

**NORTHEAST IOWA
COMMUNITY COLLEGE
CALMAR, IOWA**

FINANCIAL REPORT

JUNE 30, 2011

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NORTHEAST IOWA COMMUNITY COLLEGE

BOARD OF TRUSTEES AND COLLEGE OFFICIALS

Name	Title	Term Expires
<u>Board of Trustees</u>		
Kenneth Reimer	President	2011
Jim Anderson	Vice-President	2011
Kathy Gunderson	Member	2013
Ronda Kirkegaard	Member	2013
Larry Blatz	Member	2011
Tobin Britt	Member	2013
David Schueller	Member	2013
Gene Fuelling	Member	2013
Daniel White	Member	2011

Community College Officials

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

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

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9 North Locust Avenue
P.O. Box 529
New Hampton, Iowa 50659
Telephone 641 394-2245
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Northeast Iowa Community College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of June 30, 2011, and the respective changes in financial position, and cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2012, on our consideration of Northeast Iowa Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis on page 4 and schedule of funding progress for the retiree health plan on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
January 30, 2012

NORTHEAST IOWA COMMUNITY COLLEGE
CALMAR, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2011

This section of Northeast Iowa Community College's annual financial report presents the College's management discussion and analysis of the College's financial activities during the fiscal year ending June 30, 2011.

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

FINANCIAL HIGHLIGHTS

- College operating revenues increased overall 1.87%, from fiscal year 2010. There was an increase in federal appropriations from fiscal year 2010. Nonoperating revenue increased 12.22% from fiscal year 2010, due to increase in tax levies and increase in tax valuations along with increase in state funding.
- College operating expenses were 4.63% higher from fiscal year 2010. The College had a 16.19% increase in vocational technical expenses and 15.50% increase in adult education expenses. The College had moderate increases in all the other expenses.
- The College's financial statement and table below shows that net assets increased 31.53% from fiscal year 2010.

CHANGE IN NET ASSETS COMPARISON

	Unrestricted	Auxiliary	Restricted	Scholarship	Plant	Total Net Assets
FY 2011	3,963,993	3,148,878	3,221,612		18,346,567	28,681,050
FY 2010	2,763,292	1,973,590	3,824,393	2,626	13,242,568	21,806,469
\$ Change	1,200,701	1,175,288	(602,781)	(2,626)	5,103,999	6,874,581
% Change	43.45%	59.55%	-15.76%	-100.00%	38.54%	31.53%

- The following table shows the changes in net assets from the past five years:

CHANGE IN NET ASSETS COMPARISON

	Unrestricted	Auxiliary	Restricted	Scholarship	Plant	Total Net Assets
FY 2011	3,963,993	3,148,878	3,221,612		18,346,567	28,681,050
FY 2010	2,763,292	1,973,590	3,824,393	2,626	13,242,568	21,806,469
FY 2009	1,774,518	1,387,102	3,240,855	2,626	9,442,429	15,847,530
FY 2008	1,742,627	1,610,075	2,875,258	2,626	9,686,895	15,917,481
FY 2007	1,627,398	1,310,275	2,065,556	2,626	8,899,974	13,905,829

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

Statement of Net Assets

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

The College's assets and liabilities increased from 2010 to 2011 due to an increase in the asset amounts due from Iowa Industrial New Jobs Training Program and additional certificates issued and bonds issued for construction projects. The largest portion of the College's net assets is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets includes resources that are subject to external restrictions. The remaining net assets are the unrestricted net assets that can be used to meet the College's obligations as they come due.

