

**NORTH IOWA AREA COMMUNITY COLLEGE
MASON CITY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

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Officials

Name	Title	Term Expires
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**Board of Directors
(Before September, 2007 Election)**

David Steffens, Jr.	President	2009
Jean Torgeson	Vice President	2007
Karen Knudtson	Member	2008
Dean Cataldo	Member	2008
John Heilskov	Member	2008
Gordon Anderson	Member	2007
James Niemants	Member	2009
Toni Noah	Member	2009
Jim Morrow	Member, filled vacancy due to resignation	2007

**Board of Directors
(After September, 2007 Election)**

David Steffens, Jr.	President	2009
Jean Torgeson	Vice President	2011
Karen Knudtson	Member	2011
Dean Cataldo	Member	2011
John Heilskov	Member	2011
Gordon Anderson	Member	2009
James Niemants	Member	2009
Toni Noah	Member	2009
Robert Davis	Member	2011

Officials

Dr. Michael C. Morrison	President, retired June 30, 2008
Dr. Debra Derr	President, effective July 7, 2008
Katherine Grove	Vice President, Administration and Board Secretary/Treasurer

Independent Auditor's Report

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

We have audited the accompanying financial statements of North Iowa Area Community College, Mason City, Iowa, at and for the year ended June 30, 2008, which along with the discretely presented component unit collectively comprise the College's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of North Iowa Area Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component unit, North Iowa Area Community College Foundation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the North Iowa Area Community College Foundation is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Iowa Area Community College and its discretely presented component unit at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2009 on our consideration of North Iowa Area Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on Pages 4 through 12 and Page 29 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Iowa Area Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2007, 2006 and 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements and supplemental data. The supplementary information on Pages 30 through 36, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. Information included in the statistical section (Pages 39 through 41) has not been audited by us, and we express no opinion or provide any other assurance on it.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
February 5, 2009

**North Iowa Area Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

Management of North Iowa Area Community College (College) has prepared a discussion and analysis of the College's financial statements that provides an overview of financial activities for the year beginning July 1, 2007 and ending June 30, 2008. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- College operating revenue increased 6.41% in FY08. Some of the increase was due to tuition revenue. Tuition and fees rates were increased by 4% for FY08. Revenue associated with the Iowa Industrial New Jobs Training Program increased by 4.04% in FY08. This program involves the diversion of state withholding to repay bonds that are issued for workforce training. Revenue for this program can vary from year to year depending on funds needed for annual bond payments.
- College operating expenses in FY08 increased 7.43% over FY07. Salary and benefit costs increased by 6.5%. Due to the early retirement of five employees, the costs associated with the early retirement program also contributed to the salary and benefit costs.
- Construction on a new Recreation Center began in FY08. Capital Loan Notes were sold to assist in payment for the construction.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

REPORTING THE COLLEGE AS A WHOLE

The Statement of Net Assets

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

	Net Assets	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current and other assets	\$ 26,625,832	\$ 25,492,047
Non-current assets	1,778,025	1,869,945
Capital assets, net of accumulated depreciation	<u>22,253,138</u>	<u>17,783,306</u>
Total assets	<u>\$ 50,656,995</u>	<u>\$ 45,145,298</u>
Current liabilities	\$ 10,229,633	\$ 8,317,259
Non-current liabilities	<u>10,076,164</u>	<u>8,285,793</u>
Total liabilities	<u>20,305,797</u>	<u>16,603,052</u>
Net assets:		
Invested in capital assets, net of related debt	22,253,138	17,783,306
Restricted, expendable	2,345,848	1,938,793
Unrestricted	<u>5,752,212</u>	<u>8,820,147</u>
Total net assets	<u>30,351,198</u>	<u>28,542,246</u>
Total liabilities and net assets	<u>\$ 50,656,995</u>	<u>\$ 45,145,298</u>

The largest portion of the College’s net assets (73.3%) is in invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets. The restricted portion of net assets (7.7%) includes resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets represent the remaining net assets (19.0%). These can be used to meet the College’s obligations as they come due.

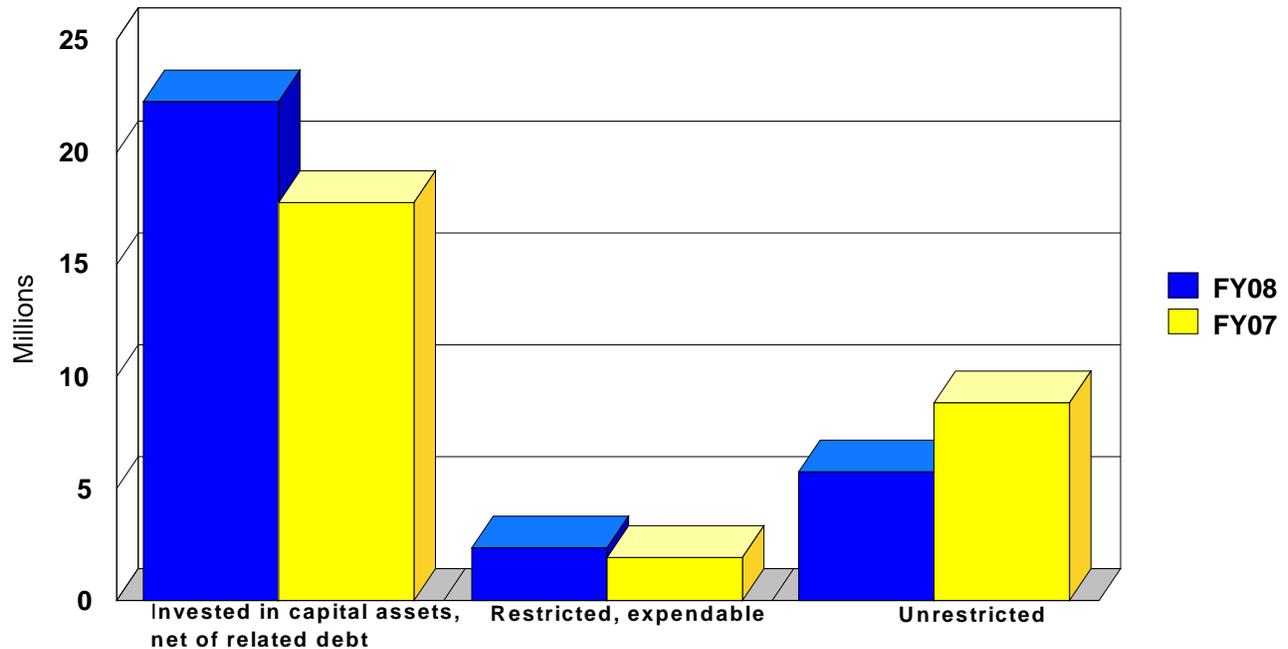
Restricted, expendable net assets in FY08 increased \$407,055 from FY07 or 21%. This was due to an increase in the performance of the Economic Development programs and some of the early retirement tax collection applying to the negative early retirement fund balance.

Unrestricted net assets decreased \$3,067,935 or 34.8%. Much of this decrease is the result of construction on the Recreation Center that began in August 2007.

Statement of Revenue, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenue, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenue received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenue, expenses, gains and losses received or spent by the College. The report reflects FY08 and FY07 numbers.

Comparison of Net Assets



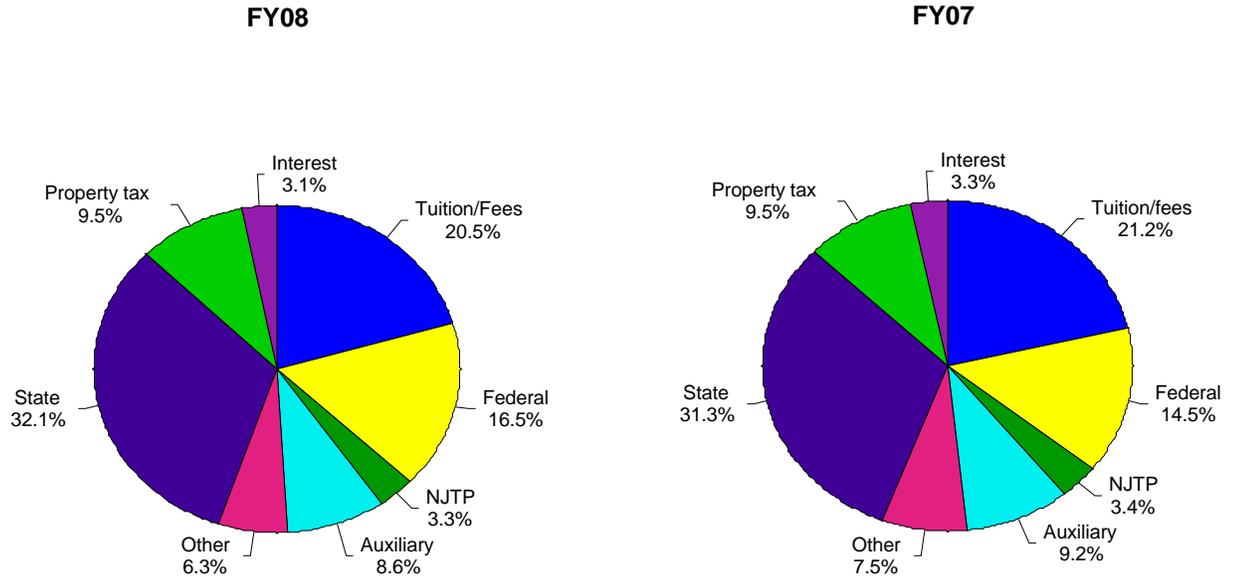
In general, a public college such as North Iowa Area Community College will report an operating loss, as the financial reporting model classifies state appropriations and property taxes as non-operating revenue. Operating revenue is received for providing goods and services to students, customers and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

