

**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, 2010**

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Officials

Name	Title	Term Expires
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Board of Directors

(Before September, 2009 Election)

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

(After September, 2009 Election)

Jean Torgeson	President	2011
John Heilskov	Vice President	2011
Karen Knudtson	Member	2011
Dean Cataldo	Member	2011
David Steffens, Jr.	Member	2013
Gordon Anderson	Member	2013
James Niemants	Member	2013
Toni Noah	Member	2013
Robert Davis	Member	2011

Officials

Dr. Debra Derr	President
Katherine Grove	Vice President, Administration and Board Secretary/Treasurer

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A Professional Corporation

Certified Public Accountants and Consultants

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, 2010, 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, 2010, 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 January 26, 2011, 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 schedule of funding progress for the retiree health plan on pages 4 through 12 and 31 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 five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements and supplemental data. The supplementary information on pages 32 through 42, 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 43 through 45) has not been audited by us, and we express no opinion or provide any other assurance on it.

HOGAN - HANSEN

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Mason City, Iowa
January 26, 2011

**North Iowa Area Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2010**

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, 2009 and ending June 30, 2010. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- College operating revenue increased 15.13% in FY10. The main reason for the increase is that during FY10, the College received ARRA (American Recovery and Reinvestment Act) funds from the State Fiscal Stabilization Fund in lieu of State General Aid. Federal dollars are considered operating revenue while State General Aid is considered non-operating revenue. Tuition and fees rates were increased by 6% for FY10. There were changes in Continuing Education offerings in FY10; however, the revenue stayed relatively stable between FY09 and FY10 due to the economic climate in North Iowa. Revenue associated with the Iowa Industrial New Jobs Training Program increased by 38.77% in FY10. 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 FY10 increased 8.01% over FY09. Salary and benefit costs increased by 10.24%. This was due to the faculty and staff receiving an average salary increase of 1.8%, an 8.8% increase in the cost of the College's health insurance program and an increase in early retirement costs.
- Construction of an addition to our EMST (Electromechanical Systems Technology) program began in FY10. This program has a Wind Technician component.

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.

Required supplementary information presents a schedule of funding progress for the retiree health plan.

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, North Iowa Area Community College Foundation (Foundation), issues separately audited financial statements which can be obtained from the Foundation's administrative offices.

REPORTING THE COLLEGE AS A WHOLE

The Statement of Net Assets

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

	Net Assets	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Current and other assets	\$ 28,737,649	\$ 26,233,330
Non-current assets	1,536,875	1,430,854
Capital assets, net of accumulated depreciation	<u>22,076,878</u>	<u>22,872,919</u>
Total assets	<u>\$ 52,351,402</u>	<u>\$ 50,537,103</u>
Current liabilities	\$ 10,030,835	\$ 8,836,917
Non-current liabilities	<u>9,515,424</u>	<u>9,664,254</u>
Total liabilities	<u>19,546,259</u>	<u>18,501,171</u>
Net assets:		
Invested in capital assets, net of related debt	20,531,878	21,137,919
Restricted, expendable	2,491,891	3,603,433
Unrestricted	<u>9,781,374</u>	<u>7,294,580</u>
Total net assets	<u>\$ 32,805,143</u>	<u>\$ 32,035,932</u>

The largest portion of the College’s net assets (62.6%) is Invested in Capital Assets (e.g., land, infrastructure, buildings, intangibles 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 (7.6%) 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 (29.8%). These can be used to meet the College’s obligations as they come due.

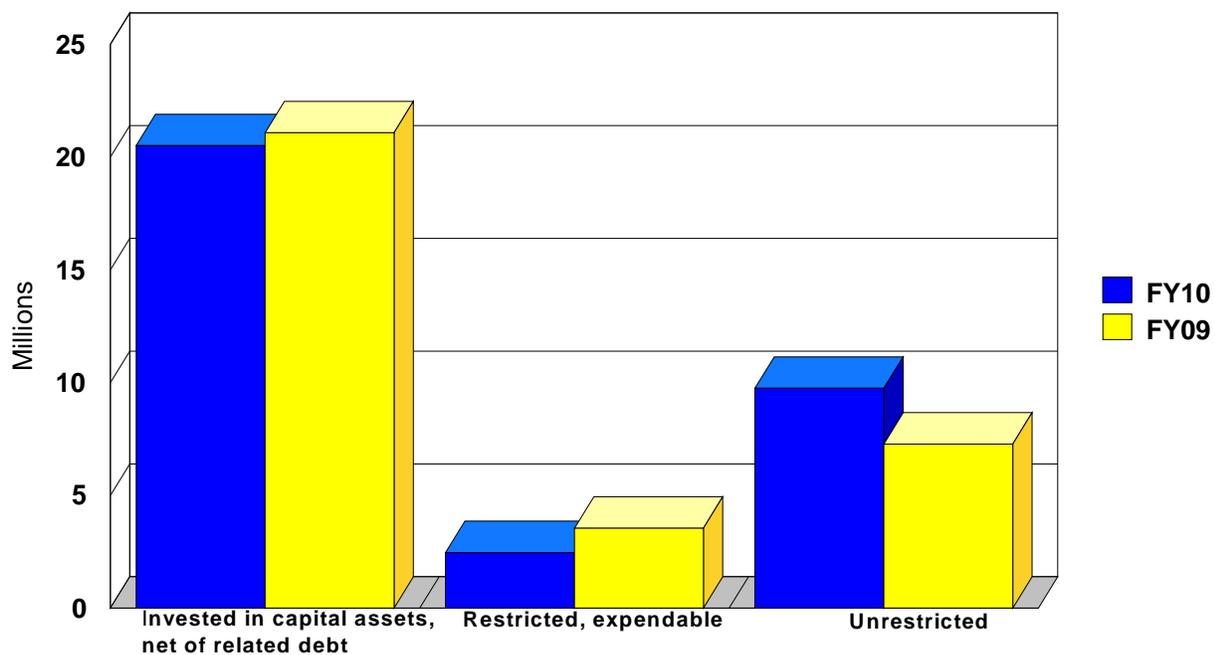
Restricted, expendable net assets in FY10 decreased \$1,111,542 from FY09 or 30.85%. This is due to an incentive early retirement package that was offered during the FY10 year. The expenses exceeded the revenue collected and created a negative fund balance in the early retirement fund. This negative balance is projected to be collected over the next four to five years.

Unrestricted net assets increased \$2,486,794 or 34.09%. Much of this increase is the result of the State disbursement of ARRA funds for the FY10-FY11 period. The State disbursed the full amount in the FY10 year. These funds have been designated to be spent over a two-year period including FY10 and FY11.

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 graph below reflects FY10 and FY09 amounts.

Comparison of Net Assets



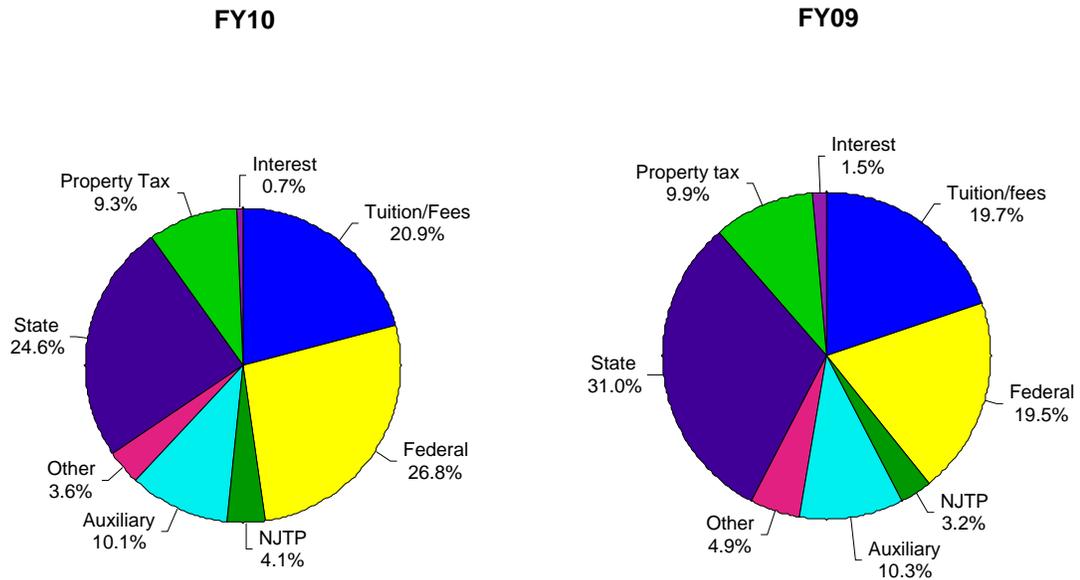
In general, a public college such as North Iowa Area Community College will report an operating loss, as the financial reporting model classifies state appropriations, Pell grant and property taxes as non-operating revenue. Operating revenue is received for providing goods and services to students, customers 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</u> <u>June 30, 2010</u>	<u>Year ended</u> <u>June 30, 2009</u>
Operating revenue:		
Tuition and fees	\$ 7,529,558	\$ 6,728,999
Federal appropriations	5,126,008	3,739,488
Sales and services	221,024	162,119
Iowa Industrial New Jobs Training Program	1,493,439	1,076,200
Auxiliary enterprises	3,660,619	3,512,219
Miscellaneous	<u>515,437</u>	<u>890,150</u>
Total operating revenue	18,546,085	16,109,175
Total operating expenses	<u>34,873,219</u>	<u>32,287,756</u>
Operating loss	<u>(16,327,134)</u>	<u>(16,178,581)</u>
Non-operating revenue (expenses):		
State appropriations	8,880,845	10,554,683
Pell grant	4,533,975	2,918,463
Property tax	3,346,110	3,379,636
Gifts	557,640	675,865
Interest income from investments	238,934	504,358
Gain on sale of capital assets	14,525	---
Donated capital assets	6,012	85,894
Interest on indebtedness	<u>(481,696)</u>	<u>(533,302)</u>
Net non-operating revenue	<u>17,096,345</u>	<u>17,585,597</u>
Increase in net assets	769,211	1,407,016
Net assets beginning of year	<u>32,035,932</u>	<u>30,628,916</u>
Net assets end of year	<u>\$ 32,805,143</u>	<u>\$ 32,035,932</u>