	Condensed Statement of Net Assets		Percent Change
	(Expressed in Thousands)		
	2011	2010	
Current and other assets	\$ 55,303	\$ 46,309	19.42%
Other noncurrent assets	18,078	30,637	-40.99%
Capital assets	45,245	34,585	30.82%
Total assets	\$ 118,626	\$ 111,531	6.36%
Long-term debt outstanding	\$ 64,587	\$ 60,520	6.72%
Other liabilities	25,358	29,205	-13.17%
Total liabilities	\$ 89,945	\$ 89,725	0.25%
Net assets			
Invested in capital assets, net of related debt	\$ 19,391	\$ 13,953	38.97%
Restricted	3,319	3,852	-13.84%
Unrestricted	5,971	4,001	49.24%
Total net assets	\$ 28,681	\$ 21,806	31.53%

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (CONTINUED)

Statement of Revenues, Expenses and Changes in Net Assets

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

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

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

In FY11, operating revenues increased as a net result of the following changes:

- Tuition and fees are increased as a gross amount due to rate increase however; more students received aid which resulted in students paying less in tuition and fees.
- State appropriation increased due to no major state cut.
- Federal appropriations increased due to increased enrollment with financial aid need.
- Property taxes also increased with increase in levies for debt service and early retirement.

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REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (CONTINUED)

Statement of Revenues, Expenses and Changes in Net Assets (Continued)

	Changes in Net Assets (Expressed in Thousands)		Percent Change
	2011	2010	
Operating Revenues:			
Tuition and fees	\$ 8,150	\$ 9,251	-11.90%
Federal appropriations	20,104	18,061	11.31%
Iowa Industrial New Jobs Training Program	4,939	3,065	61.14%
Sales and services	2,599	2,582	0.66%
Miscellaneous	4,281	6,377	-32.87%
Total operating revenues	40,073	39,336	1.87%
Total operating expenses	59,690	57,048	4.63%
Operating loss	(19,617)	(17,712)	10.76%
NONOPERATING REVENUES (EXPENSES)			
State appropriation	10,590	8,562	23.69%
PELL grant	8,846	8,348	5.97%
Property taxes	9,169	8,339	9.95%
Investment income	599	767	-21.90%
Loss on sale of capital assets	(346)	(305)	13.44%
Donated plant assets received		9	-100.00%
Interest on indebtedness	(2,366)	(2,049)	15.47%
Net nonoperating revenues (expenses)	26,492	23,671	11.92%
Increase in net assets	6,875	5,959	15.37%
Net assets Beginning of Year	21,806	15,847	37.60%
Net assets End of Year	\$ 28,681	\$ 21,806	31.53%

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (CONTINUED)

Statement of Revenues, Expenses and Changes in Net Assets (Continued)

	Operating Expenses		Percent Change
	(Expressed in Thousands)		
	2011	2010	
Education and support			
Liberal arts and sciences	\$ 5,348	\$ 5,702	-6.21%
Vocational technical	8,560	7,367	16.19%
Adult education	3,063	2,652	15.50%
Cooperative services	9,495	10,198	-6.89%
General administration	2,508	1,600	56.75%
Student services	1,701	1,725	-1.39%
Learning resources	696	923	-24.59%
Physical plant	2,443	2,774	-11.93%
General institution	4,914	3,979	23.50%
Auxiliary enterprises	4,020	4,451	-9.68%
Scholarships and grants	13,695	13,695	0.00%
Depreciation	1,585	1,328	19.35%
Other	1,662	654	154.13%
Total operating expenses	\$ 59,690	\$ 57,048	4.63%

In FY11, operating expenses increased as a net result of the following changes:

- Increase in vocational technical with more people entering the vocational field.
- Increase in adult education with more adults going back to school for training.
- Other expenses increased due to renovation projects at both campuses.

Statement of Cash Flows

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

	Cash Flows	
	(Expressed in Thousands)	
	2011	2010
Cash provided by (used in):		
Operating activities	\$ (21,050)	\$ (19,770)
Non-capital financing activities	28,556	25,264
Capital and related financing activities	(4,043)	10,825
Investing activities	718	(10,195)
Net increase in cash	4,181	6,124
Cash beginning of year	16,304	10,180
Cash end of year	\$ 20,485	\$ 16,304

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (CONTINUED)

Statement of Cash Flows (Continued)

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

CAPITAL ASSETS

At June 30, 2011, the College had approximately \$68.0 million invested in capital assets, less accumulated depreciation of \$23.2 million. Depreciation charges totaled \$1,584,923 and \$1,327,847 for FY2011 and FY2010, respectively. Details of capital assets are shown below.