Changes in Net Assets

	<u>Year ended June 30, 2008</u>	<u>Year ended June 30, 2007</u>
Operating revenue:		
Tuition and fees	\$ 6,888,206	\$ 6,628,016
Federal appropriations	5,548,711	4,534,172
Sales and services	178,497	193,091
Iowa Industrial New Jobs Training Program	1,110,306	1,067,167
Accounts receivable and student loan interest	763	953
Auxiliary enterprises	2,891,449	2,861,372
Miscellaneous	<u>1,355,984</u>	<u>1,606,027</u>
Total operating revenue	17,973,916	16,890,798
Total operating expenses	<u>31,395,696</u>	<u>29,225,583</u>
Operating loss	<u>(13,421,780)</u>	<u>(12,334,785)</u>
Non-operating revenue (expenses)		
State appropriations	10,782,145	9,789,440
Property tax	3,209,007	2,962,592
Gifts	594,461	558,442
Interest income from investments	1,027,324	1,036,544
Loss on disposal of plant assets	(1,771)	—
Interest on indebtedness	<u>(531,257)</u>	<u>(517,985)</u>
Net non-operating revenue	<u>15,079,909</u>	<u>13,829,033</u>
Increase in net assets before other revenue	1,658,129	1,494,248
Capital grants and gifts	<u>150,823</u>	<u>81,782</u>
Increase in net assets	1,808,952	1,576,030
Net assets beginning of year	<u>28,542,246</u>	<u>26,966,216</u>
Net assets end of year	<u>\$ 30,351,198</u>	<u>\$ 28,542,246</u>

The Statement of Revenue, Expenses and Changes in Net Assets reflects a surplus with an increase (\$1,808,952 or 6.3%) in the net assets at the end of the fiscal year but did show an increase (\$1,086,995 or 8.8%) in net operating loss.

Total Revenue by Source



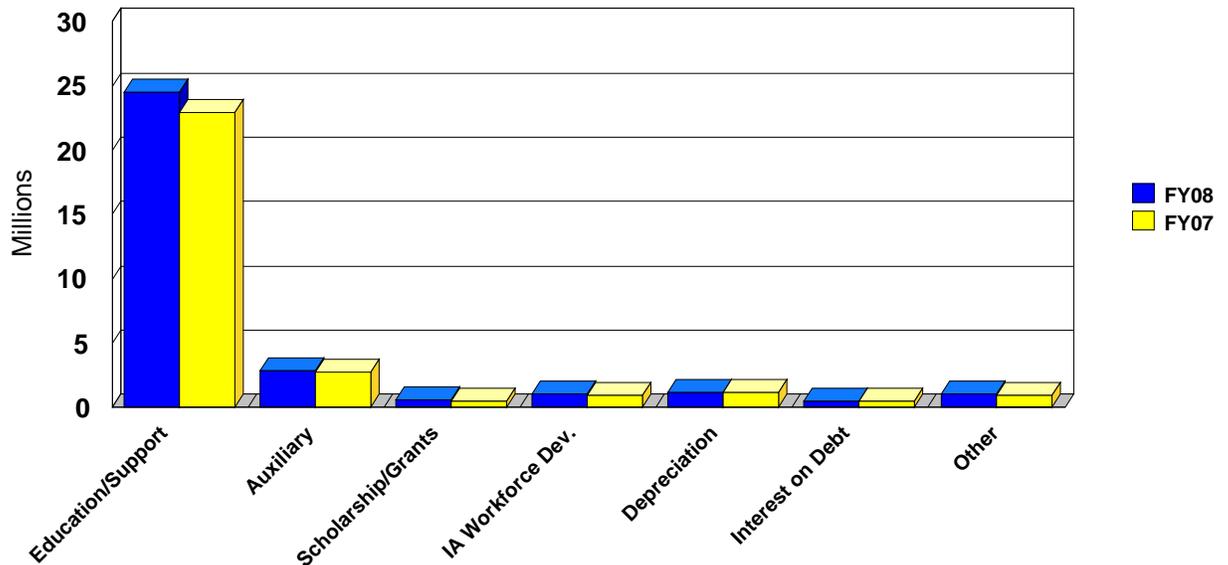
In fiscal year 2008, operating revenue increased \$1,083,118, or 6.4%, as a net result of the following changes:

- Tuition for credit classes increased due to an increase in the tuition rate from \$96.00 per credit hour in FY07 to \$99.85 per credit hour in FY08.
- Federal revenue increased \$1,014,539 or 22.38% in FY08 because of the activity supported by the United States Small Business Administration for the JPEC Incubator, the continuation of a United States Department of Education Title III Grant and special WIA funding. The College's state aid increased by \$992,705. Unrestricted State aid dollars for FY08 are 10.14% higher than in FY07.
- Revenue associated with the Iowa Industrial New Jobs Training Program increased by \$43,139 in FY08. This program issues bonds used for workforce training by new or expanding companies. The bonds are repaid from employee state withholding revenue that is diverted to this program. Revenue depends on what is needed to make the annual principal and interest payments.

Operating Expenses

	<u>Year ended June 30, 2008</u>	<u>Year ended June 30, 2007</u>
Education and support:		
Liberal arts and science	\$ 6,202,012	\$ 5,949,220
Vocational technical	3,607,757	3,021,656
Adult education	3,485,900	3,485,018
Cooperative services	1,978,465	1,691,047
Administration	1,680,452	1,505,354
Student services	3,486,624	3,090,311
Learning resources	556,865	529,821
Physical plant	1,579,241	1,858,018
General institution	2,005,961	1,819,148
Auxiliary enterprises	2,886,876	2,726,290
Scholarship and grants	595,177	535,186
Iowa Workforce Development contract	1,071,456	911,957
Loan cancellations and bad debt	754	2,125
Administrative and collection costs	1,061,518	967,613
Depreciation	<u>1,196,638</u>	<u>1,132,819</u>
 Total	 <u>\$ 31,395,696</u>	 <u>\$ 29,225,583</u>

Total Expenses



In FY08, operating expenses increased by 7.4% mainly due to faculty and staff receiving an average salary increase of 4.6% accompanied by a 0.26% increase in the cost of the College's health insurance program. There was a change in provider for vision care that contributed to a reduced cost for this benefit.

Statement of Cash Flows

The final statement included in North Iowa Area Community College's basic financial statements is the Statement of Cash Flows. The Statement of Cash Flows is an important tool in helping the users to assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital financing, and investing activities. Information is presented for FY08 and FY07.

Cash Flows

	<u>Year ended</u> <u>June 30, 2008</u>	<u>Year ended</u> <u>June 30, 2007</u>
Cash provided (used) by:		
Operating activities	\$ (10,906,298)	\$ (11,176,376)
Non-capital financing activities	14,618,558	13,259,193
Capital and related financing activities	(3,848,405)	(3,382,005)
Investing activities	<u>(622,676)</u>	<u>4,436,544</u>
Net increase (decrease) in cash	(758,821)	3,137,356
Cash beginning of the year	<u>5,634,131</u>	<u>2,496,775</u>
Cash end of the year	<u><u>\$ 4,875,310</u></u>	<u><u>\$ 5,634,131</u></u>

Cash used for operating activities includes tuition and fees, grants and contracts along with payments to employees and to suppliers. Much of the change in use of cash for operating activities is related to activity associated with Title III and the Incubator funded by the Small Business Administration.

Cash provided by non-capital financing activities includes state appropriations, local property taxes received by the College, and the receipt and disbursement of federal direct loan program proceeds. The increase in cash flow is directly related to the increase in state appropriations. NIACC's state appropriations increased by \$992,705 or 10.14%.

Cash used for capital and related financing activities represents the proceeds from debt, the principal and interest payments of debt and the purchase of capital assets. NIACC issued Iowa New Jobs Training bonds and Capital Loan Notes in FY08. Payments for principal and interest on debt as well as acquisition of capital assets contributed to the change in "Capital and related financing activities".

Cash flows from investing activities reflects that more funds were invested in certificates of deposit than a year ago. Investment income decreased in FY08 by \$9,220. Most of this is due to lower interest rates in FY08.

CAPITAL ASSETS

At June 30, 2008, the College has \$40,572,151 invested in capital assets, less accumulated depreciation of \$18,319,013. Depreciation charges totaled \$1,196,638 for the 2008 fiscal year. Details for the capital assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Land	\$ 340,756	\$ 340,756
Building	14,706,528	14,704,023
Construction in progress	4,776,394	88,001
Other structures and improvement	694,758	790,341
Equipment and vehicles	<u>1,734,702</u>	<u>1,860,185</u>
Total	<u>\$ 22,253,138</u>	<u>\$ 17,783,306</u>

Construction in progress increased by \$4,688,393 due to construction of the JPEC Business Incubator and Recreation Center in FY08. Construction of the Recreation Center began in August of 2007.

Planned capital expenditures for the fiscal year ended June 30, 2009 include the completion of the remodeling of the Murphy Manufacturing Technology building for the welding program, completion of the Recreation Center and consideration for additional student housing. More detailed information about the College's capital assets is presented in Note 3 to the financial statements.

