

**NORTHEAST IOWA
COMMUNITY COLLEGE
CALMAR, IOWA**

FINANCIAL REPORT

JUNE 30, 2008

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NORTHEAST IOWA COMMUNITY COLLEGE

BOARD OF TRUSTEES AND COLLEGE OFFICIALS

Name	Title	Term Expires
<u>Board of Trustees</u> (Before September 2007 Election)		
Kenneth Reimer	President	2008
Ronda Kirkegaard	Vice-President	2009
Linus Rothmeyer	Member	2009
Jim Anderson	Member	2008
Larry Blatz	Member	2008
Tobin Britt	Member	2007
Daniel Willenbring	Member	2008
Jean Sharff	Member	2007
Daniel White	Member	2008

<u>Board of Trustees</u> (After September 2007 Election)		
Kenneth Reimer	President	2011
Ronda Kirkegaard	Vice-President	2009
Linus Rothmeyer	Member	2009
Jim Anderson	Member	2008
Larry Blatz	Member	2008
Tobin Britt	Member	2009
Daniel Willenbring	Member	2009
Donald Frazer	Member	2009
Daniel White	Member	2008

Community College Officials

Penelope Wills, President
John Noel, Vice-President, Finance and Administration
Ken Vande Berg, Vice-President, Economic Development
Curt Oldfield, Vice-President, Academic Affairs
Janet Bullerman, Board Secretary
Thomas Ridout, Board Treasurer, Director of Accounting Services

123 West Water Street
P.O. Box 507
Decorah, Iowa 52101
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And Business Consultants

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9 North Locust Avenue
P.O. Box 529
New Hampton, Iowa 50659
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of and for the year ended June 30, 2008, which collectively comprise the College's financial statements as listed in the table of contents. These financial statements are the responsibility of Northeast Iowa Community College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, on our consideration of Northeast Iowa Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on page 3 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Decorah, Iowa
December 19, 2008

Hacker, Nelson & Co., P.C.

NORTHEAST IOWA COMMUNITY COLLEGE
CALMAR, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2008

This section of Northeast Iowa Community College's annual financial report presents the College's management discussion and analysis of the College's financial activities during the fiscal year ending June 30, 2008.

The intent of this discussion and analysis is to look at Northeast Iowa Community College's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the College's financial performance. This information does not include the discretely component unit, therefore, readers should review the basic financial statements and notes of the discretely present component unit.

FINANCIAL HIGHLIGHTS

- College operating revenues decreased overall 3.19%, from fiscal year 2007. Decreased enrollment contributed to the decrease in tuition receipts received. There was also a decrease in miscellaneous receipts from fiscal year 2007. Nonoperating revenue increased 20.2% from fiscal year 2007.
- College operating expenses were .82% higher from fiscal year 2007. The College had a moderate increase in salaries and benefits. The College had moderate decreases in all the other expenses.
- The College's financial statement shows that net assets increased 15.12% from fiscal year 2007. The table below shows the College's net assets increased by 14.46%. The investment in plant fund's beginning fund balance that was reported in the financial statement was restated to adjust for a correction in reporting buildings and accumulated depreciation. The table below does not reflect the adjustment to the beginning net assets.

CHANGE IN NET ASSETS COMPARISON

	Unrestricted	Auxiliary	Restricted	Scholarship	Unexpended Plant	Retirement of Indebtedness	Investment in Plant	Total Net Assets
FY 2008	1,742,610	1,610,075	2,875,258	2,626	(4,193,254)	38,635	13,841,514	15,917,464
FY 2007	1,627,398	1,310,275	2,065,556	2,626	(3,746,801)	27,817	12,618,958	13,905,975
\$ Change	115,212	299,800	809,702	-	(446,453)	10,818	1,222,556	2,011,489
% Change	7.08%	22.88%	39.20%	0.00%	11.92%	38.89%	9.69%	14.46%

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

Statement of Net Assets

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

	Condensed Statement of Net Assets		
	(Expressed in Thousands)		Percent Change
	2008	2007	
Current and other assets	\$ 28,983	\$ 28,124	3.05%
Other noncurrent assets	5,163	3,510	47.09%
Capital assets	17,026	15,399	10.57%
Total assets	\$ 51,172	\$ 47,033	8.80%
Long-term debt outstanding	\$ 17,632	\$ 17,152	2.80%
Other liabilities	17,623	15,975	10.32%
Total liabilities	\$ 35,255	\$ 33,127	6.42%
Net assets			
Invested in capital assets, net of related debt	\$ 13,841	\$ 12,619	9.68%
Restricted	2,917	2,096	39.17%
Unrestricted	(841)	(809)	3.96%
Total net assets	\$ 15,917	\$ 13,906	14.46%

The College's current assets and other liabilities increased from 2007 to 2008 due to an increase in the current asset amount due from Iowa Industrial New Jobs Training Program and additional certificates issued. The largest portion of the College's net assets is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets includes resources that are subject to external restrictions. The remaining net assets are the unrestricted net assets that can be used to meet the College's obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

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

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

	Changes in Net Assets		Percent Change
	(Expressed in Thousands)		
	2008	2007	
Operating Revenues:			
Tuition and fees	\$ 7,365	\$ 8,658	-14.93%
Federal appropriations	15,164	13,270	14.27%
Iowa Industrial New Jobs Training Program	2,943	2,682	9.73%
Sales and services	2,381	2,350	1.32%
Miscellaneous	1,019	2,862	-64.40%
Total operating revenues	28,872	29,822	-3.19%
Total operating expenses	41,935	41,655	0.67%
Operating loss	(13,063)	(11,833)	10.39%
NONOPERATING REVENUES (EXPENSES)			
State appropriation	9,582	9,260	3.48%
Property taxes	4,710	4,617	2.01%
Investment income	805	803	0.25%
Transfer of building from/to affiliate	1,333	-	
Loss on sale of capital assets	(23)	(5)	360.00%
Donated plant assets received	30	13	130.77%
Interest on indebtedness	(1,271)	(1,116)	13.89%
Net nonoperating revenues (expenses)	15,166	13,572	11.74%
Increase in net assets	2,103	1,739	20.93%
Net assets Beginning of Year, restated	13,814	12,167	13.54%
Net assets End of Year	\$ 15,917	\$ 13,906	14.46%

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

In FY08, operating revenues decreased as a net result of the following changes:

- Tuition and fees decreased due to additional financial aid.
- Miscellaneous receipts decreased during the year ended June 30, 2008.

	Operating Expenses		Percent Change
	(Expressed in Thousands)		
	2008	2007	
Education and support			
Liberal arts and sciences	\$ 3,133	\$ 4,291	-26.99%
Vocational technical	8,995	7,387	21.77%
Adult education	2,432	2,446	-0.57%
Cooperative services	5,248	6,750	-22.25%
General administration	1,789	1,164	53.69%
Student services	1,653	1,515	9.11%
Learning resources	493	502	-1.79%
Physical plant	1,911	1,651	15.75%
General institution	3,351	3,526	-4.96%
Auxiliary enterprises	3,500	3,394	3.12%
Scholarships and grants	7,148	6,708	6.56%
Depreciation	1,489	1,339	11.20%
Other	793	982	-19.25%
Total operating expenses	\$ 41,935	\$ 41,655	0.67%

In FY08, operating expenses increased as a net result of the following changes:

- Moderate salary increases were given to existing faculty and staff accompanied by an increase in the cost for the College's health insurance program.
- Moderate decreases in the various other expenses.

Statement of Cash Flows

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

	Cash Flows	
	(Expressed in Thousands)	
	2008	2007
Cash provided (used) by:		
Operating activities	\$ (10,793)	\$ (10,898)
Non-capital financing activities	14,784	12,839
Capital and related financing activities	(2,159)	158
Investing activities	(1,264)	(758)
Net increase in cash	568	1,341
Cash beginning of year	8,000	6,659
Cash end of year	\$ 8,568	\$ 8,000

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

CAPITAL ASSETS

At June 30, 2008, the College had approximately \$38.0 million invested in capital assets, less accumulated depreciation of \$20.9 million. Depreciation charges totaled \$1,489,582 and \$1,339,495 for FY2008 and FY2007, respectively. Details of capital assets are shown below.

	Capital Assets, Net	
	(Expressed in Thousands)	
	<u>2008</u>	<u>2007</u>
Land	\$ 683	\$ 683
Buildings	12,623	10,992
Construction in progress	146	-
Other structures and improvements	1,497	1,523
Equipment and vehicles	<u>2,077</u>	<u>2,201</u>
Total	<u>\$ 17,026</u>	<u>\$ 15,399</u>

The College is currently developing a Facilities Master Plan. More detailed information about the College's capital assets is presented in Note 4 to the financial statements.

DEBT

At June 30, 2008, the College had \$21.2 million in debt outstanding, an increase of \$1.0 million from 2007. The table below summarizes these amounts by type.