The Statement of Revenue, Expenses and Changes in Net Assets reflects a surplus with an increase (\$769,211 or 2.4%) in the net assets at the end of the fiscal year but did show an increase (\$148,553 or 0.92%) in net operating loss. Most of this change in operating loss is attributable to the change in salaries and benefits costs, including early retirement costs. There was a slight increase in depreciation expense.

Total Revenue by Source



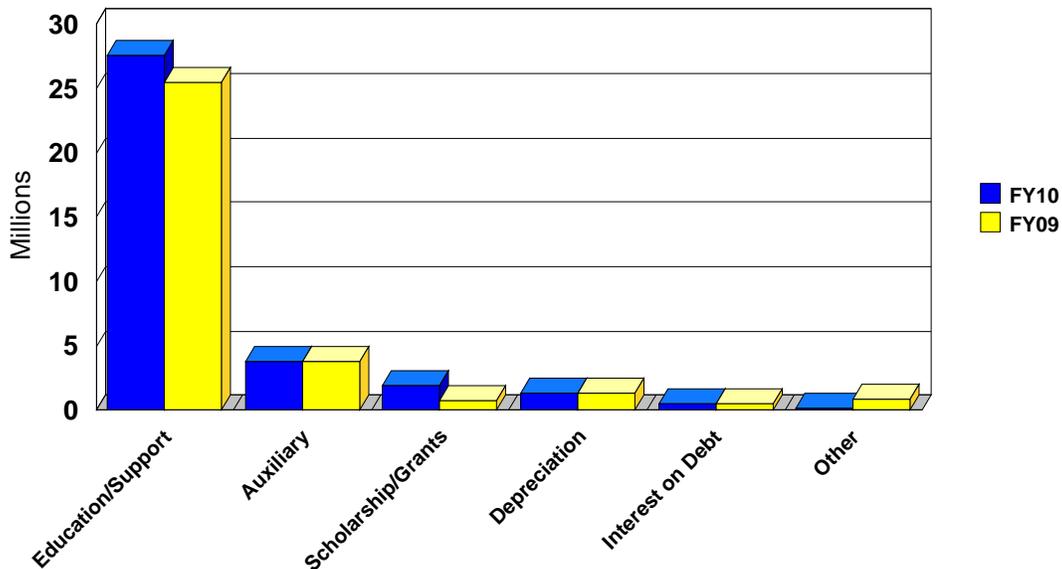
In FY10, operating revenue increased \$2,436,910 or 15.13%, as a net result of the following changes:

- Tuition for credit classes increased due to an increase in the tuition rate from \$103.55 per credit hour in FY09 to \$109.76 per credit hour in FY10. There was a loss in Continuing Education revenue between the two years from lighter demand for our Lean Manufacturing offerings.
- Federal revenue increased \$1,386,520 or 37.08% in FY10 under operating revenue because of special ARRA funding. Under non-operating revenue, State appropriations decreased 15.86%. This is due in part to state support of State General Aid being reduced over the course of FY10. This reduction was partially offset by an increase in Pell grant awards for the FY10 year.
- Revenue associated with the Iowa Industrial New Jobs Training Program increased by \$417,239 in FY10. 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, 2010</u>	<u>Year ended June 30, 2009</u>
Education and support:		
Liberal arts and science	\$ 6,971,637	\$ 6,383,665
Vocational technical	3,883,574	3,798,128
Adult education	4,967,038	4,189,596
Cooperative services	1,459,423	1,564,384
Administration	1,586,845	1,547,106
Student services	3,695,209	3,624,833
Learning resources	535,802	563,068
Physical plant	2,521,966	1,875,105
General institution	2,004,677	1,990,540
Auxiliary enterprises	3,786,315	3,761,344
Scholarship and grants	1,934,664	804,603
Loan cancellations and bad debt	5,367	3,274
Administrative and collection costs	187,316	874,995
Depreciation	<u>1,333,386</u>	<u>1,307,115</u>
 Total	 <u>\$ 34,873,219</u>	 <u>\$ 32,287,756</u>

Total Expenses



In FY10, operating expenses increased by 8.01% mainly due to faculty and staff receiving an average salary increase of 1.8%, an 8.8% increase in the cost of the College's health insurance program and an increase in early retirement costs.

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 FY10 and FY09.

	Year ended <u>June 30, 2010</u>	Year ended June 30, 2009, <u>as restated</u>
Cash provided (used) by:		
Operating activities	\$ (13,518,673)	\$ (15,789,896)
Non-capital financing activities	16,321,775	16,865,429
Capital and related financing activities	(657,545)	(2,416,261)
Investing activities	<u>238,934</u>	<u>504,358</u>
Net increase (decrease) in cash	2,384,491	(836,370)
Cash and certificates of deposit - beginning of the year	<u>18,938,940</u>	<u>19,775,310</u>
Cash and certificates of deposit - end of the year	<u>\$ 21,323,431</u>	<u>\$ 18,938,940</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 increased activity in the Workforce Development funding from special grants and special ARRA federal funding received in FY10.

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. Other financial aid in the non-capital financing section includes Pell grant. This section includes New Jobs Training Certificate issuances as well as the repayment of these certificates. The decrease in cash flow is directly related to the decrease in State General Aid in FY10.

Cash used for capital and related financing activities represents the principal and interest payments of general obligation debt for the Plant Fund and the purchase of capital assets. NIACC made fewer capital asset acquisitions in FY10.

Cash flows from investing activities reflects that less funds were invested in certificates of deposit than a year ago. Investment income decreased in FY10 by \$265,424. This is due to lower interest rates in FY10.

CAPITAL ASSETS

At June 30, 2010 the College had \$42,840,559 invested in capital assets, less accumulated depreciation of \$20,763,681. Depreciation charges totaled \$1,333,386 for the 2010 fiscal year. Details for the capital assets are shown below.

Capital Assets, Net, at Year End

	<u>June 30, 2010</u>	<u>June 30, 2009, as restated</u>
Land	\$ 340,756	\$ 340,756
Building	19,528,934	20,320,670
Construction in progress	182,602	---
Other structures and improvements	555,880	625,141
Intangibles	515,419	527,039
Furniture, vehicles and equipment	<u>953,287</u>	<u>1,059,313</u>
Total	<u>\$ 22,076,878</u>	<u>\$ 22,872,919</u>

The increases in assets were offset by the total depreciation charge for FY10. This accounts for the change in total Capital Assets, Net for the end of the fiscal year.

Planned capital expenditures for FY11 include the completion of an addition to the Murphy Manufacturing Technology building for the ElectroMechanical Systems Technology program that includes our Wind Technician program. The College is seeking input from architects to create a facility master plan. The goal is to create a long-term building or repurposing of space in the future. More detailed information about the College's capital assets is presented in Note 3 to the financial statements.

DEBT

At June 30, 2010, the College had \$8,100,000 in debt outstanding, a decrease of \$830,000 from FY09. The table below summarizes these amounts by type.

Outstanding Debt

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Certificates payable	\$ 6,555,000	\$ 7,195,000
Notes payable	<u>1,545,000</u>	<u>1,735,000</u>
	<u>\$ 8,100,000</u>	<u>\$ 8,930,000</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 position during the current fiscal year. The supplemental revenue through ARRA awards (\$1,379,836 in FY10) has contributed to the financial health of the College. There will be a decrease in the revenue stream from the State in FY11. 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. Funding through Workforce Development to assist in some of this training has a limited period of availability.
- Expenses will continue to increase due to normal increases in salaries and benefits. Higher utility costs will also contribute to increased costs of operation.
- State financial concerns and decreases in state funding are challenging the ways the College practices purchasing and hiring. Though federal ARRA funds were allocated to Iowa community colleges for use in FY10 and into FY11, this is not continuing funding for subsequent years.

