,398)
Non-capital financing activities	13,259,193	12,801,800
Capital and related financing activities	(3,382,005)	(892,740)
Investing activities	<u>4,436,544</u>	<u>(2,660,014)</u>
Net increase (decrease) in cash	3,137,356	(660,352)
Cash beginning of the year	<u>2,496,775</u>	<u>3,157,127</u>
Cash end of the year	<u>\$ 5,634,131</u>	<u>\$ 2,496,775</u>

Cash used for operating activities includes tuition and fees, grants and contracts along with payments to employees and to suppliers. Much of the increase in use of cash for operating activities is related to costs associated with salary and benefits.

Cash provided by non-capital financing activities includes state appropriations, local property taxes received by the College and the receipt and disbursement of federal direct loan program proceeds. The increase in cash flow is directly related to the increase in state appropriations. NIACC's state appropriations increased by \$545,005 or 5.9%.

Cash used for capital and related financing activities represents the proceeds from debt, the principal and interest payments of debt and the purchase of capital assets. NIACC did not issue Iowa New Jobs Training bonds or any other debt in FY07. Payments for principal and interest on debt as well as acquisition of capital assets contributed to the change in "Capital and related financing activities".

Cash flows from investing activities reflects that more funds were invested in certificates of deposit a year ago. Investment income also increased in FY07 by \$346,558. Most of this is due to higher interest rates in FY07.

CAPITAL ASSETS

At June 30, 2007 the College has \$34,962,536 invested in capital assets, less accumulated depreciation of \$17,179,230. Depreciation charges totaled \$1,132,819 for the 2007 fiscal year. Details for the capital assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Land	\$ 340,756	\$ 340,756
Building	14,704,023	13,930,848
Construction in progress	88,001	332,672
Other structures and improvement	790,341	886,875
Equipment and vehicles	<u>1,860,185</u>	<u>1,797,999</u>
Total	<u>\$ 17,783,306</u>	<u>\$ 17,289,150</u>

With the completion of the maintenance and storage building, capital assets of land and buildings increased \$773,175 in FY07. Construction and remodeling on the Business Incubator began in the spring of 2007.

Planned capital expenditures for the fiscal year ended June 30, 2008 include the completion of the incubator construction/remodeling project, the completion of the remodeling of the Murphy Manufacturing Technology building for the welding program and the major portion of construction of a recreational facility. More detailed information about the College's capital assets is presented in Note 3 to the financial statements.

DEBT

At June 30, 2007, the College had \$7,670,000 in debt outstanding, a decrease of \$1,230,000 from FY06. The table below summarizes these amounts by type.

Outstanding Debt

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Certificates payable	<u>\$ 7,670,000</u>	<u>\$ 8,900,000</u>

More detailed information about the College's outstanding debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

North Iowa Area Community College continued to improve its financial positions during the current fiscal year. Increased state revenue for FY07 and FY08 has contributed to the financial health of the College. It appears that there will be a status quo revenue stream from the state in FY09. The continuing decline in the demographics of high school students continues to be a concern for College officials.

- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up-to-date technology at a reasonable cost.
- Demographics of the area continue to be a source of concern. The number of high school graduates will decline over the next five years and the population continues to age. This could impact enrollment at the College.
- Expenses will continue to increase due to normal increases in salaries and benefits. Higher utility costs will also contribute to increased costs of operation.

CONTACT THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, taxpayers in the community college district and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact North Iowa Area Community College, 500 College Drive, Mason City, IA 50401.

Basic Financial Statements

Statement of Net Assets

At June 30, 2007

	Primary Institution	<u>Component Unit</u> Foundation
Assets		
Current Assets		
Cash and certificates of deposit	\$ 18,884,131	\$ 1,783,027
Investment in marketable securities	—	8,418,433
Receivables		
Accounts (net of allowance for doubtful accounts		
College - \$230,421).....	937,008	67,177
Property tax - succeeding year	3,205,836	—
Notes (net of allowance for doubtful accounts -		
College - \$20,644).....	17,033	—
Iowa Industrial New Jobs Training Program	1,177,136	—
Contributions.....	—	135,250
Due from other governments	1,261,862	—
Prepaid expenses.....	4,491	—
Inventories.....	4,550	—
Total Current Assets	<u>25,492,047</u>	<u>10,403,887</u>
 Noncurrent Assets		
Investment in marketable securities	—	5,875,503
Receivables		
Notes.....	65,578	—
Iowa Industrial New Jobs Training Program	1,804,367	—
Contributions receivable	—	323,585
Investments in real estate.....	—	543,656
Beneficial interest in assets held by others	—	333,609
Capital assets, net of accumulated depreciation	17,783,306	—
Total Noncurrent Assets	<u>19,653,251</u>	<u>7,076,353</u>
 Total Assets	 <u>\$ 45,145,298</u>	 <u>\$ 17,480,240</u>

See accompanying notes to the financial statements.

	Primary Institution	<u>Component Unit Foundation</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 332,310	\$ 39,461
Salaries and benefits payable	899,008	—
Deferred compensation	42,375	—
Annuity payable	—	24,671
Interest payable	36,090	—
Compensated absences	477,440	—
Insurance claims incurred but not reported	37,032	—
Deposits held in custody for others	486,321	—
Advance payable	62,000	—
Deferred Revenue		
Succeeding year property tax	3,205,836	—
Tuition	378,292	—
Other	834,174	—
Early retirement payable	106,381	—
Certificates payable	1,420,000	—
Total Current Liabilities	<u>8,317,259</u>	<u>64,132</u>
Noncurrent Liabilities		
Early retirement payable	203,474	—
Deferred revenue, other	1,722,598	—
Deferred compensation	57,000	—
Annuity payable	—	66,653
Certificates payable	6,250,000	—
Refundable advances on student loans	52,721	—
Total Noncurrent Liabilities	<u>8,285,793</u>	<u>66,653</u>
Total Liabilities	<u>16,603,052</u>	<u>130,785</u>
Net Assets		
Invested in capital assets, net of related debt	17,783,306	—
Restricted		
Nonexpendable	—	2,552,594
Expendable		
Loans	16,033	—
Cash reserve	285,793	—
Other	1,636,967	12,164,504
Unrestricted	8,820,147	2,632,357
Total Net Assets	<u>28,542,246</u>	<u>17,349,455</u>
Total Liabilities and Net Assets	<u>\$ 45,145,298</u>	<u>\$ 17,480,240</u>