	Long-Term Debt	
	(Expressed in Thousands)	
	<u>2008</u>	<u>2007</u>
Notes payable	\$ 5,815	\$ 6,315
Certificates payable	14,840	13,295
Capital leases	<u>509</u>	<u>573</u>
Total	<u>\$ 21,164</u>	<u>\$ 20,183</u>

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

ECONOMIC FACTORS

Northeast Iowa Community College continued to improve its financial position during the current fiscal year. There are many positive factors and challenges that will affect future College operations. The College increased the unrestricted funds during the current fiscal year. Issues that may impact the College in the future include:

- State aid for fiscal year 2009 increased approximately \$456,542 over the prior year FY2008. This increase provides some relief toward increased costs.
- Workforce growth in Northeast Iowa continues to be positive for business and industry. The City of Dubuque is developing good prospects for job growth and has seen increased interest from new industry; banking and financial services. This continues to expand the workforce as evidenced by the College's job training activity, and increased potential to provide additional training to area business and industry.
- The College anticipates enrollment growth as the result of continuous efforts to increase market share. Currently Chemical Technology and Wind Energy Repair programs are under study for implementation. Online programs capacity is expected to increase enrollment in new degree offerings. They are Business Administration, Business Specialist, Ag Business, Health Information Technology, Medical Transcriptions, and Criminal Justice. As the number of students increase, the costs associated with serving them will also increase.
- The College has made a commitment to strengthen its advancement efforts by re-organizing the College's external relations functions under one division including Marketing, Foundation, Grants, Legislative and Alumni. The College is implementing a new software system with efforts to update alumni database and begin an alumni association. The software will also make possible better donor tracking.
- Property taxes with Northeast Iowa Community College large tax base continue to provide the College with steady revenue from that fund source.
- College facilities require constant maintenance and upkeep. The passing of a 35 million bond levy will fund improved energy efficiencies in existing campus buildings and will enable using 'green' construction in new facilities being built on each campus. The upper floor of the NICC Town Clock Center for Professional Development in Dubuque was renovated and occupied by Iowa Workforce Development (IWD) in November 2008. The lease with IWD will provide revenue that will address debt service for that facility. Two new NICC community centers-in Waukon and Oelwein-were opened in 2008. These centers provide greater access to NICC's programs and services in the District.
- Changes in technology continue to provide the challenge of maintaining up-to-date equipment and access at a reasonable cost. An instructional support levy was passed by District voters in September 2008. This support will enhance NICC's ability to provide update equipment and technology in the instructional divisions of the College.
- The State of Iowa experienced disastrous flooding in the summer of 2008. The flooding, coupled with a grim economic situation state-and nation-wide will divert funding from education. While the NICC District suffered some flood damage, it was not affected like other areas of the state. No campus buildings or equipment was damaged by flooding.

The College's management understands the importance of maintaining good accountability and budget management in the current economic conditions which will challenge the College to provide needed services to our communities. It is prepared to deal with both positive and challenges during any economic condition.

Contacting the College's Financial Management

This financial report is designed to provide our customers, taxpayers in the Community College and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact John Noel, Vice-President, Finance and Administration at Northeast Iowa Community College, telephone 1-800-728-2256.

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NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2008

	Business-type Activities	Component Unit Foundation
CURRENT ASSETS		
Cash	\$ 8,567,984	\$ 81,804
Investments	7,601,486	
Receivables		
Accounts, less allowance of \$418,409	5,211,226	25,252
Promises, net discount		11,640
Accrued interest	117,669	
Property tax		
Current year delinquent	116,893	
Succeeding year	4,294,736	
Due from other governments	822,916	
Due from affiliate	60,511	95,781
Inventories	571,580	
Due from Iowa Industrial New Jobs Training Program	1,618,002	
	<u>28,983,003</u>	<u>214,477</u>
NONCURRENT ASSETS		
Investments		1,512,544
Promises, net discount		
Due from Iowa Industrial New Jobs Training Program	5,162,775	
Due from affiliate		
Capital assets, non-depreciable	829,186	
Capital assets, net accumulated depreciation	16,197,009	
	<u>22,188,970</u>	<u>1,512,544</u>
Total current assets	<u>28,983,003</u>	<u>214,477</u>
Total noncurrent assets	<u>22,188,970</u>	<u>1,512,544</u>
Total assets	<u>\$ 51,171,973</u>	<u>\$ 1,727,021</u>

See Notes to Financial Statements.

	Business-type Activities	Component Unit Foundation
CURRENT LIABILITIES		
Liabilities		
Accounts payable	\$ 512,398	\$ 5,493
Salaries and benefits payable	1,332,432	
Deposits held in custody for others	233,009	
Deferred revenue		
Succeeding year property tax	4,294,736	
Other	6,947,479	
Long-term liabilities due within one year		
Compensated absences	429,415	
Early retirement	119,504	
Affiliate payable	148,792	7,500
Notes payable	525,000	
Obligations under capitalized leases	294,740	
Certificates payable	2,785,000	
	<u>17,622,505</u>	<u>12,993</u>
Noncurrent liabilities		
Long-term liabilities due over one year		
Affiliate payable		
Early retirement	72,872	
Notes payable	5,290,000	
Obligations under capitalized leases	214,132	
Certificates payable	12,055,000	
	<u>17,632,004</u>	<u>-</u>
	<u>35,254,509</u>	<u>12,993</u>
Net assets		
Invested in capital assets, net of related debt	13,841,514	
Restricted		
Restricted for specific purposes	2,916,519	1,185,108
Unrestricted	(840,569)	528,920
	<u>15,917,464</u>	<u>1,714,028</u>
	<u>\$ 51,171,973</u>	<u>\$ 1,727,021</u>

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

	Business-type Activities	Component Unit Foundation
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$4,576,595	\$ 7,365,023	
Federal appropriations	15,164,519	
Iowa Industrial New Jobs Training Program	2,942,389	
Sales and services	2,381,238	
Miscellaneous	1,018,619	\$ 570,835
Total operating revenues	28,871,788	570,835
OPERATING EXPENSES		
Education and support		
Liberal arts and sciences	3,132,660	
Vocational technical	8,994,789	
Adult education	2,432,161	
Cooperative services	5,247,712	
General administration	1,788,637	19,544
Student services	1,653,107	
Learning resources	493,461	
Physical plant	1,910,678	
General institution	3,350,844	
Auxiliary enterprises	3,500,541	
Scholarships and grants	7,148,091	369,179
Loan cancellations and bad debts	-	
Depreciation	1,489,582	
Other	792,560	136,670
Total operating expenses	41,934,823	525,393
Operating (loss) income	(13,063,035)	45,442
NONOPERATING REVENUES (EXPENSES)		
State appropriation	9,582,594	
Property taxes	4,710,263	
Investment income	804,746	(131,096)
Transfer of building from/to affiliate	1,332,717	(1,332,717)
Loss on sale of capital assets	(23,456)	
Donated plant assets received	30,400	(30,400)
Interest on indebtedness	(1,271,168)	
Net nonoperating revenues (expenses)	15,166,096	(1,494,213)
Change in net assets	2,103,061	(1,448,771)
NET ASSETS		
Beginning, restated	13,814,403	3,162,799
Ending	\$ 15,917,464	\$ 1,714,028

See Notes to Financial Statements.

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NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
BUSINESS-TYPE ACTIVITIES
June 30, 2008

ASSETS	Current Funds		
	Unrestricted	Auxiliary	Restricted
Current assets			
Cash	\$ 1,183,475	\$ 517,086	\$ 6,867,423
Investments	-	-	6,948,654
Receivables			
Accounts, less allowance of \$783,892	4,544,985	10,225	653,964
Accrued interest	-	-	116,717
Property tax			
Current year delinquent	38,635	-	39,623
Succeeding year	1,561,007	-	1,172,722
Due from other funds	1,929,504	574,021	
Due from other governments	671,363	2,168	108,473
Due from affiliate	-	-	12,000
Inventories	11,845	559,735	-
Due from Iowa Industrial New Jobs Training Program	-	-	1,618,002
Total current assets	9,940,814	1,663,235	17,537,578
Noncurrent assets			
Due from Iowa Industrial New Jobs Training Program			5,162,775
Capital assets, non-depreciable			-
Capital assets, net			-
Total noncurrent assets	-	-	5,162,775
Total assets	\$ 9,940,814	\$ 1,663,235	\$ 22,700,353
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 222,388	\$ 8,372	\$ 83,467
Salaries and benefits payable	844,463	-	487,969
Deposits held in custody for others	233,009	-	-
Due to other funds	-	-	-
Due to affiliate	130,188	18,604	
Deferred revenue			
Succeeding year property tax	1,561,007	-	1,172,722
Other	4,803,918	-	2,143,561
Long-term liabilities due within one year			
Compensated absences	403,231	26,184	-
Early retirement payable			119,504
Notes payable	-	-	225,000
Obligations under capitalized leases	-	-	-
Certificates payable	-	-	2,785,000
Total current liabilities	8,198,204	53,160	7,017,223
Noncurrent liabilities			
Long-term liabilities due over one year			
Early retirement payable	-		72,872
Notes payable	-		680,000
Obligations under capitalized leases	-		
Certificates payable	-		12,055,000
Total noncurrent liabilities	-	-	12,807,872
Total liabilities	8,198,204	53,160	19,825,095
Net assets			
Invested in capital assets, net of related debt			
Restricted for specific purposes			2,875,258
Unrestricted	1,742,610	1,610,075	
Total net assets	1,742,610	1,610,075	2,875,258
Total liabilities and net assets	\$ 9,940,814	\$ 1,663,235	\$ 22,700,353

See Notes to Financial Statements.