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, 2010

	Primary Institution	<u>Component Unit</u> Foundation
Assets		
Current Assets		
Cash and certificates of deposit	\$ 21,323,431	\$ 966,124
Investment in marketable securities	—	9,881,368
Receivables		
Accounts (net of allowance for doubtful accounts		
College - \$204,115).....	1,425,984	578
Property tax - succeeding year	3,569,905	—
Notes (net of allowance for doubtful accounts -		
College - \$29,307).....	52,488	—
Iowa Industrial New Jobs Training Program	878,840	—
Contributions.....	—	143,936
Due from other governments	1,165,534	—
Prepaid expenses.....	64,411	—
Inventories	257,056	—
Total Current Assets	<u>28,737,649</u>	<u>10,992,006</u>
 Noncurrent Assets		
Investment in marketable securities	—	2,929,282
Receivables		
Notes.....	60,608	—
Iowa Industrial New Jobs Training Program	1,476,267	—
Contributions receivable	—	230,962
Investment in Commonfund Realty Investors, LLC	—	28,982
Investments in real estate.....		543,656
Beneficial interest in assets held by others	—	289,572
Capital assets, net of accumulated depreciation/amortization	<u>22,076,878</u>	—
Total Noncurrent Assets	<u>23,613,753</u>	<u>4,022,454</u>
 Total Assets	 <u>\$ 52,351,402</u>	 <u>\$ 15,014,460</u>

See accompanying notes to the financial statements.

	Primary Institution	Component Unit Foundation
Liabilities		
Current Liabilities		
Accounts payable	\$ 544,763	\$ 4,363
Salaries and benefits payable	1,034,770	—
Annuity payable	—	24,671
Interest payable	28,353	—
Compensated absences	486,195	—
Insurance claims incurred but not reported	147,861	—
Deposits held in custody for others	646,624	—
Deferred Revenue		
Succeeding year property tax	3,569,905	—
Tuition	177,717	—
Other	1,121,084	—
Early retirement payable	763,563	—
Certificates payable	1,315,000	—
Notes payable	195,000	—
Total Current Liabilities	<u>10,030,835</u>	<u>29,034</u>
Noncurrent Liabilities		
Early retirement payable	614,761	—
Deferred revenue, other	2,028,288	—
Deferred compensation	52,375	—
Annuity payable	—	60,926
Certificates payable	5,240,000	—
Notes payable	1,350,000	—
Net OPEB liability	199,707	—
Refundable advances on student loans	30,293	—
Total Noncurrent Liabilities	<u>9,515,424</u>	<u>60,926</u>
Total Liabilities	<u>19,546,259</u>	<u>89,960</u>
Net Assets		
Invested in capital assets, net of related debt	20,531,878	—
Restricted		
Nonexpendable	—	2,929,282
Expendable		
Loans	13,585	—
Cash reserve	285,793	—
Other	2,192,513	10,033,899
Unrestricted	9,781,374	1,961,319
Total Net Assets	<u>32,805,143</u>	<u>14,924,500</u>
Total Liabilities and Net Assets	<u>\$ 52,351,402</u>	<u>\$ 15,014,460</u>

Statement of Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2010

	Primary Institution	<u>Component Unit</u> Foundation
Operating Revenue		
Tuition and fees, net of scholarship allowances of \$3,137,697	\$ 7,529,558	\$ —
Federal appropriations.....	5,126,008	—
Sales and services	221,024	—
Iowa Industrial New Jobs Training Program.....	1,493,439	—
Auxiliary enterprises	3,660,619	—
Contributions	—	662,352
Miscellaneous.....	515,437	61,592
Total Operating Revenue.....	<u>18,546,085</u>	<u>723,944</u>
Operating Expenses		
Education and Support		
Liberal arts and sciences	6,971,637	—
Vocational technical	3,883,574	—
Adult education	4,967,038	—
Cooperative services	1,459,423	—
Administration	1,586,845	—
Student services	3,695,209	—
Learning resources	535,802	—
Physical plant.....	2,521,966	—
General institution	2,004,677	—
Auxiliary enterprises	3,786,315	—
Scholarships and grants.....	1,934,664	—
Loan cancellations and bad debts.....	5,367	—
Administrative and collection costs.....	187,316	—
Program services.....	—	941,834
Fundraising expenses	—	98,888
Management and general expenses	—	33,345
Depreciation/amortization.....	1,333,386	—
Total Operating Expenses.....	<u>34,873,219</u>	<u>1,074,067</u>
Operating Loss.....	<u>(16,327,134)</u>	<u>(350,123)</u>
Nonoperating Revenue (Expenses)		
State appropriations	8,880,845	—
Pell grant	4,533,975	—
Property tax	3,346,110	—
Gifts	557,640	—
Investment income, net of investment expense of \$42,854 for the Foundation.....	238,934	1,272,388
Change in value of beneficial interests.....	—	(72,447)
Donated capital assets	6,012	—
Gain on sale of capital assets.....	14,525	—
Interest on indebtedness	(481,696)	—
Net Nonoperating Revenue	<u>17,096,345</u>	<u>1,199,941</u>
Increase in Net Assets	769,211	849,818
Net Assets - Beginning of Year	<u>32,035,932</u>	<u>14,074,682</u>
Net Assets - End of Year	<u>\$ 32,805,143</u>	<u>\$ 14,924,500</u>

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended June 30, 2010

Cash Flows From Operating Activities

Tuition and fees	\$ 7,168,781
Federal appropriations.....	5,849,698
Iowa Industrial New Jobs Training Program.....	1,372,019
Payments to employees for salaries and benefits	(20,425,883)
Payments to suppliers for goods and services	(10,642,987)
Payments to New Jobs Training Program recipients.....	(897,191)
Scholarships	(187,782)
Loans issued	(15,200)
Loan collections.....	65,827
Auxiliary enterprise receipts	3,512,269
Other receipts.....	681,776
Net Cash Used in Operating Activities	<u>(13,518,673)</u>

Cash Flows From Noncapital Financing Activities

State appropriations	8,794,639
Pell grant	4,533,975
Property tax	3,346,110
Gifts	557,640
Federal direct lending receipts	7,727,340
Federal direct lending disbursements.....	(7,781,648)
Proceeds from issuance of debt.....	875,000
Principal paid on debt.....	(1,515,000)
Interest paid on debt.....	(420,841)
Miscellaneous agency fund receipts.....	996,147
Miscellaneous agency fund disbursements.....	(791,587)
Net Cash Provided by Noncapital Financing Activities	<u>16,321,775</u>

Cash Flows From Capital and Related Financing Activities

Acquisition of capital assets	(441,200)
Proceeds from sale of capital assets.....	38,904
Principal paid on debt.....	(190,000)
Interest paid on debt.....	(65,249)
Net Cash Used in Capital and Related Financing Activities	<u>(657,545)</u>

Cash Flows From Investing Activities

Investment income	<u>238,934</u>
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Net Increase in Cash and Certificates of Deposit.....	2,384,491
Cash and Certificates of Deposit at Beginning of Year, as Restated	<u>18,938,940</u>

Cash and Certificates of Deposit at End of Year	<u>\$ 21,323,431</u>
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Statement of Cash Flows

Year Ended June 30, 2010

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

Loss from operations	\$ (16,327,134)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Depreciation/amortization	1,333,386
Changes in Assets and Liabilities	
Increase in accounts receivable, net	(533,566)
Decrease in notes receivable, net	50,627
Decrease in Iowa Industrial New Jobs Training Program receivable	172,314
Decrease in due from governments.....	371,260
Increase in prepaid expenses.....	(22,018)
Decrease in inventories	189,928
Increase in accounts payable	71,165
Decrease in salaries and benefits payable	(85,061)
Increase in deferred revenue.....	33,350
Increase in deferred compensation	30,000
Decrease in compensated absences.....	(47,430)
Increase in early retirement payable.....	1,107,414
Increase in reserve for unsubmitted insurance claims.....	101,416
Decrease in refundable advances on student loans.....	(3,566)
Decrease in deposits held in custody	(4,939)
Decrease in advance payable	(62,000)
Increase in net OPEB liability	<u>106,181</u>
Net Cash Used in Operating Activities	<u>\$ (13,518,673)</u>

Supplemental Disclosure

Capital and Related Financing Activities

At June 30, 2010

Cost of property and equipment.....	\$ 561,724
Amounts Payable	
Current year	(114,512)
Donated property and equipment	<u>(6,012)</u>
Cash Paid for Property and Equipment	<u>\$ 441,200</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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

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

Reporting Entity

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

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

Discrete Component Unit

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

The Foundation is a nonprofit organization that reports under FASB standards. 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/amortization 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 textbooks) are consumed.

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. 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, 2010 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, intangibles, 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
Intangible assets	5,000
Furniture, vehicles and equipment	5,000

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

Buildings.....	20 - 50 Years
Intangibles.....	4 - 15 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. Also included in other deferred revenue is unspent grant proceeds from the State Fiscal Stabilization Fund.

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, 2010.