Statement of Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2007

	Primary Institution	<u>Component Unit Foundation</u>
Operating Revenue		
Tuition and fees, net of scholarship allowances of \$1,824,987	\$ 6,628,016	\$ —
Federal appropriations.....	4,534,172	—
Sales and service	193,091	—
Iowa Industrial New Jobs Training Program.....	1,067,167	—
Accounts receivable and student loan interest	953	—
Auxiliary enterprises	2,861,372	—
Contributions	—	1,072,467
Miscellaneous.....	1,606,027	205,295
Total Operating Revenue.....	<u>16,890,798</u>	<u>1,277,762</u>
Operating Expenses		
Education and Support		
Liberal arts and sciences	5,949,220	—
Vocational technical.....	3,021,656	—
Adult education	3,485,018	—
Cooperative services	1,691,047	—
Administration	1,505,354	—
Student services	3,090,311	—
Learning resources	529,821	—
Physical plant.....	1,858,018	—
General institution.....	1,819,148	—
Auxiliary enterprises	2,726,290	—
Scholarship and grants.....	535,186	—
Iowa Workforce Development contract.....	911,957	—
Loan cancellations and bad debts.....	2,125	—
Administrative and collection costs.....	967,613	—
Program services.....	—	1,092,509
Fundraising expenses	—	109,040
Management and general expenses	—	26,313
Depreciation	1,132,819	—
Total Operating Expenses.....	<u>29,225,583</u>	<u>1,227,862</u>
Operating Income (Loss).....	<u>(12,334,785)</u>	<u>49,900</u>
Nonoperating Revenue (Expenses)		
State appropriations	9,789,440	—
Property tax	2,962,592	—
Gifts	558,442	—
Investment income, net of investment expense of \$44,259 for the Foundation.....	1,036,544	2,156,560
Change in value of beneficial interests.....	—	(19,578)
Interest on indebtedness	(517,985)	—
Net Nonoperating Revenue	<u>13,829,033</u>	<u>2,136,982</u>
Increase in Net Assets Before Other Revenue	<u>1,494,248</u>	<u>2,186,882</u>
Capital grants and gifts.....	81,782	—
Increase in Net Assets	<u>1,576,030</u>	<u>2,186,882</u>
Net Assets - Beginning of Year	26,966,216	15,162,573
Net Assets - End of Year.....	<u>\$ 28,542,246</u>	<u>\$ 17,349,455</u>

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended June 30, 2007

Cash Flows From Operating Activities

Tuition and fees	\$ 6,634,106
Federal appropriations.....	4,184,111
Iowa Industrial New Jobs Training Program.....	1,615,760
Payments to employees for salaries and benefits	(17,107,640)
Payments to suppliers for goods and services	(9,889,468)
Payments to New Jobs Training Program recipients.....	(702,076)
Scholarships	(533,179)
Loans issued to students.....	(59,608)
Loan collections from students	19,969
Auxiliary enterprise receipts	2,877,529
Other receipts.....	<u>1,784,120</u>
Net Cash Used in Operating Activities	<u>(11,176,376)</u>

Cash Flows From Noncapital Financing Activities

State appropriations	9,793,302
Property tax	2,962,592
Gifts for other than capital purposes.....	558,442
Federal direct lending receipts	4,413,861
Federal direct lending disbursements.....	(4,493,461)
Miscellaneous agency fund receipts.....	465,381
Miscellaneous agency fund disbursements.....	<u>(440,924)</u>
Net Cash Provided by Noncapital Financing Activities	<u>13,259,193</u>

Cash Flows From Capital and Related Financing Activities

Gifts for purchase of capital assets	81,782
Acquisition of capital assets	(1,710,300)
Principal paid on debt.....	(1,230,000)
Interest paid on debt.....	<u>(523,487)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(3,382,005)</u>

Cash Flows From Investing Activities

Proceeds from maturity of certificates of deposit.....	25,250,000
Purchase of certificates of deposit.....	(21,850,000)
Investment income	<u>1,036,544</u>
Net Cash Provided by Investing Activities	<u>4,436,544</u>

Net Increase in Cash	3,137,356
Cash at Beginning of Year.....	<u>2,496,775</u>

Cash at End of Year.....	<u>\$ 5,634,131</u>
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Statement of Cash Flows

Year Ended June 30, 2007

Reconciliation of Loss From Operations to Net Cash Used in Operating Activities

Loss from operations	\$ (12,334,785)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Depreciation	1,132,819
Changes in Assets and Liabilities	
Increase in accounts receivable, net	(182,341)
Increase in notes receivable, net	(37,514)
Decrease in Iowa Industrial New Jobs Training Program receivable	340,584
Increase in due from governments	(350,061)
Decrease in prepaid expenses	5,298
Increase in inventories	(3,950)
Increase in accounts payable	(208,157)
Decrease in salaries and benefits payable	83,862
Decrease in deferred revenue	395,102
Increase in deferred compensation	(4,375)
Decrease in compensated absences	49,127
Increase in early retirement payable	(39,561)
Increase in reserve for unsubmitted insurance claims	(10,114)
Increase in refundable advances on student loans	(13,854)
Decrease in deposits held in custody	<u>1,544</u>
Net Cash Used in Operating Activities	<u>\$ (11,176,376)</u>

Supplemental Disclosures

Noncash, Capital Financing Activities

At June 30, 2007

Cash	\$ 5,634,131
Certificates of deposit	<u>13,250,000</u>
Total Cash and Certificates of Deposit	<u>\$ 18,884,131</u>

Noncash, Capital and Related Financing Activities

At June 30, 2007

Cost of property and equipment	\$ 1,626,975
Amounts Payable	
Prior year	131,889
Current year	<u>(48,564)</u>
Cash Paid for Property and Equipment	<u>\$ 1,710,300</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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

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

Reporting Entity

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

These financial statements present North Iowa Area Community College (the primary government) and its component unit. The component unit discussed below is included in the College's reporting entity because of the significance of its operational or financial relationship with the College. Certain disclosures about the component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the College.

Discrete Component Unit

North Iowa Area Community College Foundation (Foundation) is a legally separate not-for-profit foundation. The Foundation was established for the purpose of soliciting gifts and grants to support the activities and services of the College. The Foundation is governed by a Board of Directors who are not appointed by the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the resources that are held are used for the benefit of the College. A copy of the Foundation's financial statements may be obtained from Kathy Grove, Vice President for Administrative Services, Pierce Administration Building, Mason City, Iowa.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Basis of Presentation

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

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

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

Unrestricted Net Assets

Net assets that are not subject to externally imposed stipulations. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and general programs of the College.

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

GASB Statement No. 35 also requires the statements of net assets, revenue, expenses and changes in net assets and cash flows be reported on a consolidated basis. These basic financial statements report information on all of the activities of the College. For the most part, the effect of interfund activity has been removed from these statements.

Measurement Focus and Basis of Accounting

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Assets, Liabilities and Net Assets

Cash and Certificates of Deposit

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Certificates of deposit are stated at cost.

Due from Other Governments

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

Inventories

Inventories are valued at lower of cost (first-in, first-out method) or market. The cost is recorded as an expense at the time individual inventory items (which consists primarily of livestock) are sold or die.

Property Tax Receivable

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

Receivable for Iowa Industrial New Jobs Training Program (NJTP)

This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2007 on NJTP projects, including interest incurred on NJTP certificates, less revenue received to date.

Capital Assets

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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:

Land, buildings and improvements	\$ 5,000
Furniture, vehicles and equipment.....	5,000

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

Buildings.....	2 - 50 Years
Other structures	20 - 25 Years
Furniture, vehicles and equipment.....	4 - 20 Years

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

Deferred Revenue

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

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

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

Compensated Absences

College employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2007.

Advance Payable

The College entered into a five-year cost-sharing arrangement on December 30, 1998 related to health care education programs, services to health care providers and community health-related courses provided by the College. The arrangement automatically renewed on December 30, 2003 for an additional five-year period. Pursuant to the arrangement, the College was advanced \$62,000 (to be returned upon termination of the arrangement) and receives a subsidy equal to 76% of the operating and capital costs not covered by tuition and fees. The arrangement can be terminated by either party upon 90 days written notice. The subsidy for the year ended June 30, 2007 totaled \$62,000.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Refundable Advances on Student Loans

The Nursing Student Loan Program requires a return of federal capital contributions if the United States Government terminates the program.