DEBT

At June 30, 2008, the College had \$9,195,000 in debt outstanding, an increase of \$1,525,000 from FY07. The table below summarizes these amounts by type.

Outstanding Debt

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Certificates payable	\$ 7,280,000	\$ 7,670,000
Notes payable	<u>1,915,000</u>	<u>—</u>
	<u>\$ 9,195,000</u>	<u>\$ 7,670,000</u>

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

ECONOMIC FACTORS

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

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

CONTACT THE COLLEGE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Statement of Net Assets

At June 30, 2008

	Primary Institution	<u>Component Unit</u> Foundation
Assets		
Current Assets		
Cash and certificates of deposit	\$ 19,775,310	\$ 1,647,424
Investment in marketable securities	—	10,776,973
Receivables		
Accounts (net of allowance for doubtful accounts		
College - \$192,425).....	1,441,064	55,747
Property tax - succeeding year	3,256,540	—
Notes (net of allowance for doubtful accounts -		
College - \$21,398).....	35,485	—
Iowa Industrial New Jobs Training Program	1,096,369	—
Contributions.....	—	287,667
Due from other governments	1,010,586	—
Prepaid expenses.....	8,778	—
Inventories.....	1,700	—
Total Current Assets	<u>26,625,832</u>	<u>12,767,811</u>
 Noncurrent Assets		
Investment in marketable securities	—	2,692,978
Receivables		
Notes.....	98,639	—
Iowa Industrial New Jobs Training Program	1,679,386	—
Contributions receivable	—	1,533
Investment in Commonfund Realty Investors, LLC	—	504,000
Investments in real estate.....	—	543,656
Beneficial interest in assets held by others	—	314,966
Capital assets, net of accumulated depreciation	<u>22,253,138</u>	—
Total Noncurrent Assets	<u>24,031,163</u>	<u>4,057,133</u>
 Total Assets	 <u>\$ 50,656,995</u>	 <u>\$ 16,824,944</u>

See accompanying notes to the financial statements.

	Primary Institution	<u>Component Unit Foundation</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,259,660	\$ 1,033
Salaries and benefits payable	973,378	—
Deferred compensation	90,000	—
Annuity payable	—	24,671
Interest payable	33,834	—
Compensated absences	491,345	—
Contracts payable	203,003	—
Insurance claims incurred but not reported	50,272	—
Deposits held in custody for others	488,661	—
Advance payable	62,000	—
Deferred Revenue		
Succeeding year property tax	3,256,540	—
Tuition	477,204	—
Other	1,085,660	—
Early retirement payable	148,076	—
Certificates payable	1,430,000	—
Notes payable	180,000	—
Total Current Liabilities	<u>10,229,633</u>	<u>25,704</u>
Noncurrent Liabilities		
Early retirement payable	250,749	—
Deferred revenue, other	2,192,298	—
Deferred compensation	2,375	—
Annuity payable	—	42,526
Certificates payable	5,850,000	—
Notes payable	1,735,000	—
Refundable advances on student loans	45,742	—
Total Noncurrent Liabilities	<u>10,076,164</u>	<u>42,526</u>
Total Liabilities	<u>20,305,797</u>	<u>68,230</u>
Net Assets		
Invested in capital assets, net of related debt	22,253,138	—
Restricted		
Nonexpendable	—	2,692,978
Expendable		
Loans	15,238	—
Cash reserve	285,793	—
Other	2,044,817	11,483,560
Unrestricted	5,752,212	2,580,176
Total Net Assets	<u>30,351,198</u>	<u>16,756,714</u>
Total Liabilities and Net Assets	<u>\$ 50,656,995</u>	<u>\$ 16,824,944</u>

Statement of Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2008

	Primary Institution	<u>Component Unit</u> Foundation
Operating Revenue		
Tuition and fees, net of scholarship allowances of \$1,984,666	\$ 6,888,206	\$ —
Federal appropriations.....	5,548,711	—
Sales and service	178,497	—
Iowa Industrial New Jobs Training Program.....	1,110,306	—
Accounts receivable and student loan interest	763	—
Auxiliary enterprises	2,891,449	—
Contributions	—	1,009,468
Miscellaneous.....	1,355,984	227,446
Total Operating Revenue.....	<u>17,973,916</u>	<u>1,236,914</u>
Operating Expenses		
Education and Support		
Liberal arts and sciences	6,202,012	—
Vocational technical	3,607,757	—
Adult education	3,485,900	—
Cooperative services	1,978,465	—
Administration	1,680,452	—
Student services	3,486,624	—
Learning resources	556,865	—
Physical plant.....	1,579,241	—
General institution.....	2,005,961	—
Auxiliary enterprises	2,886,876	—
Scholarship and grants.....	595,177	—
Iowa Workforce Development contract.....	1,071,456	—
Loan cancellations and bad debts.....	754	—
Administrative and collection costs.....	1,061,518	—
Program services.....	—	1,289,996
Fundraising expenses	—	114,435
Management and general expenses	—	28,391
Depreciation	1,196,638	—
Total Operating Expenses.....	<u>31,395,696</u>	<u>1,432,822</u>
Operating Income (Loss).....	<u>(13,421,780)</u>	<u>(195,908)</u>
Nonoperating Revenue (Expenses)		
State appropriations	10,782,145	—
Property tax	3,209,007	—
Gifts	594,461	—
Investment income (loss), net of investment expense of \$47,285 for the Foundation.....	1,027,324	(396,290)
Change in value of beneficial interests.....	—	(543)
Loss on disposal of plant assets.....	(1,771)	—
Interest on indebtedness	(531,257)	—
Net Nonoperating Revenue (Expenses).....	<u>15,079,909</u>	<u>(396,833)</u>
Increase (Decrease) in Net Assets Before Other Revenue	1,658,129	(592,741)
Capital grants and gifts.....	150,823	—
Increase (Decrease) in Net Assets.....	1,808,952	(592,741)
Net Assets - Beginning of Year	28,542,246	17,349,455
Net Assets - End of Year.....	<u>\$ 30,351,198</u>	<u>\$ 16,756,714</u>

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended June 30, 2008

Cash Flows From Operating Activities

Tuition and fees	\$ 6,518,689
Federal appropriations.....	5,726,820
Iowa Industrial New Jobs Training Program.....	1,959,807
Payments to employees for salaries and benefits	(18,667,055)
Payments to suppliers for goods and services	(9,540,202)
Payments to New Jobs Training Program recipients.....	(830,123)
Scholarships	(518,811)
Loans issued to students.....	(76,709)
Loan collections from students	24,442
Auxiliary enterprise receipts	2,959,609
Other receipts.....	<u>1,537,235</u>
Net Cash Used in Operating Activities	<u>(10,906,298)</u>

Cash Flows From Noncapital Financing Activities

State appropriations	10,756,894
Property tax	3,209,007
Gifts for other than capital purposes.....	594,461
Federal direct lending receipts	5,378,467
Federal direct lending disbursements.....	(5,279,448)
Miscellaneous agency fund receipts.....	460,623
Miscellaneous agency fund disbursements.....	<u>(501,446)</u>
Net Cash Provided by Noncapital Financing Activities	<u>14,618,558</u>

Cash Flows From Capital and Related Financing Activities

Gifts for purchase of capital assets	150,823
Acquisition of capital assets	(4,990,715)
Proceeds from issuance of debt.....	3,105,000
Principal paid on debt.....	(1,580,000)
Interest paid on debt.....	<u>(533,513)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(3,848,405)</u>

Cash Flows From Investing Activities

Proceeds from maturity of certificates of deposit.....	27,430,000
Purchase of certificates of deposit.....	(29,080,000)
Investment income	<u>1,027,324</u>
Net Cash Used in Investing Activities.....	<u>(622,676)</u>

Net Decrease in Cash.....	<u>(758,821)</u>
Cash at Beginning of Year.....	<u>5,634,131</u>

Cash at End of Year..... **\$ 4,875,310**

Statement of Cash Flows

Year Ended June 30, 2008

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

Loss from operations	\$ (13,421,780)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Depreciation	1,196,638
Changes in Assets and Liabilities	
Increase in accounts receivable, net	(452,023)
Increase in notes receivable, net	(51,513)
Decrease in Iowa Industrial New Jobs Training Program receivable	205,748
Decrease in due from governments	178,109
Increase in prepaid expenses	(4,287)
Decrease in inventories	2,850
Increase in accounts payable	467,044
Increase in salaries and benefits payable	74,370
Increase in deferred revenue	787,473
Decrease in deferred compensation	(7,000)
Increase in compensated absences	13,905
Increase in early retirement payable	88,970
Increase in reserve for unsubmitted insurance claims	13,240
Decrease in refundable advances on student loans	(6,979)
Increase in deposits held in custody	<u>8,937</u>
Net Cash Used in Operating Activities	<u>\$ (10,906,298)</u>

Supplemental Disclosures

Noncash, Capital Financing Activities

At June 30, 2008

Cash	\$ 4,875,310
Certificates of deposit	<u>14,900,000</u>
Total Cash and Certificates of Deposit	<u>\$ 19,775,310</u>

Capital and Related Financing Activities

At June 30, 2008

Cost of property and equipment	\$ 5,668,241
Amounts Payable	
Prior year	48,564
Current year	<u>(726,090)</u>
Cash Paid for Property and Equipment	<u>\$ 4,990,715</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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

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

Reporting Entity

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

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

Discrete Component Unit

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Basis of Presentation

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

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

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

Unrestricted Net Assets

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

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

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

Measurement Focus and Basis of Accounting

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Assets, Liabilities and Net Assets

Cash and Certificates of Deposit

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

Certificates of deposit are stated at cost.