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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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, auditorium 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, Pell grants, 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, 2010 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 Financial Accounting Standards Board Accounting Standards Codification. Under this codification, 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, 2010 are summarized as follows:

	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Mutual Funds (Common Fund)			
Multi-Strategy Equity Fund.....	\$ 5,566,773	\$ 8,092,877	\$ 2,526,104
Multi-Strategy Bond Fund	3,944,313	4,576,611	632,298
Intermediate Term Fund.....	<u>127,460</u>	<u>124,043</u>	<u>(3,417)</u>
	9,638,546	12,793,531	3,154,985
Corporate stocks	<u>62,769</u>	<u>17,119</u>	<u>(45,650)</u>
	<u>\$ 9,701,315</u>	<u>\$ 12,810,650</u>	<u>\$ 3,109,335</u>

Interest Rate Risk

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

Notes to the Financial Statements

(3) Capital Assets

Capital assets activity for the College for the year ended June 30, 2010 was as follows:

	Balance - Beginning of Year, as Restated	Increases	Decreases	Balance - End of Year
Capital Assets Not Being Depreciated				
Land	\$ 340,756	\$ —	\$ —	\$ 340,756
Construction in progress	<u>—</u>	<u>182,602</u>	<u>—</u>	<u>182,602</u>
Total Capital Assets Not Being Depreciated	<u>340,756</u>	<u>182,602</u>	<u>—</u>	<u>523,358</u>
Capital Assets Being Depreciated/Amortized				
Buildings.....	33,022,317	—	34,827	32,987,490
Other structures and improvements...	2,624,671	—	—	2,624,671
Intangibles.....	1,527,580	152,599	—	1,680,179
Furniture, vehicles and equipment.....	<u>4,968,175</u>	<u>226,523</u>	<u>169,837</u>	<u>5,024,861</u>
Total Capital Assets Being Depreciated/Amortized.....	<u>42,142,743</u>	<u>379,122</u>	<u>204,664</u>	<u>42,317,201</u>
Less Accumulated Depreciation/Amortization for				
Buildings.....	12,701,647	767,357	10,448	13,458,556
Intangibles.....	1,000,541	164,219	—	1,164,760
Other structures and improvements...	1,999,530	69,261	—	2,068,791
Furniture, vehicles and equipment.....	<u>3,908,862</u>	<u>332,549</u>	<u>169,837</u>	<u>4,071,574</u>
Total Accumulated Depreciation/ Amortization	<u>19,610,580</u>	<u>1,333,386</u>	<u>180,285</u>	<u>20,763,681</u>
Net Total Capital Assets Being Depreciated/Amortized.....	<u>22,532,163</u>	<u>(954,264)</u>	<u>24,379</u>	<u>21,553,520</u>
Capital Assets, Net	<u>\$ 22,872,919</u>	<u>\$ (771,662)</u>	<u>\$ 24,379</u>	<u>\$ 22,076,878</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Current Portion
Certificates payable	\$ 7,195,000	\$ 875,000	\$ 1,515,000	\$ 6,555,000	\$ 1,315,000
Notes payable.....	1,735,000	—	190,000	1,545,000	195,000
Early retirement benefits.....	270,910	1,230,502	123,088	1,378,324	763,563
Deferred revenue, other	3,096,433	750,122	697,183	3,149,372	1,121,084
Deferred compensation	22,375	30,000	—	52,375	—
Advance payable	62,000	—	62,000	—	—
Refundable advances on student loans	33,859	—	3,566	30,293	—
Net OPEB liability	<u>93,526</u>	<u>106,181</u>	<u>—</u>	<u>199,707</u>	<u>—</u>
	<u>\$ 12,509,103</u>	<u>\$ 2,991,805</u>	<u>\$ 2,590,837</u>	<u>\$ 12,910,071</u>	<u>\$ 3,394,647</u>

Notes to the Financial Statements

(4) Long-Term Liabilities

Certificates Payable

In accordance with agreements dated between June 1, 2000 and December 1, 2009, the College issued certificates totaling \$15,110,000 with interest rates ranging from 2.6% 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
2011.....	\$ 1,315,000	\$ 356,853	\$ 1,671,853
2012.....	1,280,000	288,417	1,568,417
2013.....	940,000	219,915	1,159,915
2014.....	805,000	170,310	975,310
2015.....	625,000	125,763	750,763
2016-2019	<u>1,590,000</u>	<u>180,105</u>	<u>1,770,105</u>
Total	<u>\$ 6,555,000</u>	<u>\$ 1,341,363</u>	<u>\$ 7,896,363</u>

Total interest expenditures were \$416,447 for the certificates payable for the year ended June 30, 2010.

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, 2010 notes payable indebtedness are as follows:

Year Ending June 30,	Note Issuance of October 16, 2007			Total
	Interest Rates	Principal	Interest	
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.....	3.85 - 4.05	220,000	35,038	255,038
2015.....	3.90 - 4.05	230,000	26,388	256,388
2016-2017	3.95 - 4.05	<u>490,000</u>	<u>24,795</u>	<u>514,795</u>
Total		<u>\$ 1,545,000</u>	<u>\$ 238,427</u>	<u>\$ 1,783,427</u>

Total interest expenditures were \$65,249 for the notes payable for the year ended June 30, 2010.

Early Retirement Benefits Payable

The liability at June 30, 2010 for those employees who have elected early retirement was \$1,378,324. 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 2011 and 2012 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 year 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, 2010.

Year Ending June 30,	
2011.....	\$ 62,114
2012.....	58,114
2013.....	42,441
2014.....	12,406
2015.....	<u>2,195</u>
Total.....	<u>\$ 177,270</u>

Total rental expenditures for the year ended June 30, 2010 for all operating leases was \$114,535.

(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 4.3% of their annual covered salary and the College is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The College's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 was \$451,069, \$421,408 and \$383,057, 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 4.3% and the College is required to contribute 6.65%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2010 were \$436,658 and \$282,351, 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 55 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 June 30 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. In addition, the College offers a supplemental benefit equal to 50% of the employee's contract rate. 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, they will receive a payment for their accumulated sick leave as follows: \$4,000 for professional salaried staff; \$3,700 for faculty; and \$2,100 for office personnel, associate staff members and physical plant staff members. 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 24 retirees. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2010, 18 retirees received early retirement benefits. The College's early retirement expense for the year ended June 30, 2010 was \$123,088.

(9) Other Postemployment Benefits (OPEB)

Plan Description

The College operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 230 active and 22 retired members in the plan. Employees must be age 55 or older at retirement.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark, Iowa. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

Funding Policy

The contribution requirements of plan members are established and may be amended by the College. The College currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The College's annual OPEB cost is calculated based on the annual required contribution (ARC) of the College, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the College's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution.....	\$ 175,869
Interest on net OPEB obligation	2,338
Adjustment to annual required contribution	<u>(4,360)</u>
Annual OPEB Cost	173,847
Contributions made	<u>(67,666)</u>
Increase in Net OPEB Obligation.....	106,181
Net OPEB Obligation - Beginning of Year	<u>93,526</u>
Net OPEB Obligation - End of Year.....	<u>\$ 199,707</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2010.

For the fiscal year 2010, the College contributed \$67,666 to the medical plan.

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 173,847	38.9%	\$ 199,707

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date for the period of July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1.452 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.452 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11.534 million, and the ratio of the UAAL to the covered payroll was 12.6%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the College's funding policy. The health cost trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

The UAAL is being amortized as a level percentage of projected payroll expense on a closed basis over 30 years.

(10) 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, 2010.

Notes to the Financial Statements

(10) 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	\$ 46,445
Claims and changes in estimates	201,749
Claims and administrative fees paid	<u>(100,333)</u>
Ending Balance	<u>\$ 147,861</u>

(11) 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 125 projects with 33 currently receiving project funding. The remaining 92 projects have been completed, of which 20 are in repayment process and 72 have been fully repaid.

The College has receivables totaling approximately \$341,000 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 or transfer excess funds from other projects. 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 Workforce Training Fund or the Grow Iowa Values Fund which are State administered funds. Since inception, the College has administered 186 projects, with 25 currently receiving project funding and the remaining 161 having been completed.

(12) Commitments

As of June 30, 2010, the College had outstanding commitments for capital improvements to facilities of approximately \$675,000.

Notes to the Financial Statements

(13) Related Party Transactions

The North Iowa Area Community College Foundation (Foundation) provided funding for various projects of the College. The Foundation committed to and paid \$563,240 for the year ended June 30, 2010. The Foundation also owed \$2,762 to the College as of June 30, 2010, which is reflected in the statement of net assets.

The College paid \$52,122 of rent to the Foundation for the use of farmland owned by the Foundation.

(14) Subsequent Events

On August 19, 2010, the Board of Directors approved a contract with SunGard Higher Education, Inc. for technology services and support for a period of five years. The fee for the first year is set at \$911,000.

On October 14, 2010, the Board of Directors approved a bid from Fire Facilities - Nielsen Building Systems in the amount of \$267,826 for the Emergency Services Training Facility.

On November 18, 2010, the Board of Directors approved the issuance of \$1,915,000 in Industrial New Jobs Training Certificates (Series 2010-1).

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, was implemented during fiscal year 2010. Beginning furniture, vehicles and equipment and intangibles were restated to retroactively report intangible assets acquired prior to July 1, 2009, as follows:

	Furniture, Vehicles and Equipment, Net of Accumulated Depreciation	Intangibles Net of Accumulated Amortization
Balance - June 30, 2009, as previously reported	\$ 1,586,352	\$ —
Increase (decrease) for intangible assets, less accumulated amortization.....	<u>(527,039)</u>	<u>527,039</u>
Balance - July 1, 2009, as Restated	<u>\$ 1,059,313</u>	<u>\$ 527,039</u>

In prior years, the statement of cash flows reported the change in cash only, rather than the change in cash and certificates of deposit. The beginning cash and certificates of deposit balance on the statement of cash flows was restated to be easily traceable to the similarly titled line item shown on the statement of net assets, as follows:

Balance - June 30, 2009, as previously reported	\$ 6,188,940
Increase for certificates of deposit.....	12,750,000
Balance - June 30, 2009, as Restated	<u>\$ 18,938,940</u>

Balance - June 30, 2008, as previously reported	\$ 4,875,310
Increase for certificates of deposit.....	14,900,000
Balance - June 30, 2008, as Restated	<u>\$ 19,775,310</u>

Required Supplementary Information

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	\$ —	\$ 1,452,000	\$ 1,452,000	0.0%	\$ 11,381,000	12.76%
2010	7-1-08	—	1,452,000	1,452,000	0.0	11,534,000	12.59

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, the funded status and funding progress.