EXHIBIT C

Scholarships	Plant Fund	Total
		\$ 8,567,984
\$ -	\$ 652,832	7,601,486
-	2,052	5,211,226
-	952	117,669
-	38,635	116,893
-	1,561,007	4,294,736
	-	2,503,525
40,912	-	822,916
25,773	22,738	60,511
-	-	571,580
-	-	1,618,002
66,685	2,278,216	31,486,528
-	-	5,162,775
-	829,186	829,186
-	16,197,009	16,197,009
-	17,026,195	22,188,970
\$ 66,685	\$ 19,304,411	\$ 53,675,498
\$ -	\$ 198,171	\$ 512,398
-	-	1,332,432
-	-	233,009
64,059	2,439,466	2,503,525
		148,792
-	1,561,007	4,294,736
-	-	6,947,479
-	-	429,415
-	-	119,504
-	300,000	525,000
-	294,740	294,740
-	-	2,785,000
64,059	4,793,384	20,126,030
-	-	72,872
-	4,610,000	5,290,000
	214,132	214,132
		12,055,000
-	4,824,132	17,632,004
64,059	9,617,516	37,758,034
	13,841,514	13,841,514
2,626	38,635	2,916,519
	(4,193,254)	(840,569)
2,626	9,686,895	15,917,464
\$ 66,685	\$ 19,304,411	\$ 53,675,498

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NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2008

	Current Funds		
	Unrestricted	Auxiliary	Restricted
OPERATING REVENUES			
General			
Tuition and fees	\$ 6,968,509	\$ 40,582	\$ 355,932
Federal appropriations	6,018,903	942,442	1,208,470
Iowa Industrial New Jobs Training Program			2,942,389
Sales and services	17,999	2,353,568	
Miscellaneous	137,157	96,439	774,347
Total operating revenues	13,142,568	3,433,031	5,281,138
OPERATING EXPENSES			
Education and support			
Liberal arts and sciences	3,132,660		-
Vocational technical	8,445,782		549,007
Adult education	2,387,233		44,928
Cooperative services	2,331,241		2,916,471
General administration	1,788,637		-
Student services	1,649,972		3,135
Learning resources	425,865		67,596
Physical plant	1,503,679		406,999
General institution	2,892,488		458,356
Auxiliary enterprises		3,500,541	
Scholarships and grants			
Loan cancellations and bad debts		-	
Depreciation			
Other			
Total operating expenses	24,557,557	3,500,541	4,446,492
Operating income (loss)	(11,414,989)	(67,510)	834,646
NONOPERATING REVENUES (EXPENSES)			
State appropriations	8,639,446	31,442	749,939
Property taxes	1,556,224		1,597,815
Investment income	478,256		303,282
Loss on sale of capital assets			
Transfer of building from affiliate			
Donated plant assets received			
Interest on indebtedness			(1,003,309)
Total nonoperating revenues (expenses)	10,673,926	31,442	1,647,727
Change in net assets before transfers	(741,063)	(36,068)	2,482,373
Transfers	856,275	335,868	(1,672,671)
Change in net assets	115,212	299,800	809,702
NET ASSETS			
Beginning, restated	1,627,398	1,310,275	2,065,556
Ending	\$ 1,742,610	\$ 1,610,075	\$ 2,875,258

See Notes to Financial Statements.

EXHIBIT D

Scholarships	Plant Fund	Total
		\$ 7,365,023
\$ 6,994,704	\$ -	15,164,519
		2,942,389
	9,671	2,381,238
-	10,676	1,018,619
6,994,704	20,347	28,871,788
		3,132,660
		8,994,789
		2,432,161
		5,247,712
		1,788,637
		1,653,107
		493,461
		1,910,678
		3,350,844
		3,500,541
7,148,091		7,148,091
		-
	1,489,582	1,489,582
	792,560	792,560
7,148,091	2,282,142	41,934,823
(153,387)	(2,261,795)	(13,063,035)
		9,582,594
158,695	3,072	4,710,263
	1,556,224	804,746
	23,208	(23,456)
	(23,456)	(23,456)
	1,332,717	1,332,717
	30,400	30,400
	(267,859)	(1,271,168)
158,695	2,654,306	15,166,096
5,308	392,511	2,103,061
(5,308)	485,836	-
-	878,347	2,103,061
2,626	8,808,548	13,814,403
\$ 2,626	\$ 9,686,895	\$ 15,917,464

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NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2008

	Current Funds		
	Unrestricted	Auxiliary	Restricted
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and fees	\$ 7,336,968	\$ 40,582	\$ 809,150
Federal appropriations	5,565,375	943,571	1,208,816
Iowa Industrial New Jobs Training Program			2,771,770
Payments to employees for salaries and benefits	(15,257,784)	(906,805)	(611,016)
Payments to suppliers for goods and services	(3,795,166)	(340,458)	(1,293,542)
Payments to NJTP recipients			(2,129,646)
Cost of goods sold		(2,054,684)	
Scholarships			
Loan issued to students			
Collection received from students for loans			
Auxiliary enterprise receipts		2,364,512	
Other operating payments paid on employees' behalf	(5,142,938)	(232,670)	(363,471)
Other operating receipts	155,156	96,439	774,347
Net cash (used in) provided by operating activities	(11,138,389)	(89,513)	1,166,408
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
State appropriations	8,639,446	31,442	749,939
Property tax	1,545,406		1,584,926
Decrease in due to other funds	(612,517)		
Increase in due to affiliate	130,188	18,604	
Increase in due from affiliate			(12,000)
Transfers	856,275	335,868	(1,672,671)
Federal direct lending receipts	6,778,912	914,694	158,695
Federal direct lending disbursements	(6,778,912)	(914,694)	(158,695)
Miscellaneous agency fund receipts	1,566,338		
Miscellaneous agency fund disbursements	(1,566,338)		
Net cash provided by non-capital financing activities	10,558,798	385,914	650,194
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from issuance of debt			3,985,000
Acquisition of capital assets			
Principal paid on debt and leases			(2,655,000)
Interest paid on debt and leases			(1,003,309)
Net cash provided by (used in) capital and related financing activities	-	-	326,691
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-		(6,805,295)
Sale of investments			4,777,571
Interest on investments	478,256		257,312
Net cash provided by (used in) investing activities	478,256	-	(1,770,412)
Net (decrease) increase in cash	(101,335)	296,401	372,881
CASH, beginning of year	1,284,810	220,685	6,494,542
CASH, end of year	\$ 1,183,475	\$ 517,086	\$ 6,867,423

See Notes to Financial Statements.

EXHIBIT E

Scholarships	Plant Fund	Total
		\$ 8,186,700
\$ 3,637,368	\$ -	11,355,130
		2,771,770
		(16,775,605)
	(594,389)	(6,023,555)
		(2,129,646)
		(2,054,684)
(3,790,755)		(3,790,755)
		-
		-
		2,364,512
		(5,739,079)
	28,295	1,054,237
(153,387)	(566,094)	(10,780,975)
209,467	369,738	10,000,032
	1,545,406	4,675,738
(24,999)	637,516	-
		148,792
(25,773)	(15,238)	(53,011)
(5,308)	485,836	-
3,357,336		11,209,637
(3,357,336)		(11,209,637)
		1,566,338
		(1,566,338)
153,387	3,023,258	14,771,551
	90,412	4,075,412
	(1,639,745)	(1,639,745)
	(668,462)	(3,323,462)
	(267,859)	(1,271,168)
-	(2,485,654)	(2,158,963)
	(385,041)	(7,190,336)
	388,670	5,166,241
	24,861	760,429
-	28,490	(1,263,666)
	-	567,947
	-	8,000,037
\$ -	\$ -	\$ 8,567,984

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (Continued)
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2008

	Current Funds		
	Unrestricted	Auxiliary	Restricted
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities			
Operating income (loss)	\$ (11,414,989)	\$ (67,510)	\$ 834,646
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities			
Depreciation			
Changes in assets and liabilities			
Decrease in accounts receivable	(6,626)	10,944	220,018
(Increase) in NJTP receivable			(170,619)
(Increase) decrease in due from other governments	(453,528)	1,129	346
(Increase) in inventories	(3,948)	(25,778)	
Increase (decrease) in accounts payable and accrued liabilities	251,035	8,372	48,817
Increase (decrease) in deferred revenue	375,085		233,200
Increase in compensated absences	114,582	(16,670)	
Net cash (used in) provided by operating activities	<u>\$ (11,138,389)</u>	<u>\$ (89,513)</u>	<u>\$ 1,166,408</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

The College accepted donated capital assets with a fair value of \$30,400 during the year ended June 30, 2008.

The College also entered into one capital lease to purchase computers in the amount of \$228,836.

EXHIBIT E
(Continued)

<u>Scholarships</u>	<u>Plant Fund</u>	<u>Total</u>
\$ (153,387)	\$ (2,261,795)	\$ (13,063,035)
	1,489,582	1,489,582
-	7,948	232,284
		(170,619)
		(452,053)
		(29,726)
	198,171	506,395
		608,285
		97,912
<u>\$ (153,387)</u>	<u>\$ (566,094)</u>	<u>\$ (10,780,975)</u>

NORTHEAST IOWA COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

The College has one component unit which meets the Governmental Accounting Standards Board (GASB) criteria. The Northeast Iowa Community College Foundation is a nonprofit corporation which is governed by a separate Board of Directors. The Foundation's purpose is to support the College through donations to provide scholarships to students, and for the enhancement and extension of facilities, equipment, and services. The activities of the Foundation are reported using the discrete method. The Foundation issues a separate financial report. The independent auditor's report on the component unit financial statements for year ending June 30, 2008 expresses an unqualified opinion dated September 5, 2008. Audited financial statements of Northeast Iowa Community College Foundation are available at the Northeast Iowa Community College District office located at Hwy 150 South, Calmar, IA 52132.