Due from Other Governments

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

Inventories

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

Property Tax Receivable

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

Receivable for Iowa Industrial New Jobs Training Program (NJTP)

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

Capital Assets

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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

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

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

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

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

Salaries and Benefits Payable

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

Deferred Revenue

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

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

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

Compensated Absences

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

Advance Payable

The College entered into a five-year cost-sharing arrangement on December 30, 1998 related to health care education programs, services to health care providers and community health-related courses provided by the College. The arrangement automatically renewed on December 30, 2003 for an additional five-year period. Pursuant to the arrangement, the College was advanced \$62,000 (to be returned upon termination of the arrangement) and receives a subsidy equal to 76% of the operating and capital costs not covered by tuition and fees. The arrangement can be terminated by either party upon 90 days written notice. The subsidy for the year ended June 30, 2008 totaled \$62,000.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Refundable Advances on Student Loans

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

Tuition and Fees

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

Auxiliary Enterprise Revenue

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

Operating and Nonoperating Activities

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

Scholarship Allowances and Student Aid

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

Income Taxes

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

Estimates and Assumptions

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

Notes to the Financial Statements

(2) Cash and Certificates of Deposit

The College's deposits in banks at June 30, 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 that there will be no loss of public funds.

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

Foundation

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

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

Marketable securities and other investments are stated at fair value. Fair value and unrealized appreciation at June 30, 2008 are summarized as follows:

	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Mutual Funds (Common Fund)			
Multi-Strategy Equity Fund.....	\$ 5,098,157	\$ 9,119,078	\$ 4,020,921
Multi-Strategy Bond Fund	3,444,554	3,998,122	553,568
Intermediate Term Fund.....	<u>347,078</u>	<u>328,825</u>	<u>(18,253)</u>
	8,889,789	13,446,025	4,556,236
Corporate stocks	62,769	23,926	(38,843)
	<u>\$ 8,952,558</u>	<u>\$ 13,469,951</u>	<u>\$ 4,517,393</u>

Subsequent to June 30, 2008, marketable securities experienced a significant decline in fair value. Fair values and unrealized appreciation (depreciation) as compared to cost or donated value at November 30, 2008 are summarized as follows:

	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Mutual Funds (Common Fund)			
Multi-Strategy Equity Fund.....	\$ 5,117,969	\$ 6,066,674	\$ 948,705
Multi-Strategy Bond Fund	3,515,989	3,626,873	110,884
Intermediate Term Fund.....	<u>180,637</u>	<u>160,716</u>	<u>(19,921)</u>
	8,814,595	9,854,263	1,039,668
Corporate stocks	62,769	17,415	(45,354)
	<u>\$ 8,877,364</u>	<u>\$ 9,871,678</u>	<u>\$ 994,314</u>

Notes to the Financial Statements

(3) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Capital Assets Not Being Depreciated				
Land	\$ 340,756	\$ —	\$ —	\$ 340,756
Construction in progress	1,346,556	5,294,647	1,864,809	4,776,394
Total Capital Assets Not Being Depreciated.....	<u>1,687,312</u>	<u>5,294,647</u>	<u>1,864,809</u>	<u>5,117,150</u>
Capital Assets Being Depreciated				
Buildings.....	24,812,848	1,864,809	—	26,677,657
Other structures and improvements...	2,618,096	—	—	2,618,096
Furniture, vehicles and equipment.....	5,844,280	373,594	58,626	6,159,248
Total Capital Assets Being Being Depreciated.....	<u>33,275,224</u>	<u>2,238,403</u>	<u>58,626</u>	<u>35,455,001</u>
Less Accumulated Depreciation For				
Buildings.....	11,367,380	603,749	—	11,971,129
Other structures and improvements...	1,827,755	95,583	—	1,923,338
Furniture, vehicles and equipment.....	3,984,095	497,306	56,855	4,424,546
Total Accumulated Depreciation ..	<u>17,179,230</u>	<u>1,196,638</u>	<u>56,855</u>	<u>18,319,013</u>
Net Total Capital Assets Being Depreciated.....	<u>16,095,994</u>	<u>1,041,765</u>	<u>1,771</u>	<u>17,135,988</u>
Capital Assets, Net	<u>\$ 17,783,306</u>	<u>\$ 6,336,412</u>	<u>\$ 1,866,580</u>	<u>\$ 22,253,138</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Current Portion
Certificates payable	\$ 7,670,000	\$ 1,105,000	\$ 1,495,000	\$ 7,280,000	\$ 1,430,000
Notes payable.....	—	2,000,000	85,000	1,915,000	180,000
Early retirement benefits.....	309,855	207,806	118,836	398,825	148,076
Deferred revenue, other	2,556,772	1,555,360	834,174	3,277,958	1,085,660
Deferred compensation	99,375	35,375	42,375	92,375	90,000
Advance payable	62,000	—	—	62,000	62,000
Refundable advances on student loans	52,721	—	6,979	45,742	—
	<u>\$10,750,723</u>	<u>\$ 4,903,541</u>	<u>\$ 2,582,364</u>	<u>\$13,071,900</u>	<u>\$ 2,995,736</u>

Notes to the Financial Statements

(4) Long-Term Liabilities

Certificates Payable

In accordance with agreements dated between June 1, 1998 and December 1, 2007, the College issued certificates totaling \$14,130,000 with interest rates ranging from 2.65% to 8.25%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
2009.....	\$ 1,430,000	\$ 422,959	\$ 1,852,959
2010.....	1,335,000	340,120	1,675,120
2011.....	1,175,000	259,573	1,434,573
2012.....	1,015,000	191,440	1,206,440
2013.....	685,000	133,040	818,040
2014 to 2017.....	1,640,000	201,353	1,841,353
Total	<u>\$ 7,280,000</u>	<u>\$ 1,548,485</u>	<u>\$ 8,828,485</u>

Total interest expenditures were \$480,212 for the certificates payable for the year ended June 30, 2008.

Notes Payable

The College has issued notes for the construction of a recreation center as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2008 notes payable indebtedness are as follows:

Year Ending June 30,	Note Issuance of October 16, 2007			Total
	Interest Rates	Principal	Interest	
2009.....	3.60 - 4.05%	\$ 180,000	\$ 71,888	\$ 251,888
2010.....	3.65 - 4.05	190,000	65,249	255,249
2011.....	3.70 - 4.05	195,000	58,150	253,150
2012.....	3.75 - 4.05	200,000	50,863	250,863
2013.....	3.80 - 4.05	210,000	43,193	253,193
2014 - 2017	3.85 - 4.05	940,000	86,222	1,026,222
Total		<u>\$ 1,915,000</u>	<u>\$ 375,565</u>	<u>\$ 2,290,565</u>

Total interest expenditures were \$57,171 for the notes payable for the year ended June 30, 2008.

Early Retirement Benefits Payable

The liability at June 30, 2008 for those employees who have elected early retirement was \$398,825. For more details, see Note 8.

Notes to the Financial Statements

(5) Operating Leases

The College has leased various facilities within merged Area II to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2009 and 2011 and require various minimum annual rentals. Certain leases are renewable for additional periods. The College also leases several copiers, all with terms of five years, under operating leases. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by years of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2008.

Year Ending June 30,	
2009.....	\$ 57,048
2010.....	53,826
2011.....	<u>28,111</u>
Total.....	<u>\$ 138,985</u>

Total rental expenditures for the year ended June 30, 2008 for all operating leases was \$64,807.

(6) Iowa Public Employees Retirement System

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

Plan members are required to contribute 3.9% of their annual covered salary and the College is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The College's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 was \$383,057, \$325,151 and \$329,681, respectively, equal to the required contributions for the year.

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

The College contributes to the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.9% and the College is required to contribute 6.05%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2008 were \$397,418 and \$256,187, respectively.

Notes to the Financial Statements

(8) Termination Benefits

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

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

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

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

Included in the early retirement liability is a provision for future health insurance benefits elected by 19 retirees. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2008, 21 retirees received early retirement benefits. The College's early retirement expense for the year ended June 30, 2008 was \$118,836.

(9) Risk Management

The College is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The College assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage during the year ended June 30, 2008.

Notes to the Financial Statements

(9) Risk Management

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

Beginning balance	\$ 37,032
Claims and changes in estimates	228,338
Claims and administrative fees paid	<u>(215,098)</u>
Ending Balance	<u>\$ 50,272</u>

(10) New Jobs Training Programs

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area II in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the case of default, from standby property tax. Since inception, the Community College has administered 112 projects with 21 currently receiving project funding. The remaining 91 projects have been completed, of which 35 are in repayment process and 56 have been fully repaid.

The College has receivables totaling approximately \$464,102 from employers who are making an attempt to pay the balance. However, it appears doubtful that the employers are going to be able to make the payments. The College has not set up an allowance as they intend to levy property taxes for these uncollectible accounts. The tax levies will correspond with the repayment schedule that would have been followed by the employers.

The College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Area II in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses receive loans from the Iowa Employment Training Fund, a State administered fund. Since inception, the College has administered 164 projects, with 22 currently receiving project funding and the remaining 142 have been completed.

(11) Commitments

As of June 30, 2008, the College had outstanding commitments for capital improvements to facilities of approximately \$1,180,000.