Other Supplementary Information

Schedule of Budgetary Comparison of Expenditures - Budget and Actual

Year Ended June 30, 2010

	Original/ Final Budget	Actual	Variance Between Actual and Budget
Unrestricted	\$ 25,108,743	\$ 20,547,864	\$ 4,560,879
Restricted	7,169,115	3,270,126	3,898,989
Unemployment	60,000	51,289	8,711
Insurance.....	331,000	313,564	17,436
Early retirement	129,500	2,034,444	(1,904,944)
Equipment replacement...	650,000	430,206	219,794
Total Restricted.....	<u>8,339,615</u>	<u>6,099,629</u>	<u>2,239,986</u>
Plant	2,452,000	369,907	2,082,093
Bonds and interest.....	—	65,249	(65,249)
Total	<u>\$ 35,900,358</u>	<u>\$ 27,082,649</u>	<u>\$ 8,817,709</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.

While the College overexpended its budget in the early retirement bonds and interest functions, for the year ended June 30, 2010, the College's expenditures did not exceed the amount budgeted in total.

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	\$ 27,082,649
Items Not Required to be Budgeted	
Auxiliary enterprises.....	4,394,703
Scholarships and grants	4,662,335
Iowa Workforce Development contract	2,496,147
Loan funds	5,378
Investment in plant.....	204,664
Combining adjustments	<u>(3,490,961)</u>
Total Expenses	<u>\$ 35,354,915</u>

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

Total operating expenses	\$ 34,873,219
Interest on indebtedness	481,696
Total Expenses	<u>\$ 35,354,915</u>

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 accounts:

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.

The budgetary comparison schedule of expenditures - budget to actual provides a comparison of the budget to actual expenditures for those funds and/or levies required to be budgeted. Since North Iowa Area Community College uses business-type activities reporting, this budgetary comparison information is included as other supplementary information.

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, 2010

	Current Funds		Loan Funds	Plant Funds		Agency Funds	Adjustments	Total
	Unrestricted	Restricted		Unexpended	Investment in Plant			
Assets								
Cash and certificates of deposit	\$ 7,426,501	\$ 10,518,523	\$ 19,529	\$ 3,007,550	\$ —	\$ 351,328	\$ —	\$ 21,323,431
Receivables								
Accounts (net of allowance for doubtful accounts - \$204,115)	1,249,424	69,254	—	50	—	107,256	—	1,425,984
Property tax - succeeding year	1,100,196	1,369,513	—	1,100,196	—	—	—	3,569,905
Notes (net of allowance for doubtful accounts - \$29,307)	—	88,747	24,349	—	—	—	—	113,096
Iowa Industrial New Jobs Training Program	—	2,355,107	—	—	—	—	—	2,355,107
Due from other funds	280,950	47,850	—	119,888	—	115	(448,803)	—
Due from other governments	248,682	664,193	—	—	—	252,659	—	1,165,534
Prepaid expenses	46,302	2,563	—	—	—	15,546	—	64,411
Inventories	257,056	—	—	—	—	—	—	257,056
Capital Assets								
Land	—	—	—	—	340,756	—	—	340,756
Buildings	—	—	—	—	32,987,490	—	—	32,987,490
Construction in progress	—	—	—	—	182,602	—	—	182,602
Other structures and improvements	—	—	—	—	2,624,671	—	—	2,624,671
Intangibles	—	—	—	—	1,680,179	—	—	1,680,179
Furniture and equipment	—	—	—	—	5,024,861	—	—	5,024,861
Accumulated depreciation/amortization	—	—	—	—	—	—	(20,763,681)	(20,763,681)
Total Assets	\$ 10,609,111	\$ 15,115,750	\$ 43,878	\$ 4,227,684	\$ 42,840,559	\$ 726,904	\$ (21,212,484)	\$ 52,351,402
Liabilities and Fund Balance								
Liabilities								
Accounts payable	\$ 215,432	\$ 156,089	\$ —	\$ 151,121	\$ —	\$ 22,121	\$ —	\$ 544,763
Salaries and benefits payable	1,072,131	56,244	—	—	—	—	(41,230)	1,087,145
Interest payable	—	28,353	—	—	—	—	—	28,353
Due to other funds	119,889	281,064	—	—	—	47,850	(448,803)	—
Compensated absences	385,120	101,075	—	—	—	—	—	486,195
Insurance claims incurred but not reported	147,861	—	—	—	—	—	—	147,861
Deposits held in custody for others	24,998	125	—	—	—	621,501	—	646,624
Deferred Revenue								
Succeeding year property tax	1,100,196	1,369,513	—	1,100,196	—	—	—	3,569,905
Tuition	3,298	—	—	—	—	—	174,419	177,717
Other	402,283	2,711,657	—	—	—	35,432	—	3,149,372
Early retirement payable	—	1,378,324	—	—	—	—	—	1,378,324
Certificates payable	—	6,555,000	—	—	—	—	—	6,555,000
Notes payable	—	—	—	1,545,000	—	—	—	1,545,000
Net OPEB liability	—	—	—	—	—	—	199,707	199,707
Refundable advances on student loans	—	—	30,293	—	—	—	—	30,293
Total Liabilities	3,471,208	12,637,444	30,293	2,796,317	—	726,904	(115,907)	19,546,259
Fund Balance								
Invested in capital assets, net of related debt	—	—	—	—	42,840,559	—	(22,308,681)	20,531,878
Restricted								
Expendable								
Loans	—	—	13,585	—	—	—	—	13,585
Cash reserve	—	285,793	—	—	—	—	—	285,793
Other	—	2,192,513	—	—	—	—	—	2,192,513
Unrestricted	5,539,380	—	—	1,431,367	—	—	1,212,104	8,182,851
Auxiliary enterprises	1,598,523	—	—	—	—	—	—	1,598,523
Total Fund Balance	7,137,903	2,478,306	13,585	1,431,367	42,840,559	—	(21,096,577)	32,805,143
Total Liabilities and Fund Balance	\$ 10,609,111	\$ 15,115,750	\$ 43,878	\$ 4,227,684	\$ 42,840,559	\$ 726,904	\$ (21,212,484)	\$ 52,351,402