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

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

b. Significant Accounting Policies (Continued)

Financial Statement Presentation

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

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

Fund Financial Statements

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

The funds of the financial reporting entity are described below:

Current Funds

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

Unrestricted Fund

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

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

Auxiliary Funds

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

Restricted Funds

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

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Current Funds (Continued)

Scholarship Fund

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

Plant Fund

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

Measurement Focus

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

Basis of Accounting

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

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of net assets:

Cash and Investments

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

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 amount of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable

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

Due from Other Governments

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

Due from Affiliate

This asset represents the pledges outstanding for the Peosta Childcare Center that the Northeast Iowa Community College Foundation will collect and remit to the College. The Foundation transferred money from their individual accounts to Northeast Iowa Community College's general checking account. As of June 30, 2008, there was \$95,781 due to the Foundation from Northeast Iowa Community College.

Inventories

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Due from Iowa Industrial New Jobs Training Program (NJTP)

This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenses incurred through June 30, 2008 on NJTP projects plus interest incurred on NJTP certificates, less reimbursements received to date.

Capital Assets

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

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

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

Assets	Amount
Equipment and vehicles	\$ 2,500
Buildings and improvements	25,000

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

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

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

Salaries and Benefits Payable

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

Deferred Revenue

Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose. Deferred revenue consists of unearned administrative costs for NJTP, advanced student tuition, and the succeeding year property tax receivable.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Compensated Absences

College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. Amounts representing the cost of compensated absences are recognized as liabilities of the appropriate fund, and have been computed based on rates of pay in effect as of June 30, 2008.

Encumbrances

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

Net Assets

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College, pursuant to those stipulations or that expire by the passage of time. Restricted net assets are used first when an expense is incurred for purposes for both restricted and unrestricted net assets.

Unrestricted Net Assets

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

Auxiliary Enterprise Revenues

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

Summer Session

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

Tuition and Fees

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Operating and Nonoperating Activities

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

Use of Estimates

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

Scholarship Allowances and Student Aid

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

2. Cash and Investments

The College's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

NOTES TO FINANCIAL STATEMENTS

2. Cash and Investments (Continued)

Interest Rate Risk

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

Concentration of Credit Risk

The College places no limit on the amount that may be invested in any one type of allowable investment.

The College's petty cash and deposit accounts as of June 30, 2008 consist of the following:

Petty cash	\$	6,110
Other deposit accounts		8,561,874
		\$ 8,567,984

The College's investments as of June 30, 2008 consist of the following:

Certificates of deposit	\$	7,601,486
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The Foundation's investments are stated at fair value and are not subject to risk categorization and consist of the following:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Government agency	\$ 593,018	\$ 588,458	\$ (4,560)
Common stock	710,538	658,636	(51,902)
Preferred stock	21,539	19,749	(1,790)
Mutual funds	168,518	157,613	(10,905)
Alternative assets	82,500	88,088	5,588
	\$ 1,576,113	\$ 1,512,544	\$ (63,569)

The following schedule summarizes the Foundation's investment return and its classification in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2008:

Interest and dividend income	\$	54,994
Net realized and unrealized gains		(186,090)
Total investment return		\$ (131,096)

NOTES TO FINANCIAL STATEMENTS

3. Inventories

The College's inventories as of June 30, 2008 are as follows:

Supplies and materials	\$	267,876
Merchandise held for resale		303,704
Total	\$	571,580

4. Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Capital non-depreciable assets				
Land	\$ 683,366			\$ 683,366
Construction in progress	None	\$ 145,820	\$ None	145,820
	683,366	145,820	None	829,186
Capital assets, being depreciated				
Buildings	26,508,273	2,249,451		28,757,724
Other structures and improvements	2,421,708	48,275		2,469,983
Furniture and equipment	5,585,863	605,658	274,635	5,916,886
Total capital assets being depreciated	34,515,844	2,903,384	274,635	37,144,593
Less accumulated depreciation				
Buildings	15,294,582	840,255		16,134,837
Other structures and improvements	899,208	73,929		973,137
Furniture and equipment	3,515,391	575,398	251,179	3,839,610
Total accumulated depreciation	19,709,181	1,489,582	251,179	20,947,584
Total capital assets being depreciated	14,806,663	1,413,802	23,456	16,197,009
Capital assets, net	\$ 15,490,029	\$ 1,559,622	\$ 23,456	\$ 17,026,195

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
Notes payable	\$ 6,315,000		\$ 500,000	\$ 5,815,000	\$ 525,000
Certificates payable	13,295,000	\$ 3,985,000	2,440,000	14,840,000	2,785,000
Other liabilities					
Capital leases	573,085	319,249	383,462	508,872	294,740
Long-term liabilities	\$ 20,183,085	\$ 4,304,249	\$ 3,323,462	\$ 21,163,872	\$ 3,604,740

a. Certificates Payable

In accordance with agreements dated between July 1, 1999 and June 30, 2008, the College issued certificates totaling \$14,840,000 with interest rates ranging from 4.10% to 7.45% per annum. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new or are expanding their operations within the State of Iowa. Interest is payable semiannually, while the principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes collected.

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

	Principal	Interest	Total
Year ending June 30			
2009	\$ 2,785,000	\$ 863,770	\$ 3,648,770
2010	2,130,000	702,197	2,832,197
2011	1,890,000	581,168	2,471,168
2012	1,910,000	473,898	2,383,898
2013	1,740,000	363,818	2,103,818
2014-2018	4,385,000	577,322	4,962,322
	\$ 14,840,000	\$ 3,562,173	\$ 18,402,173

b. Notes Payable

The College has issued notes payable for the purchase and construction of College properties. As of June 30, 2008, the notes payable outstanding consist of the following:

\$905,000 Lease Purchase Certificates of Participation, due annually in varying installments June 1, 2009 through June 1, 2012 plus interest semi-annually with interest rates of the leases varying from 4.35% to 4.60%. The leases were issued to build the Cresco Center. See Note 13 regarding repayment arrangements.

\$ 905,000

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations (Continued)

b. Notes Payable (Continued)

\$1,080,000 Lease Purchase Certificates of Participation, due annually in varying installments June 1, 2009 through June 1, 2016 plus interest semi-annually with interest rates of the leases varying from 3.90% to 4.45%. The leases were issued to build and maintain buildings. \$ 1,080,000

\$2,810,000 Tax Exempt Lease Purchase Certificates of Participation Series 2002A, due annually in varying installments December 1, 2008 through December 1, 2022 plus interest semi-annually with interest rates of the leases varying from 3.25% to 4.70%. The leases were issued to purchase the Town Clock Center. 2,810,000

\$1,020,000 Taxable Lease Purchase Certificates of Participation Series 2002B, due annually in varying installments December 1, 2008 through December 1, 2017 plus interest semi-annually with interest rates of the leases varying from 5.12% to 6.75%. The leases were issued to purchase the Town Clock Center. 1,020,000

\$ 5,815,000

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

	Principal	Interest	Total
Year ending June 30			
2009	\$ 525,000	\$ 265,701	\$ 790,701
2010	545,000	243,584	788,584
2011	565,000	219,993	784,993
2012	535,000	205,702	740,702
2013	355,000	170,119	525,119
2014-2018	1,710,000	580,283	2,290,283
2019-2023	1,580,000	189,496	1,769,496
	<u>\$ 5,815,000</u>	<u>\$ 1,874,878</u>	<u>\$ 7,689,878</u>

c. Capital Leases

The College is obligated under certain leases accounted for as capital leases. The leased assets are accounted for in the plant fund. Capital assets under capital leases totaled \$1,290,611 at June 30, 2008. The following schedule shown below is a schedule of future minimum lease payments under capital leases as of June 30, 2008.

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations (Continued)

c. Capital Leases (Continued)

Year ending June 30		
2009	\$	314,727
2010		161,001
2011		49,185
2012		10,532
Minimum lease payments		535,445
Less imputed interest		(26,573)
Present value of minimum lease payments	\$	508,872

The College has capital leases ending at various dates until January 1, 2012. The capitalized lease obligations have automatic renewal for one year if 30 day written notice is not given at the end of the lease term.

d. Operating Leases

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and accordingly, all rents are charged as incurred. These leases expire between 2008 and 2018 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The College has also entered into some equipment leases. These leases have been classified as operating leases and accordingly, all rents are charged as incurred. These leases expire between 2008 and 2009 and require various minimum annual rentals.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year following June 30, 2008:

Year ending June 30		
2009	\$	115,008
2010		115,008
2011		95,004
2012		75,000
2013		30,000
2014-2018		135,000
Minimum lease payments for all operating leases	\$	565,020

Rents for fiscal year 2008 totaled \$127,548 for operating leases, except those with terms of a month or less that were not renewed.