Tuition and Fees

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

Auxiliary Enterprise Revenue

Auxiliary enterprise revenue primarily represents revenue generated by the dormitories, bookstore, food service, word processing, central stores and athletics.

Operating and Nonoperating Activities

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

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 revenue. 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.

Income Taxes

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

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Notes to the Financial Statements

(2) Cash and Certificates of Deposit

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 that there will be no loss of public funds.

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

Foundation

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

The Foundation's marketable securities are reported in accordance with SFAS No. 124 "Accounting for Certain Investments Held by Not-For-Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of net assets. Unrealized gains and losses are included in the change in net assets.

Marketable securities and other investments are stated at fair value. Fair value and unrealized appreciation at June 30, 2007 are summarized as follows:

	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Mutual Funds (Common Fund)			
Multi-Strategy Equity Fund.....	\$ 4,976,296	\$ 9,825,672	\$ 4,849,376
Multi-Strategy Bond Fund	3,367,900	3,853,736	485,836
Intermediate Term Fund.....	<u>571,163</u>	<u>565,281</u>	<u>(5,882)</u>
	8,915,359	14,244,689	5,329,330
Corporate stocks	<u>62,847</u>	<u>49,247</u>	<u>(13,600)</u>
	<u>\$ 8,978,206</u>	<u>\$ 14,293,936</u>	<u>\$ 5,315,730</u>

Notes to the Financial Statements

(3) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Capital Assets Not Being Depreciated				
Land	\$ 340,756	\$ —	\$ —	\$ 340,756
Construction in progress	<u>332,672</u>	<u>88,001</u>	<u>332,672</u>	<u>88,001</u>
Total Capital Assets Not Being Depreciated.....	<u>673,428</u>	<u>88,001</u>	<u>332,672</u>	<u>428,757</u>
Capital Assets Being Depreciated				
Buildings.....	24,690,277	1,381,126	—	26,071,403
Other structures and improvements...	2,618,096	—	—	2,618,096
Furniture, vehicles and equipment.....	<u>5,452,029</u>	<u>490,520</u>	<u>98,269</u>	<u>5,844,280</u>
Total Capital Assets Being Being Depreciated.....	<u>32,760,402</u>	<u>1,871,646</u>	<u>98,269</u>	<u>34,533,779</u>
Less Accumulated Depreciation For				
Buildings.....	10,759,429	607,951	—	11,367,380
Other structures and ...improvements	1,731,221	96,534	—	1,827,755
Furniture, vehicles and equipment.....	<u>3,654,030</u>	<u>428,334</u>	<u>(98,269)</u>	<u>3,984,095</u>
Total Accumulated Depreciation ..	<u>16,144,680</u>	<u>1,132,819</u>	<u>(98,269)</u>	<u>17,179,230</u>
Net Total Capital Assets Being Depreciated.....	<u>16,615,722</u>	<u>738,827</u>	<u>—</u>	<u>17,354,549</u>
Capital Assets, Net	<u>\$ 17,289,150</u>	<u>\$ 826,828</u>	<u>\$ 332,672</u>	<u>\$ 17,783,306</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Current Portion
Certificates payable	\$ 8,900,000	\$ —	\$ 1,230,000	\$ 7,670,000	\$ 1,420,000
Early retirement benefits.....	349,416	97,684	137,245	309,855	106,381
Deferred revenue, other	2,346,885	989,183	779,296	2,556,772	834,174
Deferred compensation	61,375	38,000	—	99,375	42,375
Advance payable	62,000	—	—	62,000	62,000
Refundable advances on student loans	<u>66,575</u>	<u>—</u>	<u>13,854</u>	<u>52,721</u>	<u>—</u>
	<u>\$ 11,786,251</u>	<u>\$ 1,124,867</u>	<u>\$ 2,160,395</u>	<u>\$ 10,750,723</u>	<u>\$ 2,464,930</u>

Notes to the Financial Statements

(4) Long-Term Liabilities

Certificates Payable

In accordance with agreements dated between December 1, 1995 and June 1, 2006, the College issued certificates totaling \$14,335,000 with interest rates ranging from 2.65% to 8.25%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
2008.....	\$ 1,420,000	\$ 464,132	\$ 1,884,132
2009.....	1,315,000	371,976	1,686,976
2010.....	1,245,000	293,823	1,538,823
2011.....	1,075,000	216,388	1,291,388
2012.....	910,000	153,155	1,063,155
2013 to 2016.....	<u>1,705,000</u>	<u>224,668</u>	<u>1,929,668</u>
Total	<u>\$ 7,670,000</u>	<u>\$ 1,724,142</u>	<u>\$ 9,394,142</u>

Total interest expenditures were \$517,985 for the certificates payable for the year ended June 30, 2007.

Early Retirement Benefits Payable

The liability at June 30, 2007 for those employees who have elected early retirement was \$309,855. For more details, see Note 8.

(5) Operating Leases

The College has leased various facilities within merged Area II to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2007 and 2008 and require various minimum annual rentals. Certain leases are renewable for additional periods. The College also leases several copiers, all with terms of five years, under operating leases. 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 following is a schedule by years of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2007.

Year Ending June 30,	
2008.....	\$ 52,704
2009.....	37,482
2010.....	37,482
2011.....	<u>28,111</u>
Total	<u>\$ 155,779</u>

Total rental expenditures for the year ended June 30, 2007 for all operating leases was \$55,917.

Notes to the Financial Statements

(6) Iowa Public Employees Retirement System

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

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The College's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 was \$325,151, \$329,681 and \$306,396, respectively, equal to the required contributions for the year.

(7) Teachers Insurance and Annuity Association - College Retirement Equities Fund

The College contributes to the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.7% and the College is required to contribute 5.75%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2007 were \$355,373 and \$228,675, respectively.

(8) Termination Benefits

The College offers a voluntary early retirement plan to its employees. In order to qualify, an employee must be a minimum of 59 years of age and have ten or more years of service with the College in a part-time or full-time Board-approved position. Written acceptance of this offer must be received by the President by the first Monday of January in the year of retirement. Acceptance of this offer shall be considered by the Board as a voluntary resignation and termination of the continuing contract. An eligible employee may select one of the following options (1) cash payment, (2) partially paid family health insurance coverage, (3) partially paid individual health insurance coverage and partial cash payment or (4) mid-year early retirement. Early retirement benefits shall be calculated as a percent of the employee's last Board-approved salary.

A staff member electing retirement may, at his or her option, elect at the time of retirement to apply any retirement cash incentive, so long as it lasts, directly to continued participation in the College's group health insurance plan and/or life insurance plan (maximum benefits for life insurance coverage are equal to two times the employee's last annual salary rounded to the next highest thousand), provided that the College's insurer allows such. Such continued participation is limited to the plan that is offered to continuing staff members and is subject to the same terms, conditions, options and cost-sharing arrangements applicable to continuing staff members. Any unused cash incentive upon cessation of group health and/or life insurance plan participation shall be paid directly to the retiree or his or her beneficiary.

Notes to the Financial Statements

(8) Termination Benefits

A retiree may elect to continue to insure his/her spouse in the College's group health plan until the spouse becomes eligible for Medicare. All costs of continued participation shall be paid by the participant.