Combining Schedule of Revenue, Expenditures and Changes in Fund Balance

Year Ended June 30, 2010

Revenue	Current Funds		Loan Funds	Plant Funds			Adjustments	Total
	Unrestricted	Restricted		Unexpended	Retirement of Indebtedness	Investment in Plant		
General								
State appropriations.....	\$ 8,350,063	\$ 422,938	\$ —	\$ 107,844	\$ —	\$ —	\$ —	\$ 8,880,845
Tuition and fees	10,705,794	—	—	—	—	—	(3,176,236)	7,529,558
Property tax.....	1,091,419	1,163,272	—	1,045,780	45,639	—	—	3,346,110
Federal appropriations.....	1,365,657	8,294,326	—	—	—	—	—	9,659,983
Sales and services.....	214,524	6,500	—	—	—	—	—	221,024
Interest on investments.....	62,764	141,634	863	—	19,610	—	—	224,871
Iowa Industrial New Jobs Training Program	—	1,493,439	—	—	—	—	—	1,493,439
Increase in plant investment due to donated assets.....	—	—	—	—	—	6,012	—	6,012
Increase in plant investment due to plant expenditures (including \$373,109 in current fund expenditures)	—	—	—	—	—	555,712	(555,712)	—
Gain on sale of capital assets	38,904	—	—	—	—	—	(24,379)	14,525
Gifts.....	108,985	178,803	—	39,940	—	—	—	327,728
Miscellaneous	399,394	444,749	5,036	—	—	—	(333,742)	515,437
Total General	22,337,504	12,145,661	5,899	1,193,564	65,249	561,724	(4,090,069)	32,219,532
Auxiliary Enterprises								
Sales and services.....	4,337,074	—	—	—	—	—	(697,742)	3,639,332
Interest on investments.....	14,063	—	—	—	—	—	—	14,063
Gifts.....	229,912	—	—	—	—	—	—	229,912
Miscellaneous	21,287	—	—	—	—	—	—	21,287
Total Auxiliary Enterprises	4,602,336	—	—	—	—	—	(697,742)	3,904,594
Total Revenue.....	26,939,840	12,145,661	5,899	1,193,564	65,249	561,724	(4,787,811)	36,124,126
Expenditures								
Education and Support								
Liberal arts and sciences	6,213,303	747,552	—	—	—	—	10,782	6,971,637
Vocational technical	3,397,932	575,296	—	—	—	—	(89,654)	3,883,574
Adult education	2,003,834	2,981,023	—	—	—	—	(17,819)	4,967,038
Cooperative services	46,608	2,167,311	—	—	—	—	(754,496)	1,459,423
Administration	1,461,791	120,264	—	—	—	—	4,790	1,586,845
Student services	2,901,135	853,815	—	—	—	—	(59,741)	3,695,209
Learning resources	529,619	4,471	—	—	—	—	1,712	535,802
Physical plant.....	2,269,404	345,261	—	—	—	—	(92,699)	2,521,966
General institution.....	1,724,238	384,336	—	—	—	—	(103,897)	2,004,677
Total Education and Support.....	20,547,864	8,179,329	—	—	—	—	(1,101,022)	27,626,171
Auxiliary enterprises	4,394,703	—	—	—	—	—	(608,388)	3,786,315
Scholarships and grants.....	—	4,662,335	—	—	—	—	(2,727,671)	1,934,664
Loan cancellations and bad debts.....	—	—	5,367	—	—	—	—	5,367
Administrative and collection costs.....	—	—	11	187,305	—	—	—	187,316
Plant asset acquisitions.....	—	—	—	182,602	—	—	(182,602)	—
Disposal of plant assets.....	—	—	—	—	—	204,664	(204,664)	—
Interest on indebtedness	—	416,447	—	—	65,249	—	—	481,696
Depreciation	—	—	—	—	—	—	1,333,386	1,333,386
Total Expenditures.....	24,942,567	13,258,111	5,378	369,907	65,249	204,664	(3,490,961)	35,354,915
Revenue Over (Under) Expenditures.....	1,997,273	(1,112,450)	521	823,657	—	357,060	(1,296,850)	769,211
Other Financing Sources (Uses)								
Transfers in.....	376,076	354,389	—	—	—	—	(730,465)	—
Transfers out	(376,463)	(354,002)	—	—	—	—	730,465	—
Total Other Financing Sources (Uses).....	(387)	387	—	—	—	—	—	—
Net.....	1,996,886	(1,112,063)	521	823,657	—	357,060	(1,296,850)	769,211
Fund Balances - Beginning of Year.....	5,141,017	3,590,369	13,064	607,710	—	42,483,499	(19,799,727)	32,035,932
Fund Balances - End of Year	\$ 7,137,903	\$ 2,478,306	\$ 13,585	\$ 1,431,367	\$ —	\$ 42,840,559	\$ (21,096,577)	\$ 32,805,143

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

Year Ended June 30, 2010

	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	\$ 5,067,684	\$ 2,133,252	\$ 1,139,014	\$ —	\$ 6,037	\$ —	\$ —	\$ 4,076	\$ —	\$ 8,350,063
Tuition and fees	7,229,351	2,812,355	662,788	—	—	1,300	—	—	—	10,705,794
Property tax	—	—	—	—	1,091,419	—	—	—	—	1,091,419
Federal appropriations.....	643,630	419,664	292,636	—	6,955	2,772	—	—	—	1,365,657
Sales and services	6,639	80,856	34,592	4,552	—	1,095	922	85,868	—	214,524
Interest on investments	—	—	—	—	62,317	—	—	—	447	62,764
Gifts	3,625	13,837	15,500	—	—	—	340	—	75,683	108,985
Sale of capital assets.....	—	—	—	—	—	—	—	38,904	—	38,904
Miscellaneous	241,705	—	28,535	—	80,805	30,961	203	14,964	2,221	399,394
	13,192,634	5,459,964	2,173,065	4,552	1,247,533	36,128	1,465	143,812	78,351	22,337,504
Allocation of support services.....	954,628	395,087	157,245	329	(1,247,533)	(36,128)	(1,465)	(143,812)	(78,351)	—
Total Revenue	14,147,262	5,855,051	2,330,310	4,881	—	—	—	—	—	22,337,504
Expenditures										
Salaries and benefits	5,926,048	3,008,347	1,219,093	15,760	977,335	2,333,944	392,072	1,120,542	866,420	15,859,561
Services.....	152,465	159,296	668,226	29,797	110,890	141,098	10,081	835,934	757,521	2,865,308
Materials and supplies.....	92,005	213,147	111,194	593	37,276	75,231	127,032	265,357	73,427	995,262
Travel.....	42,785	11,130	5,321	458	50,846	21,345	434	2,722	26,870	161,911
Plant asset acquisitions.....	—	6,012	—	—	—	—	—	44,849	—	50,861
Miscellaneous.....	—	—	—	—	285,444	329,517	—	—	—	614,961
	6,213,303	3,397,932	2,003,834	46,608	1,461,791	2,901,135	529,619	2,269,404	1,724,238	20,547,864
Allocation of support services.....	4,734,531	2,589,221	1,526,920	35,515	(1,461,791)	(2,901,135)	(529,619)	(2,269,404)	(1,724,238)	—
Total Expenditures	10,947,834	5,987,153	3,530,754	82,123	—	—	—	—	—	20,547,864
Revenue Over (Under) Expenditures	3,199,428	(132,102)	(1,200,444)	(77,242)	—	—	—	—	—	1,789,640
Other Financing Uses										
Transfers out	—	(23,966)	(387)	—	—	—	—	—	—	(24,353)
Net	\$ 3,199,428	\$ (156,068)	\$ (1,200,831)	\$ (77,242)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,765,287

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

Year Ended June 30, 2010

	Trade and Industry	Farm	Food Services	Auditorium	Dormitories	Athletics	Tech-Prep	BookZone	Miscellaneous	Total
Revenue										
Sales and services	\$ 44,402	\$ 178,698	\$ 968,311	\$ 370,172	\$ 1,605,191	\$ 213,124	\$ —	\$ 939,400	\$ 17,776	\$ 4,337,074
Interest on investments	529	93	11,804	—	36	—	85	—	1,516	14,063
Gifts	—	26,977	—	70,270	—	131,393	—	1,272	—	229,912
Miscellaneous	—	1,856	400	8,431	2,186	5,032	—	3,382	—	21,287
Total Revenue	44,931	207,624	980,515	448,873	1,607,413	349,549	85	944,054	19,292	4,602,336
Expenditures										
Salaries and benefits	—	10,489	460,989	22,748	228,142	9,630	—	96,304	—	828,302
Services	—	97,447	14,966	405,853	334,362	39,233	—	24,484	—	916,345
Materials and supplies	50,156	127,626	457,650	3,666	48,929	167,516	—	673,023	—	1,528,566
Travel	—	—	4,895	3,288	—	182,452	—	—	—	190,635
Plant asset acquisitions	—	—	56,201	—	—	—	—	—	—	56,201
Miscellaneous	—	—	—	—	693,836	175,536	—	5,282	—	874,654
Total Expenditures	50,156	235,562	994,701	435,555	1,305,269	574,367	—	799,093	—	4,394,703
Revenue Over (Under) Expenditures	(5,225)	(27,938)	(14,186)	13,318	302,144	(224,818)	85	144,961	19,292	207,633
Other Financing Sources (Uses)										
Transfers In	—	23,966	126,929	—	—	225,181	—	—	—	376,076
Transfers out	—	—	(126,929)	—	(207,000)	—	—	—	(18,181)	(352,110)
Total Other Financing Sources (Uses)	—	23,966	—	—	(207,000)	225,181	—	—	(18,181)	23,966
Net	(5,225)	(3,972)	(14,186)	13,318	95,144	363	85	144,961	1,111	231,599
Fund Balances - Beginning of Year	70,515	(5,239)	550,982	81,758	(42,713)	(86,852)	9,575	(42,626)	147,990	683,390
Fund Balances - End of Year	\$ 65,290	\$ (9,211)	\$ 536,796	\$ 95,076	\$ 52,431	\$ (86,489)	\$ 9,660	\$ 102,335	\$ 149,101	\$ 914,989