Notes to the Financial Statements

(12) Related Party Transactions

The North Iowa Area Community College Foundation provided funding for various projects of the College. The Foundation committed to and paid \$125,000 for the Recreation Center and approximately \$26,000 for the auditorium project for the year ended June 30, 2008. The Foundation also owed \$1,033 to the College as of June 30, 2008, which is reflected in the statement of net assets.

The College paid \$55,850 of rent to the Foundation for the use of farmland owned by the Foundation.

(13) Subsequent Events

On November 20, 2008, the Board of Directors approved the issuance of Industrial New Jobs Training certificates totaling \$1,575,000 for new projects.

See Note 2 for a discussion of the decline in the fair value of the investments of the Foundation subsequent to June 30, 2008.

Required Supplementary Information

Schedule of Budgetary Comparison of Expenditures - Budget and Actual

Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Budget
Unrestricted	<u>\$ 22,309,115</u>	<u>\$ 22,329,115</u>	<u>\$ 21,710,797</u>	<u>\$ (618,318)</u>
Restricted	6,284,000	6,684,000	3,310,861	(3,373,139)
Unemployment	36,000	36,000	53,375	17,375
Insurance.....	317,769	317,769	316,924	(845)
Early retirement	119,000	549,000	382,630	(166,370)
Equipment replacement...	<u>753,216</u>	<u>753,216</u>	<u>454,223</u>	<u>(298,993)</u>
Total Restricted.....	<u>7,509,985</u>	<u>8,339,985</u>	<u>4,518,013</u>	<u>(3,821,972)</u>
Plant	<u>6,386,000</u>	<u>8,200,000</u>	<u>6,144,090</u>	<u>(2,055,910)</u>
Bonds and interest.....	<u>—</u>	<u>—</u>	<u>51,045</u>	<u>51,045</u>
Total	<u>\$ 36,205,100</u>	<u>\$ 38,869,100</u>	<u>\$ 32,423,945</u>	<u>\$ (6,445,155)</u>

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

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

The College overexpended its budget in the unemployment and bonds and interest functions.

Note 1 - Reconciliation Between Budgetary Basis Statement and GAAP Expenses

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

Total actual expenditures above, budgetary basis	\$ 32,423,945
Items Not Required to be Budgeted	
Auxiliary enterprises.....	3,621,093
Scholarships and grants	2,461,990
Iowa Workforce Development contract	1,189,384
Loan funds	12,846
Investment in plant.....	58,626
Accrual adjustments	<u>(7,839,160)</u>
Total Expenses	<u>\$ 31,928,724</u>

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

Total operating expenses	\$ 31,395,696
Interest on indebtedness	531,257
Loss on disposal of plant assets.....	<u>1,771</u>
Total Expenses	<u>\$ 31,928,724</u>

Other Supplementary Information

Other Supplementary Information

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

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

Current Funds - The Current Funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the College and consist of the following:

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

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

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

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

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

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

Retirement of Indebtedness - This account is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

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

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

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

Combining Balance Sheet Schedule

At June 30, 2008

	Current Funds		Loan Funds	Plant Funds		Agency Funds	Adjustments	Total
	Unrestricted	Restricted		Unexpended	Investment in Plant			
Assets								
Cash and certificates of deposit	\$ 5,551,480	\$ 10,410,423	\$ 36,244	\$ 3,502,908	\$ —	\$ 274,255	\$ —	\$ 19,775,310
Receivables								
Accounts (net of allowance for doubtful accounts - \$192,425)	1,300,925	37,527	—	3,113	—	99,499	—	1,441,064
Property tax.....	995,756	1,265,028	—	995,756	—	—	—	3,256,540
Notes (net of allowance for doubtful accounts - \$21,398).....	—	99,938	34,186	—	—	—	—	134,124
Iowa Industrial New Jobs Training Program	—	2,775,755	—	—	—	—	—	2,775,755
Due from other funds.....	407,392	28,611	—	1,372	—	—	(437,375)	—
Due from other governments.....	178,798	442,526	—	204,888	—	184,374	—	1,010,586
Prepaid expenses.....	6,190	2,588	—	—	—	—	—	8,778
Inventories.....	1,700	—	—	—	—	—	—	1,700
Plant Assets								
Land.....	—	—	—	—	340,756	—	—	340,756
Buildings	—	—	—	—	26,677,657	—	—	26,677,657
Construction in progress.....	—	—	—	—	4,776,394	—	—	4,776,394
Other structures and improvements.....	—	—	—	—	2,618,096	—	—	2,618,096
Furniture and equipment.....	—	—	—	—	6,159,248	—	—	6,159,248
Accumulated depreciation.....	—	—	—	—	—	—	(18,319,013)	(18,319,013)
Total Assets	\$ 8,442,241	\$ 15,062,396	\$ 70,430	\$ 4,708,037	\$ 40,572,151	\$ 558,128	\$ (18,756,388)	\$ 50,656,995
Liabilities and Fund Equity								
Liabilities								
Accounts payable	\$ 479,340	\$ 180,008	\$ 8,508	\$ 547,487	\$ —	\$ 44,317	\$ —	\$ 1,259,660
Salaries and benefits payable	1,067,291	32,585	—	—	—	—	(34,123)	1,065,753
Interest payable	—	33,834	—	—	—	—	—	33,834
Due to other funds.....	—	407,822	942	—	—	28,611	(437,375)	—
Compensated absences.....	390,948	100,397	—	—	—	—	—	491,345
Contracts payable.....	—	—	—	203,003	—	—	—	203,003
Insurance claims incurred but not reported	50,272	—	—	—	—	—	—	50,272
Deposits held in trust.....	35,918	168	—	—	—	452,575	—	488,661
Advance payable.....	62,000	—	—	—	—	—	—	62,000
Deferred Revenue								
Succeeding year property tax	995,756	1,265,028	—	995,756	—	—	—	3,256,540
Tuition	295,684	—	—	—	—	—	181,520	477,204
Other	212,214	3,033,119	—	—	—	32,625	—	3,277,958
Early retirement payable.....	—	398,825	—	—	—	—	—	398,825
Certificates payable.....	—	7,280,000	—	—	—	—	—	7,280,000
Notes payable.....	—	—	—	1,915,000	—	—	—	1,915,000
Refundable advances on student loans	—	—	45,742	—	—	—	—	45,742
Total Liabilities	3,589,423	12,731,786	55,192	3,661,246	—	558,128	(289,978)	20,305,797
Fund Balance								
Invested in capital assets, net of related debt	—	—	—	—	40,572,151	—	(18,319,013)	22,253,138
Fund Balances								
Restricted, Expendable								
Loans	—	—	15,238	—	—	—	—	15,238
Cash reserve.....	—	285,793	—	—	—	—	—	285,793
Other	—	2,044,817	—	—	—	—	—	2,044,817
Unrestricted.....	3,883,684	—	—	1,046,791	—	—	(147,397)	4,783,078
Auxiliary enterprises.....	969,134	—	—	—	—	—	—	969,134
Total Fund Balance	4,852,818	2,330,610	15,238	1,046,791	40,572,151	—	(18,466,410)	30,351,198
Total Liabilities and Fund Equity	\$ 8,442,241	\$ 15,062,396	\$ 70,430	\$ 4,708,037	\$ 40,572,151	\$ 558,128	\$ (18,756,388)	\$ 50,656,995