If a staff member is at least 55 years of age, has ten years of service and has accumulated at least 90 days of sick leave on February 1 of the year of retirement, \$3,700 will be given for the accumulated sick leave. Those who meet the age and service criteria will be paid proportionately if they have less than 90 days on February 1 of the retirement year.

Included in the early retirement liability is a provision for future health insurance benefits elected by 20 retirees. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2007, 21 retirees received early retirement benefits. The College's early retirement expense for the year ended June 30, 2007 was \$137,245.

(9) Risk Management

The College is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The College assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage during the year ended June 30, 2007.

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

Beginning balance	\$ 47,145
Claims and changes in estimates	194,938
Claims and administrative fees paid	(205,051)
Ending Balance	<u>\$ 37,032</u>

(10) New Jobs Training Programs

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area II 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 jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the case of default, from standby property tax. Since inception, the Community College has administered 106 projects with 19 currently receiving project funding. The remaining 87 projects have been completed, of which 36 are in repayment process and 51 have been fully repaid.

Notes to the Financial Statements

(10) New Jobs Training Programs

The College has a receivable totaling approximately \$386,000 from an employer who is making an attempt to pay the balance. However, it appears doubtful that the employer is going to be able to make the payments. The College has not set up an allowance as they intend to levy a property tax for this uncollectible account. The tax levy will correspond with the repayment schedule that would have been followed by the employer.

The College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Area II in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses receive loans from the Iowa Employment Training Fund, a State administered fund. Since inception, the College has administered 155 projects, with 22 currently receiving project funding and the remaining 133 have been completed.

(11) Commitments

As of June 30, 2007, the College had outstanding commitments for capital improvements to facilities of approximately \$460,000.

(12) Related Party Transactions

The North Iowa Area Community College Foundation provided funding for various projects of the College. The Foundation committed to and paid approximately \$82,000 for the auditorium project for the year ended June 30, 2007. The Foundation also owed \$38,850 to the College as of June 30, 2007, which is reflected in the Statement of Net Assets.

(13) Subsequent Events

On August 7, 2007, the Board of Directors approved the contract for the recreation center project totaling \$5,189,615. On September 20, 2007 the Board of Directors approved the issuance of \$2,000,000 of capital loan notes to assist in funding the construction of the recreation center.

On September 20, 2007, the Board of Directors approved the contract for the welding lab addition and remodeling project totaling \$508,500.

On November 13, 2007, the Board of Directors approved the issuance of Industrial New Jobs Training certificates totaling \$1,105,000 for new projects.

Required Supplementary Information

Schedule of Budgetary Comparison of Expenditures - Budget and Actual

Year Ended June 30, 2007

	Original and Final Budget	Actual	Variance With Final Budget
Unrestricted	\$ 21,063,100	\$ 20,374,546	\$ 688,554
Restricted	5,382,671	2,687,593	2,695,078
Unemployment	30,000	37,543	(7,543)
Insurance.....	293,000	294,540	(1,540)
Early retirement	125,000	135,601	(10,601)
Equipment replacement.....	<u>753,216</u>	<u>723,146</u>	<u>30,070</u>
Total Restricted.....	<u>6,583,887</u>	<u>3,878,423</u>	<u>2,705,464</u>
Plant	<u>3,000,000</u>	<u>2,020,126</u>	<u>979,874</u>
Total	<u>\$ 30,646,987</u>	<u>\$ 26,273,095</u>	<u>\$ 4,373,892</u>

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

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Workforce Improvement Act, Scholarships and Grants Accounts, Loan Funds, Endowment Funds and Agency Funds.

The College overexpended its budget in the unemployment, insurance and early retirement functions.

Note 1 - Reconciliation Between Budgetary Basis Statement and GAAP Expenses

The budget is prepared on the current financial resources measurement focus and does not include several groups of expenditures. The reconciliation between the expenditures on the budgetary basis and the GAAP basis statement of revenue, expenses and changes in net assets is as follows:

Total actual expenditures above, budgetary basis	\$ 26,273,095
Items Not Required to be Budgeted	
Auxiliary enterprises.....	3,202,981
Scholarships and grants	2,272,500
Iowa Workforce Development contract	999,964
Loan funds	31,716
Investment in plant.....	98,269
Accrual adjustments	<u>(3,134,957)</u>
Total Expenses	<u>\$ 29,743,568</u>

Expenses from the statement of revenue, expenses and changes in net assets are as follows:

Total operating expenses	\$ 29,225,583
Interest on indebtedness	<u>517,985</u>
Total Expenses	<u>\$ 29,743,568</u>

Other Supplementary Information

Other Supplementary Information

Other supplementary information of the College is presented on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenue and expenditures.

The various fund groups and their designated purposes are as follows:

Current Funds - The Current 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 Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the College.

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide noninstructional services for sales to students, staff and/or institutional departments, and which are supplemental to the educational and general objectives of the College.

Restricted Fund - The Restricted Fund is 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.

Loan Funds - The Loan Funds are used to account for loans to students, and are financed primarily by the federal government.

Plant Funds - The Plant Funds are used to account for transactions relating to investment in the College properties, and consist of the following self-balancing subfunds:

Unexpended - This account is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

Investment in Plant - This account is used to account for the excess of the carrying value of plant assets over the related liabilities.

Agency Funds - The Agency Funds are used to account for assets held by the College in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities.

Statements presented in other supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The schedules of revenue, expenditures and changes in fund balances are statements of financial activities related to the current reporting period. They do not purport to present the results of operations or net income or loss for the period as would statements of income or statements of revenue and expenses.