NOTES TO FINANCIAL STATEMENTS

6. Due to/from Other Funds

As of June 30, 2008, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
Unrestricted fund	\$ 1,929,504	
Auxiliary fund	574,021	
Scholarship fund		\$ 64,059
Plant fund		2,439,466
	\$ 2,503,525	\$ 2,503,525

7. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

	Transfers In	Transfers Out
Unrestricted fund		
Restricted fund	\$ 1,326,610	\$ 7,200
Scholarship fund	5,308	
Auxiliary fund	15,000	391,384
Plant fund		92,059
	1,346,918	490,643
Auxiliary fund		
Unrestricted fund	391,384	15,000
Restricted fund	17,000	
Plant fund		57,516
	408,384	72,516
Restricted fund		
Unrestricted fund	7,200	1,326,610
Auxiliary fund		17,000
Plant fund		336,261
	7,200	1,679,871
Scholarship fund	None	5,308
Plant fund	485,836	None
Total	\$ 2,248,338	\$ 2,248,338

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

8. Early Retirement

The College terminated the voluntary early retirement plan to its employees effective following the 2006 and 2007 academic year. Employees previously qualifying for NICC early retirement must have completed at least 10 years of full-time staff, and regular part-time service to the College and must have reached the age of 55 on or before July 1 of the year of their retirement. The application for early retirement was subject to approval by the Board of Trustees.

Those eligible employees who were approved to receive benefits under early retirement plan received a cash payment equal to 45% to 105% of their regular contractual salary subject to a maximum payment of \$20,000. Retirees received the cash payment over a three-year period.

A staff member accepting early retirement had three options to choose from as to when the cash benefits would be received. The College also contributes a set amount toward single plan health insurance for the retiree, if the retiree chooses to remain in the employer's health insurance plan. This contribution continues until the day the retiree is eligible under another group plan or until the end of the month prior to the month in which the retiree becomes eligible for Medicare. The plan is funded on a pay-as-you-go basis through property tax levies. As of June 30, 2008, the unrecorded liability for the College provided health insurance is \$322,927.

At June 30, 2008, the College has obligations to nineteen participants with a total early retirement liability of \$192,376. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$158,922.

9. Iowa Public Employees Retirement System

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

Plan members are required to contribute 3.90%, 3.70% and 3.70% of their annual covered salary and the College is required to contribute 6.05%, 5.75% and 5.75% of annual covered payroll for the years ended June 30, 2008, 2007, and 2006, respectively. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$449,872, \$405,008, and \$406,301, respectively, equal to the required contributions for each year.

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

The College contributes to the TIAA-CREF retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both the employer and employee vest immediately.

As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.90%, 3.70%, and 3.70% and the College is required to contribute 6.05%, 5.75%, and 5.75% for the years ended June 30, 2008, 2007, and 2006, respectively.

The employee's required and actual contributions to TIAA-CREF for the years ended June 30, 2008, 2007, and 2006 were \$305,759, \$270,860, and \$266,118, respectively. The College's required and actual contributions to TIAA-CREF for the years ended June 30, 2008, 2007, and 2006 were \$474,321, \$420,933 and \$413,766 respectively.

11. Related Organizations

Northeast Iowa Community-Based Dairy Foundation is a non-profit organization whose goal is to support educational efforts and whose financial activities are not included in these financial statements. The College, Northeast Iowa Community-Based Dairy Foundation, and Iowa State University have an interagency agreement for the purpose of cooperating in the operations of a dairy education and applied research laboratory. The Board of Directors of the above Foundation has a member who is also a Trustee of the College. However, these members do not compromise a majority in the above Foundation's Board. For the year ended June 30, 2008, the College paid the Foundation \$40,008 in rent. The Foundation and Northeast Iowa Community College have a fiscal agent agreement where the Foundation paid the College \$30,000 for services for the year ended June 30, 2008. Audited financial statements of Northeast Iowa Community-Based Dairy Foundation are available at the Northeast Iowa Community College District office located at Hwy 150 South, Calmar, IA 52132.

Significant financial data for the year ended June 30, 2008, which is audited, is as follows:

Total assets	\$ 4,100,033
Total liabilities	2,206,131
Total equity	1,893,902
Total revenue	1,763,830
Total expenses	1,811,354

12. New Jobs Training Program

Northeast Iowa Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area I in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the College has administered 208 projects with 62 currently receiving project funding. The remaining 146 projects have been completed and of those, 119 have only the repayment of the certificates left.

Northeast Iowa Community College also administers the Iowa Jobs Training Program (IJTP) in Area I in accordance with Code of Iowa. IJTP's purpose is to provide tax-aided training or retraining for existing employees of businesses. Approved businesses receive forgivable loans from the Workforce Development Fund, a state administered fund. Since inception, the College has administered 245 projects with 33 currently receiving project funding.

13. Commitments

The College is a member of ACCES, Inc. (Alliance for Community Colleges for Electronic Sharing), a computer consortium of nine (9) Iowa community colleges. The College will continue to be a member of ACCES, Inc. for the foreseeable future. ACCES, Inc. has changed its mission from a consortium for providing administrative software services to a buying consortium for the acquisition and maintenance of Datatel Colleague and other administrative software. The ongoing expenditures for the Datatel Colleague software and maintenance will be paid through ACCES Consortium. The College is committed to paying ACCES, Inc. consortium \$72,922 for software, licensing and maintenance for FY09.

13. Commitments (Continued)

The College is a member of CAST, Inc. (College Alliance Sharing Technology), a computer consortium composed of four (4) Iowa community colleges. Its purpose is to provide administrative support and sharing of computer services. The College is committed to be a member of CAST until July 1, 2010. The percentage of the total annual expenditures of CAST, Inc. is to be paid based on the percentage of unrestricted general fund expenditures of the preceding fiscal year compared to the total of all participating colleges' general fund expenditures for the preceding fiscal year. The College's payments to CAST, Inc. for fiscal year 2009 are estimated to be \$174,480 for the consortium, which represents approximately 29% of the budget for CAST, Inc.

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

The total outstanding construction projects of the College at June 30, 2008 amount to \$2,130,114. These constructions commitments will be paid from the \$35 million bond levy that was passed in February 2008. Of these commitments, \$None will be funded by state and federal grants.

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

14. Contingent Liabilities

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenses are disallowed by the grantor government due to noncompliance with grant program regulations, the College may be required to reimburse the grantor government. As of June 30, 2008 significant amounts of grant expenses have not been audited by granting authorities but the College believes that disallowed expenses, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the College.

15. Risk Management Policies

The College carries commercial insurance coverage for coverage associated with property and inland marine, general liability, automobile liability, automobile physical damage, fidelity bonds, health, and worker's compensation. The College is self-insured with respect to their health insurance coverage. The College maintains reinsurance that carries an aggregate stop loss of \$50,000 per employee covered and an aggregate stop loss of 125% of total estimated claims. Claims payable include all known claims and an amount for claims that have been incurred but not reported (IBNR).

NOTES TO FINANCIAL STATEMENTS

15. Risk Management Policies (Continued)

The changes in the aggregate liabilities for claims included in salaries and benefits payable for the years ended June 30, 2008 and 2007 are as follows:

	2008	2007
Claims payable, beginning of year	\$ 343,698	\$ 344,122
Claims recognized	3,446,926	3,306,443
Claim payments	(3,285,015)	(3,306,867)
Claims payable, end of year	<u>\$ 505,609</u>	<u>\$ 343,698</u>

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

16. Net Assets

The statement of net assets reports \$2,916,519 of restricted net assets, of which \$2,877,884 is restricted by enabling legislation.

17. Restatement

Net assets were restated by \$91,426 due to the miscalculations of certain capital assets and depreciation.

18. Subsequent Events

The College borrowed \$10 million against the \$35 million bond levy in November 2008 to help pay for current construction and future construction commitments.

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**INDEPENDENT AUDITOR'S REPORT ON THE
SUPPLEMENTARY INFORMATION**

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of Northeast Iowa Community College basic financial statements. The accompanying additional Balance Sheet and Schedule of Revenues, Expenditures, and Other Changes in Fund Balance information on pages 28 through 33 were prepared for purposes of additional analysis using regulatory basis and are not a required part of the basic financial statements. The adjustments made in preparing the supplemental presentations were subjected to audit procedures as part of the audit of the basic financial statements. The accompanying regulatory financial statements are not intended to present Northeast Iowa Community College's financial position or results of operations. The 2008 information shown on pages 34 thru 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of Northeast Iowa Community College as of and for the years ended June 30, 2007, 2006, and 2005 (which is not presented herein), and we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the supplementary information for each of the three years in the period ended June 30, 2007, appearing on pages 35-36 is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 19, 2008

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NORTHEAST IOWA COMMUNITY COLLEGE
BALANCE SHEET
June 30, 2008

	Current Funds		
	Unrestricted	Auxiliary	Restricted
ASSETS			
Cash	\$ 1,183,475	\$ 517,086	\$ 6,867,423
Investments	-		6,948,654
Receivables			
Accounts, less allowance of \$783,892	4,544,985	10,225	653,964
Accrued interest	-	-	116,717
Property tax			
Current year delinquent	38,635		39,623
Succeeding year	1,561,007		1,172,722
Due from other funds	1,929,504	574,021	
Due from other governments	671,363	2,168	108,473
Due from affiliate			12,000
Inventories	11,845	559,735	
Due from Iowa Industrial New Jobs Training Program			6,780,777
Restricted cash			
Capital assets			
Land			
Construction in progress			
Buildings			
Other structures and improvements			
Furniture and equipment, including assets acquired under capital leases of \$1,290,611			
Accumulated depreciation			
Total assets	<u>\$ 9,940,814</u>	<u>\$ 1,663,235</u>	<u>\$ 22,700,353</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 222,388	\$ 8,372	\$ 83,467
Salaries and benefits payable	844,463	-	487,969
Deposits held in custody for others	233,009		
Due to other funds			
Due to affiliate	130,188	18,604	
Deferred revenue			
Succeeding year property tax	1,561,007	-	1,172,722
Other	4,803,918	-	2,143,561
Compensated absences	403,231	26,184	
Early retirement payable			192,376
Notes payable			905,000
Obligations under capitalized leases	-	-	-
Certificates payable	-		14,840,000
Total liabilities	<u>8,198,204</u>	<u>53,160</u>	<u>19,825,095</u>
Fund balance			
Invested in capital assets, net of related debt			
Fund balances			
Restricted for specific purposes			2,875,258
Unrestricted	1,742,610	1,610,075	
Total fund equity	<u>1,742,610</u>	<u>1,610,075</u>	<u>2,875,258</u>
Total liabilities and fund equity	<u>\$ 9,940,814</u>	<u>\$ 1,663,235</u>	<u>\$ 22,700,353</u>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 1