Combining Schedule of Revenue, Expenditures and Changes in Fund Balance

Year Ended June 30, 2008

Revenue	Current Funds		Loan Funds	Plant Funds			Adjustments	Total
	Unrestricted	Restricted		Unexpended	Retirement of Indebtedness	Investment in Plant		
General								
State appropriations.....	\$ 9,776,278	\$ 324,693	\$ —	\$ 681,174	\$ —	\$ —	\$ —	\$ 10,782,145
Tuition and fees	9,359,960	—	—	—	—	—	(2,471,754)	6,888,206
Property tax.....	984,975	1,239,057	—	984,975	—	—	—	3,209,007
Federal appropriations.....	335,559	4,757,028	—	456,124	—	—	—	5,548,711
Sales and services.....	239,945	—	—	—	—	—	(61,448)	178,497
Interest on investments.....	183,707	566,609	2,577	217,649	—	—	—	970,542
Iowa Industrial New Jobs Training Program	—	1,110,306	—	—	—	—	—	1,110,306
Increase in plant investment due to plant expenditures (including \$354,285 in current fund expenditures)	—	—	—	—	—	5,668,241	(5,668,241)	—
Gifts.....	135,714	239,434	—	150,823	—	—	—	525,971
Miscellaneous	1,125,672	425,295	10,416	—	—	—	(205,399)	1,355,984
Total General	22,141,810	8,662,422	12,993	2,490,745	—	5,668,241	(8,406,842)	30,569,369
Auxiliary Enterprises								
Sales and services.....	3,489,780	—	—	—	—	—	(638,205)	2,851,575
Interest on investments.....	57,545	—	—	—	—	—	—	57,545
Gifts.....	219,313	—	—	—	—	—	—	219,313
Miscellaneous	39,874	—	—	—	—	—	—	39,874
Total Auxiliary Enterprises	3,806,512	—	—	—	—	—	(638,205)	3,168,307
Total Revenue.....	25,948,322	8,662,422	12,993	2,490,745	—	5,668,241	(9,045,047)	33,737,676
Expenditures								
Education and Support								
Liberal arts and sciences	6,133,117	155,791	—	—	—	—	(86,896)	6,202,012
Vocational technical	3,488,412	416,524	—	—	—	—	(297,179)	3,607,757
Adult education	3,546,631	12,262	—	—	—	—	(72,993)	3,485,900
Cooperative services	42,212	2,249,138	—	—	—	—	(312,885)	1,978,465
Administration	1,430,961	311,342	—	—	—	—	(61,851)	1,680,452
Student services	3,009,847	491,049	—	—	—	—	(14,272)	3,486,624
Learning resources	518,989	50,288	—	—	—	—	(12,412)	556,865
Physical plant.....	1,708,799	131,762	—	—	—	—	(261,320)	1,579,241
General institution	1,831,829	219,645	—	—	—	—	(45,513)	2,005,961
Total Education and Support.....	21,710,797	4,037,801	—	—	—	—	(1,165,321)	24,583,277
Auxiliary enterprises	3,621,093	—	—	—	—	—	(734,217)	2,886,876
Scholarships and grants.....	—	2,461,990	—	—	—	—	(1,866,813)	595,177
Iowa Workforce Development contract.....	—	1,189,384	—	—	—	—	(117,928)	1,071,456
Loan cancellations and bad debts.....	—	—	754	—	—	—	—	754
Administrative and collection costs.....	—	—	12,092	1,049,426	—	—	—	1,061,518
Plant asset acquisitions.....	—	—	—	5,094,664	—	—	(5,094,664)	—
Loss on disposal of plant assets.....	—	—	—	—	—	58,626	(56,855)	1,771
Interest on indebtedness	—	480,212	—	—	51,045	—	—	531,257
Depreciation	—	—	—	—	—	—	1,196,638	1,196,638
Total Expenditures.....	25,331,890	8,169,387	12,846	6,144,090	51,045	58,626	(7,839,160)	31,928,724
Revenue Over (Under) Expenditures.....	616,432	493,035	147	(3,653,345)	(51,045)	5,609,615	(1,205,887)	1,808,952
Other Financing Sources (Uses)								
Transfers in.....	515,876	—	—	433,000	51,045	—	(999,921)	—
Transfers out	(862,749)	(85,185)	(942)	(51,045)	—	—	999,921	—
Total Other Financing Sources (Uses).....	(346,873)	(85,185)	(942)	381,955	51,045	—	—	—
Net.....	269,559	407,850	(795)	(3,271,390)	—	5,609,615	(1,205,887)	1,808,952
Fund Balances - Beginning of Year.....	4,583,259	1,922,760	16,033	4,318,181	—	34,962,536	(17,260,523)	28,542,246
Fund Balances- End of Year.....	\$ 4,852,818	\$ 2,330,610	\$ 15,238	\$ 1,046,791	\$ —	\$ 40,572,151	\$ (18,466,410)	\$ 30,351,198

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

Year Ended June 30, 2008

	Education				Support					Total
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	
Revenue										
State appropriations, grants and contracts.....	\$ 5,065,402	\$ 2,437,554	\$ 2,260,688	\$ —	\$ 8,346	\$ 4,288	\$ —	\$ —	\$ —	\$ 9,776,278
Tuition and fees.....	6,054,863	1,749,328	1,555,019	—	—	750	—	—	—	9,359,960
Property tax.....	—	—	—	—	984,975	—	—	—	—	984,975
Federal appropriations.....	—	127,998	201,845	—	4,955	761	—	—	—	335,559
Sales and services.....	12,934	49,148	87,993	8,966	—	1,750	1,241	77,671	242	239,945
Interest on investments.....	—	—	—	—	183,317	—	—	—	390	183,707
Gifts.....	2,821	9,002	35,000	—	—	—	540	1,395	86,956	135,714
Miscellaneous.....	<u>221,016</u>	<u>105,908</u>	<u>676,897</u>	<u>—</u>	<u>58,788</u>	<u>48,421</u>	<u>102</u>	<u>12,348</u>	<u>2,192</u>	<u>1,125,672</u>
	11,357,036	4,478,938	4,817,442	8,966	1,240,381	55,970	1,883	91,414	89,780	22,141,810
Allocation of support services.....	<u>813,518</u>	<u>320,831</u>	<u>345,079</u>	<u>—</u>	<u>(1,240,381)</u>	<u>(55,970)</u>	<u>(1,883)</u>	<u>(91,414)</u>	<u>(89,780)</u>	<u>—</u>
Total Revenue.....	<u>12,170,554</u>	<u>4,799,769</u>	<u>5,162,521</u>	<u>8,966</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,141,810</u>
Expenditures										
Salaries and benefits.....	5,779,055	2,852,100	1,419,669	7,988	953,650	2,321,186	365,418	1,129,046	721,027	15,549,139
Services.....	111,092	242,599	1,887,961	32,460	98,559	154,736	8,689	244,029	999,672	3,779,797
Materials and supplies.....	162,133	331,630	198,952	734	99,635	145,536	143,170	335,492	62,717	1,479,999
Travel.....	80,837	37,083	40,049	464	36,878	45,354	1,712	232	48,413	291,022
Plant asset acquisitions.....	—	25,000	—	—	—	—	—	—	—	25,000
Miscellaneous.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>566</u>	<u>242,239</u>	<u>343,035</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>585,840</u>
	6,133,117	3,488,412	3,546,631	42,212	1,430,961	3,009,847	518,989	1,708,799	1,831,829	21,710,797
Allocation of support services.....	<u>3,959,103</u>	<u>2,251,870</u>	<u>2,289,452</u>	<u>—</u>	<u>(1,430,961)</u>	<u>(3,009,847)</u>	<u>(518,989)</u>	<u>(1,708,799)</u>	<u>(1,831,829)</u>	<u>—</u>
Total Expenditures.....	<u>10,092,220</u>	<u>5,740,282</u>	<u>5,836,083</u>	<u>42,212</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21,710,797</u>
Revenue Over (Under) Expenditures.....	<u>2,078,334</u>	<u>(940,513)</u>	<u>(673,562)</u>	<u>(33,246)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>431,013</u>
Other Financing Sources (Uses)										
Transfers in.....	185,691	—	85,185	—	—	—	—	—	—	270,876
Transfers out.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(433,000)</u>	<u>—</u>	<u>(433,000)</u>
Total Other Financing Sources (Uses).....	<u>185,691</u>	<u>—</u>	<u>85,185</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(433,000)</u>	<u>—</u>	<u>(162,124)</u>
Net.....	<u>\$ 2,264,025</u>	<u>\$ (940,513)</u>	<u>\$ (588,377)</u>	<u>\$ (33,246)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (433,000)</u>	<u>\$ —</u>	<u>268,889</u>
Fund Balances - Beginning of Year.....										3,614,795
Fund Balances - End of Year.....										<u>\$ 3,883,684</u>

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

Year Ended June 30, 2008

	Trade and Industry	Farm	Food Services	Auditorium	Dormitories	Athletics	Tech-Prep	Miscellaneous	Total
Revenue									
Sales and services	\$ 50,680	\$ 173,494	\$ 1,093,666	\$ 436,026	\$ 1,530,356	\$ 185,447	\$ —	\$ 20,111	\$ 3,489,780
Interest on investments	2,119	1,577	26,815	3,835	15,046	—	385	7,768	57,545
Gifts	—	28,711	—	51,000	—	139,602	—	—	219,313
Miscellaneous	—	1,292	1,650	12,060	5,139	19,733	—	—	39,874
Total Revenue	<u>52,799</u>	<u>205,074</u>	<u>1,122,131</u>	<u>502,921</u>	<u>1,550,541</u>	<u>344,782</u>	<u>385</u>	<u>27,879</u>	<u>3,806,512</u>
Expenditures									
Salaries and benefits	—	46,137	356,712	71,059	233,982	7,598	—	—	715,488
Service	—	92,837	8,814	408,739	274,008	67,526	—	—	851,924
Materials and supplies	41,786	81,721	517,652	4,532	50,062	205,249	—	—	901,002
Travel	—	—	2,347	3,116	—	201,775	—	—	207,238
Plant asset acquisitions	—	—	25,900	21,300	—	—	—	—	47,200
Miscellaneous	—	—	—	13,732	721,401	163,108	—	—	898,241
Total Expenditures	<u>41,786</u>	<u>220,695</u>	<u>911,425</u>	<u>522,478</u>	<u>1,279,453</u>	<u>645,256</u>	<u>—</u>	<u>—</u>	<u>3,621,093</u>
Revenue Over (Under) Expenditures	<u>11,013</u>	<u>(15,621)</u>	<u>210,706</u>	<u>(19,557)</u>	<u>271,088</u>	<u>(300,474)</u>	<u>385</u>	<u>27,879</u>	<u>185,419</u>
Other Financing Sources (Uses)									
Transfers In	—	—	—	—	—	245,000	—	—	245,000
Transfers out	—	—	(125,000)	—	(284,749)	—	—	(20,000)	(429,749)
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>(125,000)</u>	<u>—</u>	<u>(284,749)</u>	<u>245,000</u>	<u>—</u>	<u>(20,000)</u>	<u>(184,749)</u>
Net	11,013	(15,621)	85,706	(19,557)	(13,661)	(55,474)	385	7,879	670
Fund Balances - Beginning of Year	59,017	3,166	448,538	134,613	242,340	(65,333)	8,973	137,150	968,464
Fund Balances - End of Year	<u>\$ 70,030</u>	<u>\$ (12,455)</u>	<u>\$ 534,244</u>	<u>\$ 115,056</u>	<u>\$ 228,679</u>	<u>\$ (120,807)</u>	<u>\$ 9,358</u>	<u>\$ 145,029</u>	<u>\$ 969,134</u>