Combining Balance Sheet Schedule

At June 30, 2007

	Current Funds		Loan Funds	Plant Funds		Agency Funds	Adjustments	Total
	Unrestricted	Restricted		Unexpended	Investment in Plant			
Assets								
Cash and certificates of deposit	\$ 5,437,692	\$ 8,954,764	\$ 48,421	\$ 4,238,044	\$ —	\$ 205,210	\$ —	\$ 18,884,131
Receivables								
Accounts (net of allowance for doubtful accounts - \$230,421)	848,689	153	—	40,700	—	47,466	—	937,008
Property tax.....	983,290	1,239,256	—	983,290	—	—	—	3,205,836
Notes (net of allowance for doubtful accounts - \$20,644).....	—	45,908	36,703	—	—	—	—	82,611
Iowa Industrial New Jobs Training Program	—	2,981,503	—	—	—	—	—	2,981,503
Due from other funds.....	8,735	26,984	—	—	—	—	(35,719)	—
Due from other governments.....	394,073	496,995	—	88,001	—	282,793	—	1,261,862
Prepaid expenses.....	1,878	2,613	—	—	—	—	—	4,491
Inventories.....	4,550	—	—	—	—	—	—	4,550
Plant Assets								
Land.....	—	—	—	—	340,756	—	—	340,756
Buildings	—	—	—	—	26,071,403	—	—	26,071,403
Construction in progress.....	—	—	—	—	88,001	—	—	88,001
Other structures and improvements.....	—	—	—	—	2,618,096	—	—	2,618,096
Furniture and equipment.....	—	—	—	—	5,844,280	—	—	5,844,280
Accumulated depreciation.....	—	—	—	—	—	—	(17,179,230)	(17,179,230)
Total Assets	\$ 7,678,907	\$ 13,748,176	\$ 85,124	\$ 5,350,035	\$ 34,962,536	\$ 535,469	\$ (17,214,949)	\$ 45,145,298
Liabilities and Fund Equity								
Liabilities								
Accounts payable	\$ 175,982	\$ 34,494	\$ 14,735	\$ 48,564	\$ —	\$ 58,535	\$ —	\$ 332,310
Salaries and benefits payable	974,717	56,030	—	—	—	—	(32,364)	998,383
Interest payable	—	36,090	—	—	—	—	—	36,090
Due to other funds.....	16,322	—	1,635	—	—	17,762	(35,719)	—
Compensated absences.....	387,115	90,325	—	—	—	—	—	477,440
Insurance claims incurred but not reported	37,032	—	—	—	—	—	—	37,032
Deposits held in custody for others	27,149	—	—	—	—	459,172	—	486,321
Advance payable.....	62,000	—	—	—	—	—	—	62,000
Deferred Revenue								
Succeeding year property tax	983,290	1,239,256	—	983,290	—	—	—	3,205,836
Tuition	264,635	—	—	—	—	—	113,657	378,292
Other	167,406	2,389,366	—	—	—	—	—	2,556,772
Early retirement payable.....	—	309,855	—	—	—	—	—	309,855
Certificates payable.....	—	7,670,000	—	—	—	—	—	7,670,000
Refundable advances on student loans	—	—	52,721	—	—	—	—	52,721
Total Liabilities	3,095,648	11,825,416	69,091	1,031,854	—	535,469	45,574	16,603,052
Fund Balance								
Invested in capital assets, net of related debt	—	—	—	—	34,962,536	—	(17,179,230)	17,783,306
Fund Balances								
Restricted, Expendable								
Loans	—	—	16,033	—	—	—	—	16,033
Cash reserve.....	—	285,793	—	—	—	—	—	285,793
Other	—	1,636,967	—	—	—	—	—	1,636,967
Unrestricted.....	3,614,795	—	—	4,318,181	—	—	(81,293)	7,851,683
Auxiliary enterprises.....	968,464	—	—	—	—	—	—	968,464
Total Fund Balance	4,583,259	1,922,760	16,033	4,318,181	34,962,536	—	(17,260,523)	28,542,246
Total Liabilities and Fund Equity	\$ 7,678,907	\$ 13,748,176	\$ 85,124	\$ 5,350,035	\$ 34,962,536	\$ 535,469	\$ (17,214,949)	\$ 45,145,298

Combining Schedule of Revenue, Expenditures and Changes in Fund Balance

Year Ended June 30, 2007

Revenue	Current Funds		Loan Funds	Plant Funds		Adjustments	Total
	Unrestricted	Restricted		Unexpended	Investment in Plant		
General							
State appropriations.....	\$ 9,067,615	\$ 610,929	\$ —	\$ 110,896	\$ —	\$ —	\$ 9,789,440
Tuition and fees	8,563,029	—	—	—	—	(1,935,013)	6,628,016
Property tax.....	961,301	1,039,990	—	961,301	—	—	2,962,592
Federal appropriations.....	401,672	4,044,499	—	88,001	—	—	4,534,172
Sales and services.....	251,127	535	—	—	—	(58,571)	193,091
Interest on investments.....	221,395	542,059	2,887	217,878	—	—	984,219
Accounts receivable and student loan interest	472	—	481	—	—	—	953
Iowa Industrial New Jobs Training Program	—	1,067,167	—	—	—	—	1,067,167
Increase in plant investment due to plant expenditures (including \$490,520 in current fund expenditures)	—	—	—	—	1,626,975	(1,626,975)	—
Gifts.....	100,489	235,576	—	81,782	—	—	417,847
Miscellaneous	1,337,202	373,536	24,559	2,840	—	(132,110)	1,606,027
Total General	20,904,302	7,914,291	27,927	1,462,698	1,626,975	(3,752,669)	28,183,524
Auxiliary Enterprises							
Sales and services.....	3,290,627	—	—	—	—	(453,039)	2,837,588
Interest on investments.....	52,325	—	—	—	—	—	52,325
Gifts.....	222,377	—	—	—	—	—	222,377
Miscellaneous	23,784	—	—	—	—	—	23,784
Total Auxiliary Enterprises	3,589,113	—	—	—	—	(453,039)	3,136,074
Total Revenue.....	24,493,415	7,914,291	27,927	1,462,698	1,626,975	(4,205,708)	31,319,598
Expenditures							
Education and Support							
Liberal arts and sciences	5,754,408	188,625	—	—	—	6,187	5,949,220
Vocational technical	2,934,946	150,516	—	—	—	(63,806)	3,021,656
Adult education	3,477,734	53,980	—	—	—	(46,696)	3,485,018
Cooperative services	27,937	1,758,271	—	—	—	(95,161)	1,691,047
Administration	1,457,994	112,541	—	—	—	(65,181)	1,505,354
Student services	2,781,502	323,551	—	—	—	(14,742)	3,090,311
Learning resources	524,265	5,608	—	—	—	(52)	529,821
Physical plant.....	1,741,103	239,046	—	—	—	(122,131)	1,858,018
General institution	1,674,657	528,300	—	—	—	(383,809)	1,819,148
Total Education and Support.....	20,374,546	3,360,438	—	—	—	(785,391)	22,949,593
Auxiliary enterprises	3,202,981	—	—	—	—	(476,691)	2,726,290
Scholarships and grants	—	2,272,500	—	—	—	(1,737,314)	535,186
Iowa Workforce Development contract.....	—	999,964	—	—	—	(88,007)	911,957
Loan cancellations and bad debts.....	—	—	2,125	—	—	—	2,125
Administrative and collection costs.....	—	—	29,591	938,022	—	—	967,613
Plant asset acquisitions.....	—	—	—	1,082,104	—	(1,082,104)	—
Loss on disposal of plant assets.....	—	—	—	—	98,269	(98,269)	—
Interest on indebtedness	—	517,985	—	—	—	—	517,985
Depreciation	—	—	—	—	—	1,132,819	1,132,819
Total Expenditures.....	23,577,527	7,150,887	31,716	2,020,126	98,269	(3,134,957)	29,743,568
Revenue Over (Under) Expenditures.....	915,888	763,404	(3,789)	(557,428)	1,528,706	(1,070,751)	1,576,030
Other Financing Sources (Uses)							
Transfers in.....	527,605	1,789	—	447,000	—	(976,394)	—
Transfers out	(893,498)	(81,107)	(1,789)	—	—	976,394	—
Total Other Financing Sources (Uses).....	(365,893)	(79,318)	(1,789)	447,000	—	—	—
Net.....	549,995	684,086	(5,578)	(110,428)	1,528,706	(1,070,751)	1,576,030
Fund Balances - Beginning of Year.....	4,033,264	1,238,674	21,611	4,428,609	33,433,830	(16,189,772)	26,966,216
Fund Balances- End of Year.....	\$ 4,583,259	\$ 1,922,760	\$ 16,033	\$ 4,318,181	\$ 34,962,536	\$ (17,260,523)	\$ 28,542,246

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Unrestricted Fund - Education and Support