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

Year Ended June 30, 2010

	Scholarships and Grants	Equipment Replacement	Insurance	Unemployment Compensation	Early Retirement	Cash Reserve	Iowa Workforce Development Contract	Temporary Assistance for Needy Families	Other	Iowa Industrial New Jobs Training Program Administration	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
Revenue													
State appropriations	\$ —	\$ 23,195	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 107,049	\$ —	\$ —	\$ 292,694	\$ 422,938
Property tax	—	485,074	311,455	154,168	67,919	—	—	—	—	—	144,656	—	1,163,272
Federal appropriations.....	4,662,335	—	—	—	—	—	1,902,118	335,079	173,439	—	—	1,221,355	8,294,326
Sales and services	—	—	—	—	—	—	—	—	—	—	—	6,500	6,500
Interest on investments	14	7,811	57	2,134	150	—	—	—	88	49,297	67,778	14,305	141,634
Iowa Industrial New Jobs Training Program	—	—	—	—	—	—	—	—	—	—	1,493,439	—	1,493,439
Gifts	—	22,000	—	—	—	—	—	—	—	—	—	156,803	178,803
Miscellaneous.....	—	—	20,553	—	—	—	—	—	—	334,752	—	89,444	444,749
Total Revenue.....	4,662,349	538,080	332,065	156,302	68,069	—	1,902,118	335,079	280,576	384,049	1,705,873	1,781,101	12,145,661
Expenditures													
Salaries and benefits.....	—	—	—	2,034,444	51,289	—	900,557	269,364	157,763	174,071	—	1,255,792	4,843,280
Services.....	—	—	313,564	—	—	—	900,596	56,078	64,869	17,305	935,424	172,542	2,460,378
Materials and supplies.....	—	—	—	—	—	—	83,499	8,003	30,274	230	—	133,381	255,387
Travel.....	—	—	—	—	—	—	17,466	1,634	6,044	5,042	—	36,212	66,398
Plant asset acquisitions.....	—	430,206	—	—	—	—	—	—	—	—	—	37,047	467,253
Interest on indebtedness.....	—	—	—	—	—	—	—	—	—	—	416,447	—	416,447
Federal Pell Grant Program.....	4,533,975	—	—	—	—	—	—	—	—	—	—	—	4,533,975
Federal Supplemental Educational Opportunity Grants.....	128,360	—	—	—	—	—	—	—	—	—	—	—	128,360
Loan cancellations and bad debts.....	—	—	—	—	—	—	—	—	—	—	—	36,083	36,083
Private scholarships	—	—	—	—	—	—	—	—	—	—	—	50,550	50,550
Total Expenditures.....	4,662,335	430,206	313,564	2,034,444	51,289	—	1,902,118	335,079	258,950	196,648	1,351,871	1,721,607	13,258,111
Revenue Over (Under) Expenditures..	14	107,874	18,501	(1,878,142)	16,780	—	—	—	21,626	187,401	354,002	59,494	(1,112,450)
Other Financing Sources (Uses)													
Transfers in.....	—	—	—	—	—	—	—	—	—	354,002	—	387	354,389
Transfers out	—	—	—	—	—	—	—	—	—	—	(354,002)	—	(354,002)
Total Other Financing Sources (Uses)	—	—	—	—	—	—	—	—	—	354,002	(354,002)	387	387
Net.....	14	107,874	18,501	(1,878,142)	16,780	—	—	—	21,626	541,403	—	59,881	(1,112,063)
Fund Balances - Beginning of Year.....	1,985	813,326	79,297	153,819	2,631	285,793	—	—	6,105	1,227,226	—	1,020,187	3,590,369
Fund Balances - End of Year	\$ 1,999	\$ 921,200	\$ 97,798	\$ (1,724,323)	\$ 19,411	\$ 285,793	\$ —	\$ —	\$ 27,731	\$ 1,768,629	\$ —	\$ 1,080,068	\$ 2,478,306

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

Year Ended June 30, 2010

	Fine Arts	Student Organi- zations	Iowa Small Business New Jobs Training Program	Federal Direct Student Loan Program	Miscel- laneous	Total
Balances - Beginning of Year	\$ 62,404	\$ 95,323	\$ 142,013	\$ —	\$ 96,885	\$ 396,625
Additions						
State appropriations ...	—	—	421,646	—	—	421,646
Federal appropriations	—	—	—	7,781,648	—	7,781,648
Tuition and fees	4,400	100,174	—	—	—	104,574
Sales and services	53,709	36,594	—	—	6,847	97,150
Interest on investments	386	1,379	2,584	—	1,893	6,242
Miscellaneous.....	6,185	—	—	—	100,196	106,381
Transfers in.....	—	—	—	—	3,372	3,372
Total Additions	<u>64,680</u>	<u>138,147</u>	<u>424,230</u>	<u>7,781,648</u>	<u>112,308</u>	<u>8,521,013</u>
Deductions						
Salaries and benefits ..	242	57	—	—	5,544	5,843
Services.....	13,532	40,119	230,527	7,781,648	101,725	8,167,551
Materials and supplies	4,529	10,720	—	—	4,531	19,780
Travel.....	59,179	28,304	—	—	168	87,651
Miscellaneous.....	848	11,092	—	—	—	11,940
Transfers out	—	—	—	—	3,372	3,372
Total Deductions ..	<u>78,330</u>	<u>90,292</u>	<u>230,527</u>	<u>7,781,648</u>	<u>115,340</u>	<u>8,296,137</u>
Balances - End of Year	<u>\$ 48,754</u>	<u>\$ 143,178</u>	<u>\$ 335,716</u>	<u>\$ —</u>	<u>\$ 93,853</u>	<u>\$ 621,501</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
U.S. Department of Labor			
Indirect			
Pass-Through Iowa Workforce Development			
Employment Service Cluster			
Employment Service/Wagner-Peyser Funded Activities	17.207	7-W-02-FR-0	\$ 49,676
ARRA - Employment Service/Wagner-Peyser Funded Activities	17.207		5,717
Disabled Veterans' Outreach Program.....	17.801	7-W-02-FR-0	3,686
Local Veterans' Employment Representative Program	17.804	7-W-02-FR-0	<u>3,902</u>
Total Employment Service Cluster.....			<u>62,981</u>
Unemployment Insurance	17.225	7-W-02-FR-0	<u>64,525</u>
Trade Adjustment Assistance.....	17.245	7-W-02-FR-0	<u>1,948</u>
Workforce Investment Act Cluster			
WIA Adult Program	17.258	7-W-02-FR-0	83,293
ARRA - WIA Adult Program	17.258		17,470
WIA Youth Activities.....	17.259	7-W-02-FR-0	119,782
ARRA - WIA Youth Activities	17.259		56,715
WIA Dislocated Workers.....	17.260	7-W-02-FR-0	1,279,461
ARRA - WIA Dislocated Workers.....	17.260		<u>304,363</u>
Total Workforce Investment Act Cluster			<u>1,861,084</u>
Work Incentive Grants.....	17.266	7-W-02-FR-0	<u>24,789</u>
Incentive Grants - WIA Section 503	17.267	7-W-02-FR-0	<u>5,313</u>
Pass-Through Iowa Department of Education			
Mine Health and Safety Grants	17.600		<u>1,851</u>
Total U.S. Department of Labor			<u>2,022,491</u>
U.S. Small Business Administration			
Direct			
Congressional Mandated Award - Incubator.....	59.SBAHQ- 06-I-0090		139,238
Congressional Mandated Award - Incubator.....	59.SBAHQ- 08-I-0042		6,778
Congressional Mandated Award - Incubator.....	59.SBAHQ- 09-I-0004		<u>100,000</u>
Total Direct			<u>246,016</u>
Indirect			
Pass-Through Iowa State University			
Small Business Development Centers	59.037		<u>71,341</u>
Total U.S. Small Business Administration			<u>317,357</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
U.S. Department of Veterans Affairs			
Direct			
Vocational Rehabilitation for Disabled Veterans	64.116		<u>\$ 781</u>
U.S. Department of Education			
Direct			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		71,479
Federal Work-Study Program	84.033		112,419
Federal Pell Grant Program	84.063		4,540,545
Federal Direct Student Loans	84.268		7,781,648
Academic Competitiveness Grants	84.375		56,735
Total Student Financial Assistance Cluster			<u>12,562,826*</u>
TRIO Student Support Services	84.042		<u>326,798</u>
Total Direct			<u>12,889,624</u>
Indirect			
Pass-Through Iowa Department of Education			
Adult Education - Basic Grants to States	84.002		<u>142,232</u>
Higher Education Institutional Aid	84.031		<u>309,099</u>
Career and Technical Education - Basic Grants to States	84.048		<u>194,571</u>
Tech-Prep Education	84.243		<u>79,984</u>
State Fiscal Stabilization Fund Cluster			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		928,848
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397		<u>92,810</u>
Total State Fiscal Stabilization Fund Cluster			<u>1,021,658</u>
Total Indirect			<u>1,747,544</u>
Total U.S. Department of Education			<u>14,637,168</u>
U.S. Department of Health and Human Services			
Indirect			
Pass-Through Iowa Department of Education			
Student Financial Assistance Cluster			
Nursing Student Loans	93.364		<u>53,156*</u>
Pass-Through Iowa Workforce Development			
Temporary Assistance for Needy Families Cluster			
Temporary Assistance for Needy Families	93.558	9-W-02-FN-0	335,079
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714		<u>7,413</u>
Total Temporary Assistance for Needy Families Cluster			<u>342,492</u>
Medicaid Infrastructure Grants to Support the Competitive Employment of People With Disabilities	93.768	10-W-PF-DN-0-02	<u>21,946</u>
Total U.S. Department of Health and Human Services			<u>417,594</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
Corporation for National and Community Service			
Direct			
Retired and Senior Volunteer Program.....	94.002		<u>\$ 62,436</u>
Social Security Administration			
Indirect			
Pass-Through Iowa Workforce Development Social Security - Work Incentives Planning and Assistance Program.....	96.008	7-W-02-FR-0	<u>7,018</u>
Total Federal Financial Assistance.....			<u>\$ 17,464,845</u>

* Total Student Financial Assistance Cluster - \$12,615,982

(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 Student Loans 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, 2010 of \$53,156.