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

Year Ended June 30, 2008

	Scholarships and Grants	Equipment Replace- ment	Insurance	Unemploy- ment Early Retire- ment	Compens- ation	Cash Reserve	Iowa Workforce Development Contract Workforce Invest- ment Act	Temporary Assist- ance for Needy Families	Other	Iowa Industrial New Jobs Training Program Adminis- tration	Iowa Industrial New Jobs Training Program	Miscel- laneous	Total
Revenue													
State appropriations	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 102,160	\$ —	\$ —	\$ 222,533	\$ 324,693
Property tax	—	437,765	318,283	399,475	39,814	—	—	—	—	—	43,720	—	1,239,057
Federal appropriations.....	2,461,990	—	—	—	—	—	556,995	388,026	142,203	—	—	1,207,814	4,757,028
Interest on investments	74	29,560	—	4,374	—	—	—	—	—	280,899	211,931	39,771	566,609
Iowa Industrial New Jobs Training Program Gifts	—	—	—	—	—	—	—	—	—	—	1,110,306	—	1,110,306
Miscellaneous.....	—	—	—	—	—	—	—	—	—	262,140	—	239,434	239,434
Total Revenue.....	2,462,064	467,325	318,283	403,849	39,814	—	556,995	388,026	244,363	543,039	1,365,957	1,872,707	8,662,422
Expenditures													
Salaries and benefits	—	—	—	382,630	53,375	—	239,480	298,626	127,402	249,200	—	1,221,792	2,572,505
Services.....	—	—	316,924	—	—	—	262,896	66,732	73,507	46,128	885,745	153,174	1,805,106
Materials and supplies.....	—	15,136	—	—	—	—	37,671	21,169	38,902	1,785	—	133,737	248,400
Travel.....	—	—	—	—	—	—	15,114	1,499	4,552	6,472	—	41,886	69,523
Plant asset acquisitions.....	—	439,087	—	—	—	—	—	—	—	—	—	60,645	499,732
Interest on indebtedness	—	—	—	—	—	—	—	—	—	—	480,212	—	480,212
Federal Pell Grant Program.....	2,348,091	—	—	—	—	—	—	—	—	—	—	—	2,348,091
Federal Supplemental Education Opportunity Grants.....	113,899	—	—	—	—	—	—	—	—	—	—	—	113,899
Miscellaneous.....	—	—	—	—	—	—	1,834	—	—	—	—	30,085	31,919
Total Expenditures.....	2,461,990	454,223	316,924	382,630	53,375	—	556,995	388,026	244,363	303,585	1,365,957	1,641,319	8,169,387
Revenue Over (Under) Expenditures.....	74	13,102	1,359	21,219	(13,561)	—	—	—	—	239,454	—	231,388	493,035
Other Financing Uses													
Transfers out	—	—	—	—	—	—	—	—	—	(85,185)	—	—	(85,185)
Net.....	74	13,102	1,359	21,219	(13,561)	—	—	—	—	154,269	—	231,388	407,850
Fund Balances - Beginning of Year.....	1,869	593,168	47,716	(303,514)	(1,241)	285,793	—	—	2,377	520,962	—	775,630	1,922,760
Fund Balances - End of Year	\$ 1,943	\$ 606,270	\$ 49,075	\$ (282,295)	\$ (14,802)	\$ 285,793	\$ —	\$ —	\$ 2,377	\$ 675,231	\$ —	\$ 1,007,018	\$ 2,330,610

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

Year Ended June 30, 2008

	Fine Arts	Student Organi- zations	Iowa Small Business New Jobs Training Program	Federal Direct Student Loan Program	Miscel- laneous	Total
Balances - Beginning of Year	\$ 61,668	\$ 40,400	\$ 266,659	\$ —	\$ 90,445	\$ 459,172
Additions						
State appropriations ..	—	—	188,772	—	—	188,772
Federal appropriations	—	—	—	5,279,448	—	5,279,448
Tuition and fees	9,227	77,559	—	—	500	87,286
Sales and services	53,947	28,809	—	—	8,835	91,591
Interest on investments	2,239	3,161	1,685	—	—	7,085
Miscellaneous.....	6,050	510	—	—	92,284	98,844
Total Additions	<u>71,463</u>	<u>110,039</u>	<u>190,457</u>	<u>5,279,448</u>	<u>101,619</u>	<u>5,753,026</u>
Deductions						
Salaries and benefits	108	57	—	—	—	165
Services.....	10,227	43,234	210,864	5,279,448	96,233	5,640,006
Materials and supplies	15,349	25,540	—	—	3,932	44,821
Travel.....	42,186	21,102	—	—	62	63,350
Miscellaneous.....	935	10,346	—	—	—	11,281
Total Deductions	<u>68,805</u>	<u>100,279</u>	<u>210,864</u>	<u>5,279,448</u>	<u>100,227</u>	<u>5,759,623</u>
Balances - End of Year	<u>\$ 64,326</u>	<u>\$ 50,160</u>	<u>\$ 246,252</u>	<u>\$ —</u>	<u>\$ 91,837</u>	<u>\$ 452,575</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
U.S. Small Business Administration - Direct			
Congressional Mandated Award - Incubator	59.SBAHQ- 06-I-0090		<u>\$ 666,438</u>
U.S. Department of Veterans Affairs - Direct			
Vocational Rehabilitation for Disabled Veterans	64.116		<u>515</u>
U.S. Department of Education - Direct			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		62,049
Federal Work-Study Program	84.033		89,607
Federal Pell Grant Program	84.063		2,352,221
Federal Direct Student Loans	84.268		5,279,448
Academic Competitiveness Grants	84.375		<u>51,850</u>
Total Student Financial Aid Cluster			<u>7,835,175*</u>
TRIO-Student Support Services	84.042		<u>311,949</u>
Total U.S. Department of Education - Direct...			<u>8,147,124</u>
U.S. Department of Agriculture - Indirect			
Rural Community Development Initiative	10.446		<u>38,500</u>
U.S. Department of Labor - Indirect			
Pass-Through Iowa Workforce Development			
Employment Service Cluster			
Employment Service - Incentive Awards	17.207	1-W-02-FR-0	34,670
Employment Service/Wagner-Peyser Funded Activities	17.207	1-W-02-FR-0	58,509
Work Incentive Grants	17.266	1-W-02-FR-0	2,591
Disabled Veterans' Outreach Program	17.801	1-W-02-FR-0	2,763
Local Veterans' Employment Representative Program	17.804		<u>542</u>
Total Employment Service Cluster			<u>99,075</u>
Unemployment Insurance	17.225	1-W-02-FR-0	<u>61,535</u>
Trade Adjustment Assistance	17.245		<u>2,767</u>
Workforce Investment Act Cluster			
WIA Adult Program	17.258	1-W-02-FR-0	68,456
WIA Youth Activities	17.259	1-W-02-FR-0	66,145
WIA Dislocated Workers	17.260	1-W-02-FR-0	<u>286,301</u>
Total Workforce Investment Cluster			<u>420,902</u>
Incentive Grants - WIA Section 503	17.267	28106	<u>101,377</u>
Pass-Through Iowa Department of Education			
Mine Health and Safety Grants	17.600		<u>3,145</u>
Total U.S. Department of Labor - Indirect			<u>688,801</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
U.S. Small Business Administration - Indirect			
Pass-Through Iowa State University			
Small Business Development Centers.....	59.037		<u>\$ 60,331</u>
U.S. Department of Education - Indirect			
Pass-Through Iowa Department of Education			
Adult Education - Basic Grants to States.....	84.002		198,700
Higher Education - Institutional Aid.....	84.031		408,509
Career and Technical Education - Basic Grants to States	84.048		138,066
Tech-Prep Education	84.243		<u>78,452</u>
Total U.S. Department of Education - Indirect			<u>823,727</u>
U.S. Department of Health and Human Services - Indirect			
Pass-Through Iowa Department of Education			
Student Financial Aid Cluster			
Nursing Student Loans - Federal Capital			
Contributions.....	93.364		55,067*
Pass-Through Iowa Workforce Development			
Temporary Assistance for Needy Families	93.558	1-W-02-FR-0	<u>378,322</u>
Total U.S. Department of Health and Human			
Services - Indirect			<u>433,389</u>
Social Security Administration - Indirect			
Pass-Through Iowa Workforce Development			
Social Security - Work Incentives Planning and			
Assistance Program	96.008	1-W-02-FR-0	<u>7,191</u>
Total Federal Financial Assistance			<u>\$ 10,866,016</u>

* Total Student Financial Aid Cluster - \$7,890,242

(1) Basis of Presentation

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

(2) Loans Outstanding

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

The amount presented for Nursing Student Loans represents the balance of loans outstanding as of June 30, 2008 of \$55,067. Loan balances at June 30, 2008 include new loans advanced during the year of \$5,000 and \$50,067 for the balance of loans from previous years for which the government imposes continuing compliance requirements.