Scholarships	Plant Funds			GAAP Adjustments	GAAP Basis
	Unexpended	Retirement of Indebtedness	Investment in Plant		
\$ -	\$ 652,832				\$ 8,567,984
-	2,052				7,601,486
-	952				5,211,226
-		\$ 38,635			117,669
-		1,561,007			116,893
40,912	-				4,294,736
25,773	22,738				2,503,525
					822,916
					60,511
					571,580
					6,780,777
					-
			\$ 683,366		683,366
			145,820		145,820
			28,757,726		28,757,726
			2,469,982		2,469,982
			5,916,885		5,916,885
			(20,947,584)		(20,947,584)
\$ 66,685	\$ 678,574	\$ 1,599,642	\$ 17,026,195	\$ -	\$ 53,675,498
\$ -	\$ 198,171				\$ 512,398
-					1,332,432
64,059	2,439,466				233,009
					2,503,525
					148,792
-		\$ 1,561,007			4,294,736
-					6,947,479
					429,415
					192,376
	2,156,266		\$ 2,753,734		5,815,000
	77,925		430,947		508,872
					14,840,000
64,059	4,871,828	1,561,007	3,184,681	\$ -	37,758,034
			13,841,514		13,841,514
2,626		38,635			2,916,519
	(4,193,254)				(840,569)
2,626	(4,193,254)	38,635	13,841,514	-	15,917,464
\$ 66,685	\$ 678,574	\$ 1,599,642	\$ 17,026,195	\$ -	\$ 53,675,498

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NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE
For the Year Ended June 30, 2008

	Current Funds		
	Unrestricted	Auxiliary	Restricted
REVENUES AND OTHER ADDITIONS			
General			
State appropriations	\$ 8,639,446	\$ 31,442	\$ 749,939
Tuition and fees	12,221,438	40,582	355,932
Property taxes	1,556,224		1,597,815
Federal appropriations	765,974	27,748	1,208,470
Investment income	478,256		303,282
Iowa Industrial New Jobs Training Program			2,942,389
Sales and services	17,999		
Miscellaneous	137,157		774,347
	23,816,494	99,772	7,932,174
Auxiliary enterprises			
Sales and services		3,268,262	
Miscellaneous		96,439	
	-	3,364,701	-
Total revenues and other additions	23,816,494	3,464,473	7,932,174
EXPENDITURES AND OTHER DEDUCTIONS			
Education and support			
Liberal arts and sciences	3,132,660		-
Vocational technical	8,446,681		581,500
Adult education	2,387,233		47,778
Cooperative services	2,418,976		3,899,870
General administration	1,788,637		-
Student services	1,649,972		3,135
Learning resources	425,865		316,342
Physical plant	1,503,679		406,999
General institution	2,895,913		481,334
	24,649,616	-	5,736,958
Auxiliary enterprises			
Scholarships and grants		3,558,057	
Loan cancellations and bad debts			
Plant asset acquisitions			
Interest on indebtedness			
Other			
Expended for plant assets			
Capital leases for plant assets			
Retirement of indebtedness			
Transfer of building from affiliate			
Disposal of plant assets			
Depreciation			
Donated plant assets received			
	-	3,558,057	-
Total expenditures and other deductions	24,649,616	3,558,057	5,736,958

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 2

Scholarships	Plant Funds			GAAP Adjustments	GAAP Basis
	Unexpended	Retirement of Indebtedness	Investment in Plant		
\$ 225,683	\$ 3,072			\$ (66,988)	\$ 9,582,594
	992,547	\$ 563,677		(5,252,929)	7,365,023
12,419,005	-			743,322	4,710,263
	23,208				15,164,519
	9,671				804,746
676,334	10,676			(676,334)	2,942,389
					27,670
					922,180
13,321,022	1,039,174	563,677	\$ -	(5,252,929)	41,519,384
				(914,694)	2,353,568
					96,439
-	-	-	-	(914,694)	2,450,007
13,321,022	1,039,174	563,677	-	(6,167,623)	43,969,391
					3,132,660
				(33,392)	8,994,789
				(2,850)	2,432,161
				(1,071,134)	5,247,712
				(33,217)	1,755,420
				(171,246)	1,481,861
				(248,746)	493,461
					1,910,678
				(1,128,811)	2,248,436
-	-	-	-	(2,689,396)	27,697,178
13,315,714				(6,167,623)	3,558,057
	868,824				7,148,091
		267,859			-
	946,803			1,003,309	868,824
				226,288	1,271,168
			(1,230,963)	1,230,963	1,173,091
			(228,836)	228,836	-
	(110,000)	285,000	(175,000)		-
			(1,332,717)		(1,332,717)
			23,456		23,456
			1,489,582		1,489,582
			(30,400)		(30,400)
13,315,714	1,705,627	552,859	(1,484,878)	(3,478,227)	14,169,152
13,315,714	1,705,627	552,859	(1,484,878)	(6,167,623)	41,866,330

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE (Continued)
For the Year Ended June 30, 2008

	Current Funds		
	Unrestricted	Auxiliary	Restricted
Excess (deficiency) of revenues and other additions over expenditures and other deductions	\$ (833,122)	\$ (93,584)	\$ 2,195,216
TRANSFERS			
Mandatory	627,264	-	(515,136)
Nonmandatory	321,070	393,384	(870,378)
Total transfers	948,334	393,384	(1,385,514)
Net increase (decrease) in fund balance	115,212	299,800	809,702
FUND BALANCE			
Beginning, restated	1,627,398	1,310,275	2,065,556
Ending	\$ 1,742,610	\$ 1,610,075	\$ 2,875,258

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 2
(Continued)

Scholarships	Plant Funds			GAAP Adjustments	GAAP Basis
	Unexpended	Retirement of Indebtedness	Investment in Plant		
\$ 5,308	\$ (666,453)	\$ 10,818	\$ 1,484,878	\$ -	2,103,061
(5,308)			- 49,104	-	106,820 (106,820)
(5,308)	-	-	49,104	-	-
-	(666,453)	10,818	1,533,982	-	2,103,061
2,626	(3,526,801)	27,817	12,307,532		13,814,403
\$ 2,626	\$ (4,193,254)	\$ 38,635	\$ 13,841,514	\$ -	15,917,464

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NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE
EDUCATION AND SUPPORT UNRESTRICTED CURRENT FUNDS
For the Year Ended June 30, 2008

	Education		
	Liberal Arts and Sciences	Vocational Technical	Adult Education
REVENUES AND OTHER ADDITIONS			
State appropriations	\$ 2,766,480	\$ 4,418,930	\$ 1,441,378
Tuition and fees	4,264,965	5,634,256	1,170,694
Property taxes			
Federal appropriations	-	135,048	337,918
Investment income	-	-	-
Sales and services			17,529
Miscellaneous	-	11,306	5,272
	<u>7,031,445</u>	<u>10,199,540</u>	<u>2,972,791</u>
Allocation of support services	729,760	1,036,766	321,445
	<u>7,761,205</u>	<u>11,236,306</u>	<u>3,294,236</u>
EXPENDITURES AND OTHER DEDUCTIONS			
Salaries and wages	2,025,950	6,718,078	1,550,605
Employee fringe benefits	1,077,251	1,404,310	413,860
Services	9,332	156,708	326,819
Materials and supplies	17,132	113,458	48,079
Travel	2,995	53,228	47,335
Loan cancellations and bad debts	-	-	-
Plant asset acquisitions	-	899	-
Miscellaneous	-	-	535
	<u>3,132,660</u>	<u>8,446,681</u>	<u>2,387,233</u>
Allocation of support services	2,867,600	4,073,992	1,263,125
	<u>6,000,260</u>	<u>12,520,673</u>	<u>3,650,358</u>
Excess (deficiency) of revenues and other additions over expenditures and other deductions	<u>1,760,945</u>	<u>(1,284,367)</u>	<u>(356,122)</u>
TRANSFERS			
Mandatory		5,308	
Nonmandatory	(1,618)	317,472	2,956
	<u>(1,618)</u>	<u>322,780</u>	<u>2,956</u>
Net increase (decrease) in fund balance	<u>\$ 1,759,327</u>	<u>\$ (961,587)</u>	<u>\$ (353,166)</u>
FUND BALANCE			
Beginning			
Ending			

See Independent Auditor's Report on the Supplementary Information.