Year Ended June 30, 2007

	Education				Support					Total
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	
Revenue										
State appropriations, grants and contracts.....	\$ 4,723,134	\$ 2,055,785	\$ 2,281,438	\$ —	\$ 5,227	\$ 2,031	\$ —	\$ —	\$ —	\$ 9,067,615
Tuition and fees.....	5,653,614	1,539,354	1,369,211	—	—	850	—	—	—	8,563,029
Property tax.....	—	—	—	—	961,301	—	—	—	—	961,301
Federal appropriations.....	—	148,337	242,949	—	4,840	5,546	—	—	—	401,672
Sales and services.....	4,369	45,199	124,953	5,750	—	1,475	891	68,490	—	251,127
Interest on investments.....	—	—	7,654	—	213,741	—	—	—	472	221,867
Gifts.....	2,241	6,978	6,983	—	—	—	437	—	83,850	100,489
Miscellaneous.....	269,455	263,807	685,543	—	66,255	32,681	286	16,566	2,609	1,337,202
	10,652,813	4,059,460	4,718,731	5,750	1,251,364	42,583	1,614	85,056	86,931	20,904,302
Allocation of support services.....	713,418	251,337	502,793	—	(1,251,364)	(42,583)	(1,614)	(85,056)	(86,931)	—
Total Revenue.....	11,366,231	4,310,797	5,221,524	5,750	—	—	—	—	—	20,904,302
Expenditures										
Salaries and benefits.....	5,446,286	2,491,330	1,426,363	—	935,353	2,145,470	370,844	1,034,493	776,800	14,626,939
Services.....	106,400	205,461	1,746,438	26,198	161,316	151,531	9,395	311,098	820,129	3,537,966
Materials and supplies.....	130,596	187,820	259,849	1,062	64,756	95,140	143,089	341,342	48,010	1,271,664
Travel.....	71,126	30,585	45,084	560	40,670	34,924	937	390	29,718	253,994
Plant asset acquisitions.....	—	19,750	—	—	—	—	—	53,780	—	73,530
Miscellaneous.....	—	—	—	117	255,899	354,437	—	—	—	610,453
	5,754,408	2,934,946	3,477,734	27,937	1,457,994	2,781,502	524,265	1,741,103	1,674,657	20,374,546
Allocation of support services.....	3,976,304	1,400,852	2,802,365	—	(1,457,994)	(2,781,502)	(524,265)	(1,741,103)	(1,674,657)	—
Total Expenditures.....	9,730,712	4,335,798	6,280,099	27,937	—	—	—	—	—	20,374,546
Revenue Over (Under) Expenditures.....	1,635,519	(25,001)	(1,058,575)	(22,187)	—	—	—	—	—	529,756
Other Financing Sources (Uses)										
Transfers in.....	296,498	—	81,107	—	—	—	—	—	—	377,605
Transfers out.....	—	—	—	—	—	—	—	(447,000)	—	(447,000)
Total Other Financing Sources (Uses).....	296,498	—	81,107	—	—	—	—	(447,000)	—	(69,395)
Net.....	\$ 1,932,017	\$ (25,001)	\$ (977,468)	\$ (22,187)	\$ —	\$ —	\$ —	\$ (447,000)	\$ —	460,361
Fund Balances - Beginning of Year.....										3,154,434
Fund Balances - End of Year.....										\$ 3,614,795

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Unrestricted Fund - Auxiliary Enterprises

Year Ended June 30, 2007

	Trade and Industry	Farm	Food Services	Auditorium	Dormitories	Athletics	Tech-Prep	Miscellaneous	Total
Revenue									
Sales and services	\$ 63,970	\$ 169,392	\$ 1,041,588	\$ 492,045	\$ 1,355,631	\$ 150,593	\$ —	\$ 17,408	\$ 3,290,627
Interest on investments	2,020	1,540	21,534	3,788	14,892	—	402	8,149	52,325
Gifts	—	20,256	—	42,349	—	159,772	—	—	222,377
Miscellaneous	—	1,586	2,172	3,371	9,815	6,840	—	—	23,784
Total Revenue	<u>65,990</u>	<u>192,774</u>	<u>1,065,294</u>	<u>541,553</u>	<u>1,380,338</u>	<u>317,205</u>	<u>402</u>	<u>25,557</u>	<u>3,589,113</u>
Expenditures									
Salaries and benefits	—	40,622	348,426	68,685	206,853	8,600	—	—	673,186
Service	—	57,744	8,116	430,089	243,107	66,735	—	—	805,791
Materials and supplies	53,361	94,867	467,554	6,499	36,619	110,267	—	—	769,167
Travel	—	35	2,728	1,951	—	135,452	—	—	140,166
Miscellaneous	—	—	—	—	652,324	162,347	—	—	814,671
Total Expenditures	<u>53,361</u>	<u>193,268</u>	<u>826,824</u>	<u>507,224</u>	<u>1,138,903</u>	<u>483,401</u>	<u>—</u>	<u>—</u>	<u>3,202,981</u>
Revenue Over (Under) Expenditures	<u>12,629</u>	<u>(494)</u>	<u>238,470</u>	<u>34,329</u>	<u>241,435</u>	<u>(166,196)</u>	<u>402</u>	<u>25,557</u>	<u>386,132</u>
Other Financing Sources (Uses)									
Transfers In	—	—	—	—	—	150,000	—	—	150,000
Transfers out	—	—	(125,000)	—	(296,498)	—	—	(25,000)	(446,498)
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>(125,000)</u>	<u>—</u>	<u>(296,498)</u>	<u>150,000</u>	<u>—</u>	<u>(25,000)</u>	<u>(296,498)</u>
Net	12,629	(494)	113,470	34,329	(55,063)	(16,196)	402	557	89,634
Fund Balances - Beginning of Year	46,388	3,660	335,068	100,284	297,403	(49,137)	8,571	136,593	878,830
Fund Balances - End of Year	<u>\$ 59,017</u>	<u>\$ 3,166</u>	<u>\$ 448,538</u>	<u>\$ 134,613</u>	<u>\$ 242,340</u>	<u>\$ (65,333)</u>	<u>\$ 8,973</u>	<u>\$ 137,150</u>	<u>\$ 968,464</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Restricted Fund