Statistical Section



Schedule of Credit and Contact Hours

Year Ended June 30, 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	52,051	—	52,051	—	—	—
Vocational education	16,168	—	16,168	—	—	—
Adult education/ continuing education	—	—	—	<u>435,744</u>	<u>43,783</u>	<u>479,527</u>
Total	<u>68,219</u>	<u>—</u>	<u>68,219</u>	<u>435,744</u>	<u>43,783</u>	<u>479,527</u>

Schedule of Tax and Intergovernmental Revenue

Years Ended June 30, 2008, 2007, 2006 and 2005

	2008	2007	2006	2005
Local (property tax).....	\$ 3,209,007	\$ 2,962,592	\$ 2,810,438	\$ 2,757,931
State	10,782,145	9,789,440	9,244,435	8,674,524
Federal	<u>5,548,711</u>	<u>4,534,172</u>	<u>4,094,963</u>	<u>4,377,657</u>
Total	<u>\$ 19,539,863</u>	<u>\$ 17,286,204</u>	<u>\$ 16,149,836</u>	<u>\$ 15,810,112</u>

Schedule of Current Funds Revenue by Source and Expenditures by Function

Years Ended June 30, 2008, 2007, 2006 and 2005

	2008	2007	2006	2005
Revenue				
State appropriations, grants and contracts	\$ 10,100,971	\$ 9,678,544	\$ 8,711,014	\$ 8,380,523
Tuition and fees	9,359,960	8,563,029	8,371,061	7,999,703
Property tax	2,224,032	2,001,291	1,897,426	1,865,506
Federal appropriations.....	5,092,587	4,446,171	4,094,963	4,377,657
Sales and services	239,945	251,662	364,703	321,134
Interest on investments	750,316	763,926	489,162	263,177
Iowa Industrial New Jobs Training Program	1,110,306	1,067,167	1,536,809	1,833,748
Auxiliary enterprises	3,806,512	3,589,113	3,048,076	1,566,038
Miscellaneous.....	<u>1,926,115</u>	<u>2,046,803</u>	<u>1,784,495</u>	<u>2,045,179</u>
Total Revenue	<u>\$ 34,610,744</u>	<u>\$ 32,407,706</u>	<u>\$ 30,297,709</u>	<u>\$ 28,652,665</u>
Expenditures				
Liberal arts and sciences.....	\$ 6,288,908	\$ 5,943,033	\$ 5,588,990	\$ 5,676,475
Vocational technical.....	3,904,936	3,085,462	3,267,663	3,266,549
Adult education.....	3,558,893	3,531,714	3,533,602	3,053,689
Cooperative services	2,291,350	1,786,208	2,077,615	2,153,615
Administration.....	1,742,303	1,570,535	1,407,399	1,189,597
Student services.....	3,500,896	3,105,053	3,078,987	2,715,377
Learning resources.....	569,277	529,873	540,632	582,289
Physical plant	1,840,561	1,980,149	2,067,471	2,006,982
General institution.....	2,051,474	2,202,957	1,680,644	1,561,915
Auxiliary enterprises	3,621,093	3,202,981	2,758,600	1,508,483
Scholarships and grants.....	2,461,990	2,272,500	2,111,449	2,431,863
Iowa Workforce Development contract.....	1,189,384	999,964	975,731	1,126,671
Interest on indebtedness	<u>480,212</u>	<u>517,985</u>	<u>457,792</u>	<u>468,070</u>
Total Expenditures	<u>\$ 33,501,277</u>	<u>\$ 30,728,414</u>	<u>\$ 29,546,575</u>	<u>\$ 27,741,575</u>

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

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

We have audited the financial statements of North Iowa Area Community College, Mason City, Iowa, as of and for the year ended June 30, 2008, which along with the discretely presented component unit collectively comprise the College's basic financial statements, on which we have issued our report dated February 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects North Iowa Area Community College's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of North Iowa Area Community College's financial statements that is more than inconsequential will not be prevented or detected by North Iowa Area Community College's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe Item 08-II-IC-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Iowa Area Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Section IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about North Iowa Area Community College's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of North Iowa Area Community College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
February 5, 2009

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

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

Compliance

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

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

In our opinion, North Iowa Area Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Item 08-III-C-A.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the College's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control which we consider to be a material weakness.

A control deficiency in the College's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Item 08-III-IC-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control. We consider the significant deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as Item 08-III-IC-A to be a material weakness.

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

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



HOGAN - HANSEN

Mason City, Iowa
February 5, 2009

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

Part I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? yes no

Federal Awards

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

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Numbers

17.258
 17.259
 17.260
 59.SBAHQ-06-I-0090

84.007

84.033
 84.063
 84.268
 84.375
 93.364

84.031

Name of Federal Program or Cluster

Workforce Investment Act Cluster
 WIA Adult Program
 WIA Youth Activities
 WIA Dislocated Workers
 Congressional Mandated Award - Incubator
 Student Financial Aid Cluster
 Federal Supplemental Educational Opportunity Grants
 Federal Work-Study Program
 Federal Pell Grant Program
 Federal Direct Student Loans
 Academic Competitiveness Grants
 Nursing Student Loans - Federal Capital Contributions
 Higher Education - Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs: \$325,980

Auditee qualified as low-risk auditee? yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no current year reported instances of noncompliance.

Significant Deficiencies

Current year significant deficiencies are as follows:

08-II-IC-A Reconciliation of Accounts Receivable

Finding - Detailed accounts receivable lists are not reconciled to the related subsidiary receivable ledgers. Detailed records should be traceable to subsidiary ledgers and, ultimately, financial statements.

Auditor's Recommendation - Reconciliations should be performed between detailed lists and subsidiary ledgers.

College's Response - The College will perform a reconciliation of accounts receivable listings from the student billing system to the accounts receivable summary from the fiscal general ledger system on a monthly basis. This will provide opportunities to find and adjust for any errors.

Auditor's Conclusion - Response accepted.

08-II-IC-B New Jobs Training Program Reporting

Finding - We noted six errors in the reports filed with the Iowa Department of Revenue for the New Jobs Training Program. Errors related to either withholding tax or property tax reported.

Auditor's Recommendation - Reports filed with the Iowa Department of Revenue should be reviewed by someone other than the preparer.

College's Response - We spoke with the Iowa Department of Revenue and made the necessary corrections.

Auditor's Conclusion - Response accepted. We sighted the corrections and they appear proper.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

08-II-IC-C Tuition-Related Accounts Receivable and Deferred Revenue

Finding - The College's accounting system automatically records a receivable and deferred revenue for fall tuition and related fees when students register. Therefore, for all students who registered before June 30, 2008, there is a receivable for fall tuition and a like deferral. This was not corrected before the College prepared the annual report that is submitted to the Iowa Department of Education.

Auditor's Recommendation - Before submitting the annual report to the Iowa Department of Education, the College should determine the correct balances for accounts receivable and deferred revenue related to tuition and make the appropriate adjusting entry.

College's Response - In future years, reporting of year-end balance sheet information for deferred tuition that is related to accounts receivable for the subsequent fall term will be adjusted. This will allow for a more true representation of accounts receivable for the current fiscal year since the fall student enrollment would be related to a future fiscal year.

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

Current year instances of noncompliance are as follows:

**CFDA Number 59.SBAHQ-06-I-0090: Congressional Mandated Award - Incubator
Federal Award Year: 2008
U.S. Small Business Administration**

08-III-C-A Davis-Bacon Act

Finding - The contractor who was awarded the bid for constructing the Small Business Development Center incubator building agreed to comply with the Davis-Bacon compliance requirements of Circular A-133 and pay employees the prevailing wage rate as required for construction contracts funded with federal grants. However, no one monitored that the contractor actually paid the prevailing wage rate to their employees.

Auditor's Recommendation - A responsible person should be designated to monitor Davis-Bacon compliance on all construction contracts funded by federal awards.

College's Response - We will assign a responsible party to monitor compliance on all future federally funded construction contracts.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

Significant Deficiencies

Current year significant deficiencies are as follows:

**CFDA Number 59.SBAHQ-06-I-0090: Congressional Mandated Award - Incubator
Federal Award Year: 2008
U.S. Small Business Administration**

08-III-IC-A Review of Quarterly Draw Down Requests

Finding - The College's Vice President of Finance prepares quarterly financial reports to the Small Business Administration to request reimbursement for the costs incurred by the College for the previous quarter. While these reports are closely scrutinized by the Small Business Administration, no one else from the College has the responsibility to review the reports for completeness or accuracy.

Auditor's Recommendation - We recommend another responsible party review the quarterly financial reports before they are submitted to the Small Business Administration.

College's Response - We will have another responsible party review the quarterly draw down requests before they are submitted.

Auditor's Conclusion - Response accepted.

Part IV: Findings Related to Statutory Reporting

08-IV-A Certified Budget - While certain categories of the budget were overexpended, in total, expenditures for the year ended June 30, 2008 did not exceed the amounts budgeted.

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

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

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

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

08-IV-F Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

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

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2008

08-IV-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted, except the interest rate on four time certificates of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

Auditor's Recommendation - Public fund time certificates of deposit, when purchased or renewed, should be done so at a rate of interest which conforms with current rates of public funds on date of purchase or renewal. The College should be aware of the current allowable rates to insure at least the minimum allowable rate is received for all investments.

College's Response - The certificates of deposit noted have since matured, but the College will consider this when purchasing or renewing certificates of deposit in the future. The College has sought reimbursement of the additional interest due.

Auditor's Conclusion - Response accepted.

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

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

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

College's Response - This has been corrected. Funds received from the Grow Iowa Values Fund are being recorded in the restricted fund.

Auditor's Conclusion - Response accepted.