Support							Total
Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution		
\$ 1,151,427		\$ 96	\$ -	\$ 8,643	\$ 4,015	\$ 8,639,446	
	\$ 1,556,224					12,221,438	
293,008	-	-	-	-	-	1,556,224	
-	478,256	-	-	-	-	765,974	
470						478,256	
64,739	33,649	75	898	390	20,828	17,999	
						137,157	
1,509,644	2,068,129	171	898	9,033	24,843	23,816,494	
15,103	(2,068,129)	(171)	(898)	(9,033)	(24,843)	-	
1,524,747	-	-	-	-	-	23,816,494	
1,520,597	643,960	1,137,728	264,431	549,292	1,019,743	15,430,384	
521,662	374,310	434,694	104,869	259,338	552,644	5,142,938	
112,926	328,904	31,320	5,264	486,358	1,166,689	2,624,320	
126,231	11,152	29,750	51,077	208,411	119,079	724,369	
49,825	53,396	16,480	224	280	34,333	258,096	
-	368,400	-	-	-	-	368,400	
87,735	-	-	-	-	3,425	92,059	
-	8,515	-	-	-	-	9,050	
2,418,976	1,788,637	1,649,972	425,865	1,503,679	2,895,913	24,649,616	
59,349	(1,788,637)	(1,649,972)	(425,865)	(1,503,679)	(2,895,913)	-	
2,478,325	-	-	-	-	-	24,649,616	
(953,578)	-	-	-	-	-	(833,122)	
(14,375)	636,331					627,264	
(172,630)	430,244	52,301	(809)	(1,618)	(305,228)	321,070	
(187,005)	1,066,575	52,301	(809)	(1,618)	(305,228)	948,334	
\$ (1,140,583)	\$ 1,066,575	\$ 52,301	\$ (809)	\$ (1,618)	\$ (305,228)	115,212	
						1,627,398	
						<u>\$ 1,742,610</u>	

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NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE
AUXILIARY ENTERPRISE UNRESTRICTED CURRENT FUNDS
Year Ended June 30, 2008

	Bookstore	Food Services	Child Care
Revenues and other additions			
State appropriations	\$ -	\$ -	\$ 31,442
Tuition and fees	-	-	-
Federal appropriations	-	-	27,748
Sales and services	2,315,947	244,132	561,630
Miscellaneous	20,500	513	1,219
Total revenues and other additions	2,336,447	244,645	622,039
Expenditures and other deductions			
Salaries and wages	112,605	103,624	673,906
Employee fringe benefits	19,560	32,892	180,218
Services	4,947	28,314	4,753
Materials and supplies	2,341	6,168	82,121
Travel	778	-	60
Loan cancellations and bad debts	-	-	-
Cost of goods sold	1,877,395	104,800	-
Plant asset acquisitions	-	-	-
Miscellaneous	11,500	-	-
Total expenditures and other deductions	2,029,126	275,798	941,058
Excess (deficiency) of revenues and other additions over expenditures and other deductions	307,321	(31,153)	(319,019)
Transfers			
Mandatory			
Nonmandatory	(100,130)	43,140	317,738
	(100,130)	43,140	317,738
Net increase (decrease) in fund balance	207,191	11,987	(1,281)
Fund balance (deficit)			
Beginning	1,089,537	(579)	1,281
Ending	\$ 1,296,728	\$ 11,408	\$ -

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

Farm	Trade and Industry	Professional Development	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	31,442
-	10,505	29,150	927	40,582
-	-	-	-	27,748
-	89,079	-	57,474	3,268,262
174	7,040	105	66,888	96,439
174	106,624	29,255	125,289	3,464,473
-	-	-	-	890,135
-	-	-	-	232,670
-	5,882	39,263	10,724	93,883
-	12,648	876	28,636	132,790
-	19,132	25,791	34	45,795
-	-	-	-	-
(8,000)	59,398	-	21,091	2,054,684
-	-	-	57,516	57,516
-	357	-	38,727	50,584
(8,000)	97,417	65,930	156,728	3,558,057
8,174	9,207	(36,675)	(31,439)	(93,584)
-	-	3,938	128,698	393,384
-	-	3,938	128,698	393,384
8,174	9,207	(32,737)	97,259	299,800
39,057	8,283	102,630	70,066	1,310,275
\$ 47,231	\$ 17,490	\$ 69,893	\$ 167,325	\$ 1,610,075

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE
RESTRICTED CURRENT FUNDS
Year Ended June 30, 2008

	Restricted Property Tax Levies	Iowa New Jobs Training	Other Federal Programs	Miscellaneous	Total
Revenues and other additions					
State appropriations	\$ -		\$ 641,668	\$ 108,271	\$ 749,939
Tuition and fees				355,932	355,932
Property taxes	1,597,815				1,597,815
Federal appropriations			1,208,470	-	1,208,470
Investment income	303,282			-	303,282
Iowa Industrial New Jobs Training Program		\$ 2,942,389			2,942,389
Miscellaneous	50,265	651,133	40,741	32,208	774,347
Total revenues and other additions	1,951,362	3,593,522	1,890,879	496,411	7,932,174
Expenditures and other deductions					
Salaries and wages	-	-	576,366	-	576,366
Employee fringe benefits	147,520	-	215,951	-	363,471
Services	303,715	2,129,646	228,318	74,046	2,735,725
Materials and supplies	446,335	-	82,863	69,470	598,668
Travel	-	-	85,907	-	85,907
Plant asset acquisitions	9,377	-	22,978	226,581	258,936
Interest on indebtedness	-	983,399	-	19,910	1,003,309
Miscellaneous	-	-	114,576	-	114,576
Total expenditures and other deductions	906,947	3,113,045	1,326,959	390,007	5,736,958
Excess of revenues and other additions over expenditures and other deductions	1,044,415	480,477	563,920	106,404	2,195,216
Transfers					
Mandatory		(480,477)	(34,659)		(515,136)
Nonmandatory	(423,557)		(411,659)	(35,162)	(870,378)
Total transfers	(423,557)	(480,477)	(446,318)	(35,162)	(1,385,514)
Net increase in fund balance	620,858	-	117,602	71,242	809,702
Fund balance					
Beginning	1,675,828	-	233,005	156,723	2,065,556
Ending	\$ 2,296,686	\$ -	\$ 350,607	\$ 227,965	\$ 2,875,258

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
 SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS
 AGENCY FUNDS
 Year Ended June 30, 2008

	Student Organizations Federal	Federal and Other Programs	Retraining	Dairy Center	Total
Balance, beginning of year	\$ 32,169	\$ 6,164	\$ 80,516	\$ 2	\$ 118,851
Additions					
State appropriations	17,045	-	274,902	-	291,947
Tuition and fees	111,669	-	-	-	111,669
Federal appropriations	-	83,367	-	-	83,367
Sales and services	1,482	-	-	-	1,482
Miscellaneous	111,299	12,106	-	1,182,784	1,306,189
Transfers				-	-
Total additions	241,495	95,473	274,902	1,182,784	1,794,654
Deductions					
Salaries and wages	3,700	63,189	-	196,674	263,563
Employee fringe benefits	283	21,791	-	20,697	42,771
Services	95,332	979	205,336	479,412	781,059
Materials and supplies	38,344	2,500	-	484,967	525,811
Travel	45,745	7,326	-	967	54,038
Cost of goods sold	10,702	-	-	-	10,702
Miscellaneous	2,552	-	-	-	2,552
Plant asset acquisitions	-	-	-	-	-
Transfers		-	-	-	-
Total deductions	196,658	95,785	205,336	1,182,717	1,680,496
Balance, end of year	\$ 77,006	\$ 5,852	\$ 150,082	\$ 69	\$ 233,009

See Independent Auditor's Report on the Supplementary Information.

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

	2008	2007	2006	2005
Local (property tax)	\$ 4,710,263	\$ 4,617,926	\$ 4,434,120	\$ 4,264,427
State appropriations	9,582,594	9,318,872	9,012,946	7,168,615
Federal appropriations	15,164,519	13,211,473	13,662,743	14,061,236
Total	\$ 29,457,376	\$ 27,148,271	\$ 27,109,809	\$ 25,494,278

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
COMPARISON OF CURRENT FUND REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTIONS
Years Ended June 30,

	2008	2007	2006	2005
Revenues				
State appropriations	\$ 9,646,510	\$ 8,585,540	\$ 8,273,314	\$ 7,168,615
Tuition and fees	12,617,952	12,627,379	11,542,638	12,445,632
Property taxes	3,154,039	3,087,576	2,950,677	2,820,385
Federal appropriations	14,421,197	13,210,561	13,662,743	14,061,236
Investment income	781,538	770,894	372,952	185,491
Iowa Industrial New Jobs Training Program	2,942,389	2,681,762	2,022,297	2,273,725
Auxiliary enterprises	3,364,701	3,165,052	3,019,488	3,001,282
Miscellaneous	1,605,837	3,998,906	2,288,211	295,227
	<u>\$ 48,534,163</u>	<u>\$ 48,127,670</u>	<u>\$ 44,132,320</u>	<u>\$ 42,251,593</u>
Expenditures				
Liberal arts and sciences	\$ 3,132,660	\$ 4,291,171	\$ 4,551,128	\$ 4,490,667
Vocational technical	9,028,181	7,406,780	8,270,645	7,739,181
Adult education	2,435,011	2,445,756	2,562,093	2,377,622
Cooperative services	6,318,846	7,611,483	4,633,475	4,548,362
General administration	1,788,637	1,229,762	750,693	523,381
Student services	1,653,107	1,514,565	1,572,779	1,476,424
Learning resources	742,207	776,377	756,579	841,086
Physical plant	1,910,678	1,650,778	1,604,176	1,576,922
General institution	3,377,247	3,526,426	3,363,388	2,792,226
Auxiliary enterprises	3,558,057	3,406,178	3,188,290	3,019,160
Scholarships and grants	13,315,714	12,730,287	12,890,231	12,332,748
Loan cancellations and bad debts	-	(234)	8,445	14,405
	<u>\$ 47,260,345</u>	<u>\$ 46,589,329</u>	<u>\$ 44,151,922</u>	<u>\$ 41,732,184</u>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT
Year Ended June 30, 2008