Year Ended June 30, 2007

	Scholarships and Grants	Equipment Replace- ment	Insurance	Unemploy- ment Early Retire- ment	Compens- ation	Cash Reserve	Iowa Workforce Development Contract Workforce Invest- ment Act	Temporary Assist- ance for Needy Families	Other	Iowa Industrial New Jobs Training Program Adminis- tration	Iowa Industrial New Jobs Training Program	Miscel- laneous	Total
Revenue													
State appropriations	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 99,442	\$ —	\$ —	\$ 511,487	\$ 610,929
Property tax	—	427,245	291,426	301,525	19,794	—	—	—	—	—	—	—	1,039,990
Federal appropriations.....	2,272,500	—	—	—	—	—	396,622	377,473	126,427	—	—	871,477	4,044,499
Sales and services	—	—	—	—	—	—	—	—	—	—	—	535	535
Interest on investments	66	40,605	—	—	107	—	—	—	—	300,519	173,166	27,596	542,059
Iowa Industrial New Jobs Training Program Gifts	—	—	—	—	—	—	—	—	—	—	1,067,167	—	1,067,167
Miscellaneous	—	—	33,944	—	—	—	—	—	—	283,237	—	235,576	235,576
Total Revenue.....	2,272,566	467,850	325,370	301,525	19,901	—	396,622	377,473	225,869	583,756	1,240,333	1,703,026	7,914,291
Expenditures													
Salaries and benefits	—	—	—	135,601	37,543	—	162,971	300,128	129,427	235,275	—	894,377	1,895,322
Services.....	—	—	294,540	—	—	—	221,869	61,746	62,014	14,984	722,348	143,755	1,521,256
Materials and supplies.....	—	—	—	—	—	—	7,314	11,989	29,225	861	—	84,014	133,403
Travel.....	—	—	—	—	—	—	4,468	3,610	5,203	5,370	—	33,294	51,945
Plant asset acquisitions.....	—	723,146	—	—	—	—	—	—	—	—	—	5,330	728,476
Interest on indebtedness	—	—	—	—	—	—	—	—	—	—	517,985	—	517,985
Federal Pell Grant Program.....	2,184,006	—	—	—	—	—	—	—	—	—	—	—	2,184,006
Federal Supplemental Education Opportunity Grants.....	88,494	—	—	—	—	—	—	—	—	—	—	—	88,494
Miscellaneous.....	—	—	—	—	—	—	—	—	—	—	—	30,000	30,000
Total Expenditures.....	2,272,500	723,146	294,540	135,601	37,543	—	396,622	377,473	225,869	256,490	1,240,333	1,190,770	7,150,887
Revenue Over (Under) Expenditures.....	66	(255,296)	30,830	165,924	(17,642)	—	—	—	—	327,266	—	512,256	763,404
Other Financing Sources (Uses)													
Transfers in.....	—	—	—	—	—	—	—	—	—	1,789	—	—	1,789
Transfers out	—	—	—	—	—	—	—	—	—	(81,107)	—	—	(81,107)
Total Other Financing Sources (Uses).....	—	—	—	—	—	—	—	—	—	(79,318)	—	—	(79,318)
Net.....	66	(255,296)	30,830	165,924	(17,642)	—	—	—	—	247,948	—	512,256	684,086
Fund Balances - Beginning of Year.....	1,803	848,464	16,886	(469,438)	16,401	285,793	—	—	2,377	273,014	—	263,374	1,238,674
Fund Balances - End of Year	\$ 1,869	\$ 593,168	\$ 47,716	\$ (303,514)	\$ (1,241)	\$ 285,793	\$ —	\$ —	\$ 2,377	\$ 520,962	\$ —	\$ 775,630	\$ 1,922,760

Combining Schedule of Changes in Deposits Held in Custody for Others - Agency Fund

Year Ended June 30, 2007

	Fine Arts	Student Organi- zations	Iowa Small Business New Jobs Training Program	Federal Direct Student Loan Program	Miscel- laneous	Total
Balances - Beginning of Year.....	<u>\$ 67,257</u>	<u>\$ 25,888</u>	<u>\$ 270,745</u>	<u>\$ —</u>	<u>\$ 69,081</u>	<u>\$ 432,971</u>
Additions						
State appropriations ..	—	—	173,317	—	—	173,317
Federal appropriations	—	—	—	4,493,461	—	4,493,461
Tuition and fees	2,027	92,657	—	—	1,000	95,684
Sales and services	24,322	25,835	—	—	12,120	62,277
Interest on investments	2,874	2,416	12,908	—	7,008	25,206
Miscellaneous.....	1,400	—	—	—	135,309	136,709
Total Additions	<u>30,623</u>	<u>120,908</u>	<u>186,225</u>	<u>4,493,461</u>	<u>155,437</u>	<u>4,986,654</u>
Deductions						
Salaries and benefits	538	57	—	—	651	1,246
Services.....	13,819	60,348	190,311	4,493,461	130,328	4,888,267
Materials and supplies	10,901	9,422	—	—	2,176	22,499
Travel.....	10,159	29,189	—	—	918	40,266
Miscellaneous.....	795	7,380	—	—	—	8,175
Total Deductions .	<u>36,212</u>	<u>106,396</u>	<u>190,311</u>	<u>4,493,461</u>	<u>134,073</u>	<u>4,960,453</u>
Balances - End of Year	<u>\$ 61,668</u>	<u>\$ 40,400</u>	<u>\$ 266,659</u>	<u>\$ —</u>	<u>\$ 90,445</u>	<u>\$ 459,172</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Small Business Administration - Direct			
Congressional Mandated Award - Incubator	59.SBAHQ-06-I-0090		<u>\$ 222,368</u>
U.S. Department of Veterans Affairs - Direct			
Vocational Rehabilitation for Disabled Veterans	64.116		<u>546</u>
U.S. Department of Education - Direct			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		57,224
Federal Work-Study Program	84.033		76,717
Federal Pell Grant Program	84.063		2,188,846
Federal Direct Student Loans	84.268		4,493,461
Academic Competitiveness Grants	84.375		<u>26,325</u>
Total Student Financial Aid Cluster			<u>6,842,573*</u>
TRIO-Student Support Services	84.042		<u>234,276</u>
Total U.S. Department of Education - Direct...			<u>7,076,849</u>
U.S. Department of Agriculture - Indirect			
Rural Community Development Initiative	10.446		<u>30,800</u>
U.S. Department of Labor - Indirect			
Pass-Through Iowa Workforce Development			
Employment Service Cluster			
Employment Service - Incentive Awards	17.207	1-W-02-FR-0	18,405
Employment Service/Wagner-Peyser Funded Activities	17.207	1-W-02-FR-0	54,535
Work Incentive Grants	17.266	1-W-02-FR-0	3,942
Disabled Veterans' Outreach Program	17.801	1-W-02-FR-0	<u>1,536</u>
Total Employment Service Cluster			<u>78,418</u>
Unemployment Insurance	17.225	1-W-02-FR-0	<u>58,068</u>
Workforce Investment Act Cluster			
WIA Adult Program	17.258	1-W-02-FR-0	88,776
WIA Youth Activities	17.259	1-W-02-FR-0	70,611
WIA Dislocated Workers	17.260	1-W-02-FR-0	<u>218,830</u>
Total Workforce Investment Cluster			<u>378,217</u>
Incentive Grants - WIA Section 503	17.267	28106	<u>27,005</u>
Pass-Through Iowa Department of Education			
Mine Health and Safety Grants	17.600		<u>8,563</u>
Total U.S. Department of Labor - Indirect			<u>550,271</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
U.S. Small Business Administration - Indirect			
Pass-Through Iowa State University Small Business Development Center	59.037		<u>\$ 57,996</u>
U.S. Department of Education - Indirect			
Pass-Through Iowa Department of Education Adult Education - State Grant Program	84.002		234,386
Higher Education - Institutional Aid	84.031		231,154
Vocational Education - Basic Grants to States	84.048		158,932
Tech-Prep Education	84.243		79,006
Total U.S. Department of Education - Indirect			<u>703,478</u>
U.S. Department of Health and Human Services - Indirect			
Pass-Through Iowa Department of Education Student Financial Aid Cluster Nursing Student Loans - Federal Capital Contributions	93.364		57,047*
Pass-Through Iowa Workforce Development Temporary Assistance for Needy Families	93.558	1-W-02-FR-0	<u>371,394</u>
Total U.S. Department of Health and Human Services - Indirect			<u>428,441</u>
Social Security Administration - Indirect			
Pass-Through Iowa Workforce Development Social Security - Research and Demonstration	96.007	1-W-02-FR-0	<u>1,827</u>
Total Federal Financial Assistance			<u>\$ 9,072,576</u>

* Total Student Financial Aid Cluster - \$6,899,620.

(1) Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of North Iowa Area Community College and is presented on the accrual basis of accounting. The information 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.