Statistical Section



Schedule of Credit and Contact Hours

Year Ended June 30, 2010

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	62,328	—	62,328	—	—	—
Vocational education	18,148	—	18,148	—	—	—
Adult education/ continuing education	—	—	—	<u>292,595</u>	<u>50,014</u>	<u>342,609</u>
Total	<u>80,476</u>	<u>—</u>	<u>80,476</u>	<u>292,595</u>	<u>50,014</u>	<u>342,609</u>

Schedule of Tax and Intergovernmental Revenue

Years Ended June 30, 2002 Through 2010

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Local (property tax).....	\$ 3,346,110	\$ 3,379,636	\$ 3,209,007	\$ 2,962,592	\$ 2,810,438	\$ 2,757,931	\$ 2,903,480	\$ 2,792,992	\$ 2,405,825
State	8,880,845	10,554,683	10,782,145	9,789,440	9,244,435	8,674,524	7,862,838	7,942,213	8,497,683
Federal	<u>9,659,983</u>	<u>6,657,951</u>	<u>5,548,711</u>	<u>4,534,172</u>	<u>4,094,963</u>	<u>4,377,657</u>	<u>4,277,760</u>	<u>3,920,410</u>	<u>3,774,320</u>
Total	<u>\$ 21,886,938</u>	<u>\$ 20,592,270</u>	<u>\$ 19,539,863</u>	<u>\$ 17,286,204</u>	<u>\$ 16,149,836</u>	<u>\$ 15,810,112</u>	<u>\$ 15,044,078</u>	<u>\$ 14,655,615</u>	<u>\$ 14,677,828</u>

**Schedule of Current Funds Revenue by Source and Expenditures
by Function**

Years Ended June 30, 2002 Through 2010

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenue									
State appropriations	\$ 8,773,001	\$ 10,531,191	\$ 10,100,971	\$ 9,678,544	\$ 8,711,014	\$ 8,380,523	\$ 7,862,838	\$ 7,942,213	\$ 8,144,350
Tuition and fees	10,705,794	9,650,246	9,359,960	8,563,029	8,371,061	7,999,703	7,542,650	6,991,633	6,750,829
Property tax	2,254,691	2,338,744	2,224,032	2,001,291	1,897,426	1,865,506	1,944,177	1,842,351	1,476,735
Federal appropriations.....	9,659,983	6,609,386	5,092,587	4,446,171	4,094,963	4,377,657	4,277,760	3,920,410	3,774,320
Sales and services	221,024	220,654	239,945	251,662	364,703	321,134	451,282	543,487	562,753
Interest on investments	204,398	409,282	750,316	763,926	489,162	263,177	143,427	195,887	308,741
Iowa Industrial New Jobs Training Program	1,493,439	1,076,200	1,110,306	1,067,167	1,536,809	1,833,748	1,293,308	1,810,724	1,126,408
Auxiliary enterprises	4,602,336	4,389,782	3,806,512	3,589,113	3,048,076	1,566,038	836,274	850,365	802,581
Miscellaneous.....	1,170,835	1,397,021	1,926,115	2,046,803	1,784,495	2,045,179	1,638,369	1,731,013	2,332,450
Total Revenue	\$ 39,085,501	\$ 36,622,506	\$ 34,610,744	\$ 32,407,706	\$ 30,297,709	\$ 28,652,665	\$ 25,990,085	\$ 25,828,083	\$ 25,279,167
Expenditures									
Liberal arts and sciences.....	\$ 6,960,855	\$ 6,330,635	\$ 6,288,908	\$ 5,943,033	\$ 5,588,990	\$ 5,676,475	\$ 5,368,917	\$ 5,791,601	\$ 5,496,919
Vocational technical.....	3,973,228	3,991,555	3,904,936	3,085,462	3,267,663	3,266,549	3,075,553	3,177,517	3,195,220
Adult education.....	4,984,857	2,307,549	3,558,893	3,531,714	3,533,602	3,053,689	3,267,796	3,461,202	3,334,166
Cooperative services	2,213,919	1,926,100	2,291,350	1,786,208	2,077,615	2,153,615	1,456,014	1,905,524	1,446,772
Administration.....	1,582,055	1,601,812	1,742,303	1,570,535	1,407,399	1,189,597	1,126,724	1,052,522	888,246
Student services	3,754,950	3,625,311	3,500,896	3,105,053	3,078,987	2,715,377	2,441,405	2,198,980	2,031,108
Learning resources.....	534,090	561,378	569,277	529,873	540,632	582,289	467,132	476,031	484,121
Physical plant	2,614,665	1,957,665	1,840,561	1,980,149	2,067,471	2,006,982	1,923,055	1,689,474	2,221,039
General institution.....	2,108,574	2,083,980	2,051,474	2,202,957	1,680,644	1,561,915	1,361,546	1,306,644	1,138,786
Auxiliary enterprises	4,394,703	4,473,241	3,621,093	3,202,981	2,758,600	1,508,483	870,523	795,084	823,391
Scholarships and grants.....	4,662,335	3,060,557	2,461,990	2,272,500	2,111,449	2,431,863	2,382,837	2,092,749	1,914,420
Iowa Workforce Development contract...	—	2,202,003	1,189,384	999,964	975,731	1,126,671	1,049,312	1,013,050	1,105,290
Interest on indebtedness	416,447	461,414	480,212	517,985	457,792	468,070	466,249	467,138	510,655
Total Expenditures	\$ 38,200,678	\$ 34,583,200	\$ 33,501,277	\$ 30,728,414	\$ 29,546,575	\$ 27,741,575	\$ 25,257,063	\$ 25,427,516	\$ 24,590,133

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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 accompanying financial statements of North Iowa Area Community College, Mason City, Iowa, as of and for the year ended June 30, 2010, which along with the discretely presented component unit collectively comprise the College's basic financial statements, and have issued our report thereon dated January 26, 2011. 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 North Iowa Area Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Iowa Area Community College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying scheduled of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that that there is a reasonable possibility a material misstatement of North Iowa Area Community College's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying schedule of findings and questioned costs as items 10-II-IC-A, 10-II-IC-B and 10-II-IC-C to be significant deficiencies.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the 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 officials, employees and constituents 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.

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Mason City, Iowa
January 26, 2011

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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, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than an material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-III-IC-A to be a significant deficiency.

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 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
January 26, 2011

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? yes no

Federal Awards

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

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

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

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

17.258	Workforce Investment Act Cluster
17.258	WIA Adult Program
17.259	ARRA - WIA Adult Program
17.259	WIA Youth Activities
17.260	ARRA - WIA Youth Activities
17.260	WIA Dislocated Workers
17.260	ARRA - WIA Dislocated Workers
84.007	Student Financial Assistance Cluster
	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grants
93.364	Nursing Student Loans
84.042	TRIO Student Support Services

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

CFDA Numbers	Name of Federal Program or Cluster
84.394	State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act
93.558	Temporary Assistance for Needy Families Cluster Temporary Assistance for Needy Families
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

Current year internal control deficiencies are as follows:

10-II-IC-A Travel Expenses - During our audit, we tested 35 disbursements for travel expenses, 7 of which were not supported by proper documentation.

Auditor's Recommendation - The College should have procedures in place to ensure that all expenses have appropriate support before payment is issued.

College's Response - The College has requested that documentation for expenses to be reimbursed be attached to the request for payment. We will review our procedures and make the necessary changes to ensure all expenditures have appropriate supporting documentation.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2010

10-II-IC-B Capital Asset Disposals - We noted that some capital assets that are disposed of are not identified by the accounting department to be included on the listing of capital asset disposals. However, sale proceeds from such disposals are being properly recorded.

Auditor's Recommendation - The College should implement a system that requires all capital asset disposals to be identified by the accounting department.

College's Response - We will implement procedures to ensure that all capital assets disposed of are identified as such.

Auditor's Conclusion - Response accepted.

10-II-IC-C Schedule of Expenditures of Federal Awards - The schedule of expenditures of federal awards (SEFA) provided by the College was in some instances not accurate or complete. It appears that when prepared, it was not reconciled to the general ledger.

Auditor's Recommendation - The College should reconcile the SEFA to the general ledger and also review the SEFA to verify that all federal expenditures are included.

College's Response - We will implement procedures to ensure the accuracy and completeness of the SEFA.

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

All programs displayed on the schedule of expenditures of federal awards

10-III-IC-A Schedule of Expenditures of Federal Awards - The schedule of expenditures of federal awards (SEFA) provided by the College was in some instances not accurate or complete. It appears that when prepared, it was not reconciled to the general ledger.

Auditor's Recommendation - The College should reconcile the SEFA to the general ledger and also review the SEFA to verify that all federal expenditures are included.

College's Response - We will implement procedures to ensure the accuracy and completeness of the SEFA.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part IV: Findings Related to Statutory Reporting

- 10-IV-A Certified Budget** - While two categories of the budget were overexpended, in total, expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.
- 10-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, except for those discussed in Finding 10-IV-C below.
- 10-IV-C Travel Expense** - We tested 35 individual travel expense transactions. For seven of those items, we found that there was a lack of documentation to show that the expense met the public purpose requirement as defined in an Attorney General's opinion dated April 25, 1979. No expenditures of College money for travel expenses of spouses of College officials or employees were noted.
- Auditor's Recommendation** - We recommend that supporting documentation for all travel disbursements be required before they are paid.
- College's Response** - The College has requested that the documentation for expenses to be reimbursed be attached to the request for payment.
- Auditor's Conclusion** - Response accepted.
- 10-IV-D Business Transactions** - No business transactions between the College and College officials or employees were noted.
- 10-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.
- 10-IV-F Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 10-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.
- 10-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.
- 10-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.