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	46,743		46,743			-
Vocational Education	50,738		50,738			-
Adult/Continuing Education				338,129	50,175	388,304
Related Services and Activities					30,309	30,309
Total	97,481		97,481	338,129	80,484	418,613

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2008

Funds/Levy	Original Budget	Actual	Variance Actual and Budget
Unrestricted	\$ 24,617,657	\$ 24,649,616	\$ (31,959)
Restricted	12,500,000	4,830,019	7,669,981
Unemployment	5,000	9,389	(4,389)
Insurance	512,000	399,206	112,794
Early retirement	380,000	42,633	337,367
Equipment replacement	926,639	455,711	470,928
Total restricted	14,323,639	5,736,958	8,586,681
Plant			
Bonds and interest	2,791,271	773,608	2,017,663
Total	\$ 41,732,567	\$ 31,160,182	\$ 10,572,385

Note to Budgetary Reporting:

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

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

For the year ended June 30, 2008, the College's expenditures for unrestricted fund and restricted fund - unemployment subgroup exceeded the amount budgeted.

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2008

<u>Section I: Summary of the Independent Auditor's Results</u>	<u>Yes</u>	<u>No</u>	<u>None Reported</u>
<u>Financial Statements</u>			
Type of auditor's report issued: unqualified			
Internal control over financial reporting:			
• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?		X	
Noncompliance material to financial statements noted?		X	
<u>Federal Awards</u>			
Internal control over major programs:			
• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weakness(es)?		X	
Type of auditor's report issued on compliance for major programs: Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?			X
Identification of major programs			
CFDA Numbers			
• 84.002 Adult Education – State Grant Program			
• 84.033 Federal Work-Study Program (FWS)			
• 84.063 Federal Pell Grant Program			
• 84.268 Federal Direct Loans – Subsidized/Unsubsidized, Plus Loans			
• 84.048 Vocational Education – Basic Grants to States			
• 10.500 Cooperative State Research, Education, and Extension Service			
Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000			
Auditee qualified as low-risk auditee?		X	

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Financial Statements:

Significant Deficiencies - None

Section III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance - None

Significant Deficiencies - None

Section IV: Other Findings Related to Required Statutory Reporting:

See Management Letter dated December 19, 2008

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

N/A

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
U.S. Department of Agriculture			
Direct			
Cooperative State Research, Education, and Extension Service	10.500	\$ 200,640	
Secondary and Two-Year Postsecondary Agriculture			
Education Challenge Grants	10.226	17,873	
Passed through Iowa Department of Education			
Child and Adult Care Food Program	10.558	27,748	
Summer Food Service Program for Children	10.559	5,787	
		<u>33,535</u>	
Subtotal Department of Agriculture		<u>252,048</u>	
U.S. Department of Health and Human Services			
Passed through University of Iowa			
Occupational Safety and Health Program	93.262	4,776	
U.S. Department of Labor			
Passed through Iowa Department of Workforce Development			
Job Training Partnership Act (JTPA)	17.250	81,838	
Passed through Iowa Department of Education			
Mine Health and Safety Grants	17.600	16,225	
Incentive Grants - WIA Section 503	17.267	11,445	
		<u>27,670</u>	
Subtotal U.S. Department of Labor		<u>109,508</u>	
National Science Foundation			
Passed through Iowa State University			
Education and Human Resources	47.076	31,111	
Small Business Development Center			
Passed through Iowa State University			
Small Business Development	59.037	96,387	

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

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
U.S. Department of Education			
Direct			
Adult Education - State Grant Program	84.002	\$ 323,222	
Federal Supplemental Educational Opportunity Grants	84.007	76,492	
Federal Direct Loans - Plus Loans	84.268		\$ 57,628
Federal Direct Loans - Subsidized Loans	84.268		5,078,133
Federal Direct Loans - Unsubsidized Loans	84.268		3,357,336
Federal Family Education Loans	84.032		3,136
Federal Work-Study Program	84.033	135,048	
Federal Pell Grant Program	84.063	3,834,791	
TRIO - Student Support Services	84.042	248,573	
TRIO - Upward Bound	84.047	499,122	
		<u>5,117,248</u>	<u>8,496,233</u>
Passed through Iowa Department of Education			
Academic Competitiveness Grant	84.375	14,625	
Vocational Education-Basic Grants to States			
Vocational Education - Basic Grants to States	84.048	302,938	
Tech-Prep Education	84.243A	79,690	
		<u>397,253</u>	
Subtotal U.S. Department of Education		<u>5,514,501</u>	<u>8,496,233</u>
		<u>\$ 6,008,331</u>	<u>\$ 8,496,233</u>

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

NORTHEAST IOWA COMMUNITY COLLEGE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Note 1. Basis of Presentation

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

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

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

We have audited the financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of and for the year ended June 30, 2008, which collectively comprise Northeast Iowa Community College's basic financial statements and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Northeast Iowa Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Iowa Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northeast Iowa Community College's internal control over financial reporting.

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

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

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Northeast Iowa Community College in a separate letter dated December 19, 2008.

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
December 19, 2008

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

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

Compliance

We have audited the compliance of Northeast Iowa Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on Northeast Iowa Community College's compliance based on our audit.

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

In our opinion, Northeast Iowa Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Northeast Iowa Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Northeast Iowa Community College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities, the discretely presented component unit, each major fund of Northeast Iowa Community College as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Northeast Iowa Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
December 19, 2008

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MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the Northeast Iowa Community College for the year ended June 30, 2008, we considered the College's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the College's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 thru 8 below are compliance comments required by the Iowa Auditor of State. A separate report dated December 19, 2008 contains our report on significant deficiencies in the College's internal control. This letter does not affect our report dated December 19, 2008, on the financial statements of the Northeast Iowa Community College. Comment numbers 7, and 9 through 13, are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the College's responses and, accordingly, we express no opinion on them.

1. **Certified Budget**
Disbursements for the year ended June 30, 2008 did not exceed the amounts budgeted.
2. **Questionable Disbursements**
We noted no disbursements that may not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.
3. **Travel Expense**
No expenditures of College money for travel expenses of spouses of College officials and/or employees were noted. No travel advances to College officials or employees were noted.
4. **Business Transactions**
We noted no business transactions between the College and College officials and/or employees for the year ended June 30, 2008.
5. **Bond Coverage**
Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

6. Trustee Minutes

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

7. Publication

The College has on file an affidavit of publication documenting the College's published statement showing the disbursements of its funds, including the names of persons, firms, or corporations to which disbursements were made, in accordance with Section 260C.14(12) of the Code of Iowa. The College did not publish a statement summarizing receipts and disbursements until September.

Recommendation

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

Response

The College agrees with the comment.

Conclusion

Response accepted.

8. Deposits and Investments

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

9. Fund Balance Deficits

As of June 30, 2008, there are several sub-group accounts reporting fund balance deficits.

Recommendation

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

Response

The College has reviewed the deficits and has taken corrective action for major deficits and the College has the authority to levy taxes in the succeeding years to cover the deficits.

Conclusion

Response accepted.

10. Cash Accounts

There are two funds that have deficit cash balances as of June 30, 2008. These funds are in theory borrowing money from other funds to pay for expenses. One bank account did not have updated signature cards and has a past Board member as authorized signors.

Recommendation

We recommend the College review cash balances throughout the year prior to paying expenses. We also recommend the College review charges collected are adequate to cover expenses or make transfers between funds to eliminate these deficits. Signature cards for all bank accounts should be reviewed and updated in a timely manner.

Response

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

Conclusion

Response accepted.

11. Financial Aid Reports

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

Recommendation

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

Response

We are addressing this issue.

Conclusion

Response accepted.

12. Disbursements

One invoice had no notation of being paid. Travel reimbursements and continuing education payments are not approved the same as other invoices through Datatel. Those items are approved on paper documentation.

Recommendation

The College should review all invoices are being marked paid to avoid any duplicate or over payment. The College should review procedures for approving travel reimbursements and continuing education payments to determine if it would be beneficial to approve them through Datatel.

Response

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

Conclusion

Response accepted.

13. Payroll

There are salaried employees that are not reporting vacation days taken to be reported in the Datatel system. There is one employee that hasn't turned in the proper paperwork to get paid for the work performed. The employee has worked part-time for the College for two years.

Recommendation

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

Response

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

Conclusion

Response accepted.

14. Capital Assets

There was one capital asset donated during fiscal year 2007 at the value the donor gave to them. However, at the beginning of fiscal year 2008 the asset was junked by the College.

Recommendation

We recommend the College record donated assets at fair market value at the date of the gift.

Response

The College is looking into a gift acceptance policy and any IRS regulations that may apply to such items.

Conclusion

Response accepted.

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

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
December 19, 2008