(2) Loans Outstanding

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

The amount presented for Nursing Student Loans represents the balance of loans outstanding as of June 30, 2007 of \$57,047. Loan balances at June 30, 2007 include new loans advanced during the year of \$4,750 and \$52,297 for the balance of loans from previous years for which the government imposes continuing compliance requirements.

Statistical Section



Schedule of Credit and Contact Hours

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	51,222	6	51,228	1,073,169	108	1,073,277
Vocational education	14,799	—	14,799	399,307	—	399,307
Adult education/ continuing education	—	—	—	460,871	51,045	511,916
Total	<u>66,021</u>	<u>6</u>	<u>66,027</u>	<u>1,933,347</u>	<u>51,153</u>	<u>1,984,500</u>

Schedule of Tax and Intergovernmental Revenue

Years Ended June 30, 2007, 2006, 2005 and 2004

	2007	2006	2005	2004
Local (property tax).....	\$ 2,962,592	\$ 2,810,438	\$ 2,757,931	\$ 2,903,480
State	9,789,440	9,244,435	8,674,524	7,862,838
Federal	<u>4,534,172</u>	<u>4,094,963</u>	<u>4,377,657</u>	<u>4,277,760</u>
Total	<u>\$ 17,286,204</u>	<u>\$ 16,149,836</u>	<u>\$ 15,810,112</u>	<u>\$ 15,044,078</u>

Schedule of Current Funds Revenue by Source and Expenditures by Function

Years Ended June 30, 2007, 2006, 2005 and 2004

	2007	2006	2005	2004
Revenue				
State appropriations, grants and contracts	\$ 9,678,544	\$ 8,711,014	\$ 8,380,523	\$ 7,862,838
Tuition and fees	8,563,029	8,371,061	7,999,703	7,542,650
Property tax	2,001,291	1,897,426	1,865,506	1,944,177
Federal appropriations.....	4,446,171	4,094,963	4,377,657	4,277,760
Sales and services	251,662	364,703	321,134	451,282
Interest on investments	763,926	489,162	263,177	143,427
Iowa Industrial New Jobs Training Program	1,067,167	1,536,809	1,833,748	1,293,308
Auxiliary enterprises	3,589,113	3,048,076	1,566,038	836,274
Miscellaneous.....	<u>2,046,803</u>	<u>1,784,495</u>	<u>2,045,179</u>	<u>1,638,369</u>
Total Revenue	<u>\$ 32,407,706</u>	<u>\$ 30,297,709</u>	<u>\$ 28,652,665</u>	<u>\$ 25,990,085</u>
Expenditures				
Liberal arts and sciences.....	\$ 5,943,033	\$ 5,588,990	\$ 5,676,475	\$ 5,368,917
Vocational technical.....	3,085,462	3,267,663	3,266,549	3,075,553
Adult education.....	3,531,714	3,533,602	3,053,689	3,267,796
Cooperative services	1,786,208	2,077,615	2,153,615	1,456,014
Administration.....	1,570,535	1,407,399	1,189,597	1,126,724
Student services.....	3,105,053	3,078,987	2,715,377	2,441,405
Learning resources.....	529,873	540,632	582,289	467,132
Physical plant	1,980,149	2,067,471	2,006,982	1,923,055
General institution.....	2,202,957	1,680,644	1,561,915	1,361,546
Auxiliary enterprises	3,202,981	2,758,600	1,508,483	870,523
Scholarships and grants	2,272,500	2,111,449	2,431,863	2,382,837
Iowa Workforce Development contract.....	999,964	975,731	1,126,671	1,049,312
Interest on indebtedness	<u>517,985</u>	<u>457,792</u>	<u>468,070</u>	<u>466,249</u>
Total Expenditures	<u>\$ 30,728,414</u>	<u>\$ 29,546,575</u>	<u>\$ 27,741,575</u>	<u>\$ 25,257,063</u>

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
North Iowa Area Community College
Mason City, Iowa

We have audited the financial statements of North Iowa Area Community College, Mason City, Iowa, as of and for the year ended June 30, 2007, which along with the discretely presented component unit collectively comprise the College's basic financial statements, on which we have issued our report dated February 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 North Iowa Area Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of the 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 North Iowa Area Community College's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of North Iowa Area Community College's financial statements that is more than inconsequential will not be prevented or detected by North Iowa Area Community College'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 North Iowa Area Community College'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 that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Iowa Area Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Section IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about North Iowa Area Community College's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of North Iowa Area Community College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Iowa Area Community College's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the College's responses, we did not audit North Iowa Area Community College's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the management of North Iowa Area Community College and other parties to whom North Iowa Area Community College may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
February 12, 2008

**Independent Auditor's Report on Compliance With Requirements Applicable
to Each Major Program and Internal Control Over Compliance**

Board of Directors
North Iowa Area Community College
Mason City, Iowa

Compliance

We have audited the compliance of North Iowa Area Community College, Mason City, Iowa, 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 its major federal programs for the year ended June 30, 2007. North Iowa Area Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of North Iowa Area Community College's management. Our responsibility is to express an opinion on North Iowa Area Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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 North Iowa Area Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on North Iowa Area Community College's compliance with those requirements.

In our opinion, North Iowa Area 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 North Iowa Area Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered North Iowa Area Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 North Iowa Area Community College's internal control over compliance.

A control deficiency in the College'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 College's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the College'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 College'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 that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of North Iowa Area Community College and other parties to whom the North Iowa Area Community College may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
February 12, 2008

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Part I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness identified? yes no
 Significant deficiencies identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
 Material weakness identified? yes no
 Significant deficiencies identified not considered to be material weaknesses? yes none reported

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? yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.007

Student Financial Aid Cluster
 Federal Supplemental Educational Opportunity Grants

84.033

Federal Work-Study Program

84.063

Federal Pell Grant Program

84.268

Federal Direct Student Loans

84.375

Academic Competitiveness Grants

93.364

Nursing Student Loans - Federal
 Capital Contributions

93.558

Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no current year reported instances of noncompliance.

Significant Deficiencies

There were no current year matters reported.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

There were no current year reported instances of noncompliance.

Significant Deficiencies

There were no current year matters reported.

Part IV: Findings Related to Statutory Reporting

07-IV-A Certified Budget - While certain categories of the budget were overexpended, in total, expenditures for the year ended June 30, 2007 did not exceed the amounts budgeted.

07-IV-B Questionable Disbursements - No expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

07-IV-C Travel Expense - No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.

07-IV-D Business Transactions - No business transactions between the College and College officials or employees were noted.

07-IV-E 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 the coverage is adequate for current operations.

07-IV-F Board Minutes - The list of claims approved by the Board was not a complete list of all expenditures. During testing, we noted four claims that were not approved by the Board.

Auditor's Recommendation - The list should be reviewed before it is sent to the Board to ensure that it is complete and that all expenditures are approved.

College's Response - Controls are now in place to ensure that a complete list of claims is submitted to the Board.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2007

07-IV-G Publication - The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

07-IV-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.

07-IV-I Credit and Contact Hours - Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.

07-IV-J Grow Iowa Values Fund Receipts - The College is recording funds received from the Grow Iowa Values Fund in an unrestricted fund.

Auditor's Recommendation - Funds received from the Grow Iowa Values Fund are to be used for specific purposes and therefore should be recorded in a restricted fund.

College's Response - In the future, funds received from the Grow Iowa Values Fund will be recorded in the restricted fund.

Auditor's Conclusion - Response accepted.