	Capital Assets, Net (Expressed in Thousands)	
	2011	2010
Land	\$ 683	\$ 683
Buildings	24,486	16,887
Construction in progress	16,249	14,195
Other structures and improvements	1,801	1,450
Equipment and vehicles	2,026	1,370
Total	\$ 45,245	\$ 34,585

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

DEBT

At June 30, 2011, the College had \$65.0 million in debt outstanding, an increase of \$4.0 million from 2010. The table below summarizes these amounts by type.

	Long-Term Debt (Expressed in Thousands)	
	2011	2010
Notes payable	\$ 4,180	\$ 4,745
Certificates payable	27,445	22,495
Bonds payable	32,950	33,220
Capital leases	12	60
Total	\$ 64,587	\$ 60,520

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

ECONOMIC FACTORS

The long-term economic outlook for Northeast Iowa Community College remains strong. The College is expanding its student recruitment efforts beyond the traditional markets of recent high school graduates and the recently unemployed. For both credit and non-credit programs, there are many older area residents who lack any post-secondary education or who are under-trained for today's jobs that we have identified as potential students. We are also working closely with area businesses to provide training for new and seasoned workers to enable these businesses to maintain their competitive edge and to grow and prosper. The College increased the unrestricted fund balance during FY2011 as planned and is in good financial position to handle economic challenges in the future. We offer the following highlights in support of this statement:

- Northeast Iowa Community College was named an Aspen Prize Finalist in the Aspen Institute's College Excellence Program. This designation included NICC as one of the Top Ten community colleges in the nation with special focus on NICC's "remarkable commitment to every student's success."
- Like most of the country, the economic downturn has impacted the College, chiefly with decreases in state and federal funding. Tuition rate increases have been necessary in order to balance our budgets. Maintaining adequate funding sources continues to be a challenge and efforts such as strengthening resource development are a high priority.
- Workforce growth in northeast Iowa continues to be positive for business and industry. Iowa's successful New Job Training Program (260E) is one-of-a-kind in the nation and NICC continues to promote it extensively throughout the district.
- This spring, NICC will begin the renovation of its Wilder Learning Center on the Calmar campus to create a state-of-the-art business and industry training center. With this facility, NICC hopes to encourage businesses to locate and to expand their operations in northeast Iowa, and to provide the technological training area workers need to upgrade their skills and to increase their earnings potential.
- The College has made a commitment to strengthen advancement efforts by re-organizing the College's external relations functions under one division including marketing, foundation, grants, legislative and alumni affairs. The College implemented the advancement module of the institution's business management software to improve the maintenance of the alumni database and the tracking of donors and their contributions.
- Northeast Iowa Community College's property tax base is the fourth largest among the state's community colleges. This large tax base continues to provide the College with reliable revenue. For the upcoming fiscal year NICC's taxable valuation increased 4.02%.
- College facilities require constant maintenance and upkeep. Community support for the College resulted in the passing of a \$35 million bond levy in December, 2007. This has allowed for improved energy efficiencies in existing campus buildings as well as for 'green' construction in new facilities being built on each campus. As of June 30, 2011 the College has expended 83.16% of the \$35 million bond levy for construction and renovation projects. Of the College's total 580,903 square footage of facilities, 42.35% or 246,003 square feet have been either added new or renovated.

The College management team understands the importance of maintaining good accountability and budget management in the current economic conditions which will challenge the College to provide needed services to our communities. It is prepared to deal with both the day-to-day management and with challenges that arise in any economic situation.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

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NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2011

	Business-type Activities	Component Unit Foundation
CURRENT ASSETS		
Cash	\$ 20,484,889	\$ 58,633
Investments	9,048,586	
Receivables		
Accounts, less allowance of \$1,153,553	6,676,067	3,055
Promises, net discount		45,836
Accrued interest	360,135	
Property tax		
Current year delinquent	172,408	
Succeeding year	9,759,883	
Due from other governments	1,646,630	
Due from affiliate	830,333	925,871
Inventories	618,572	
Prepaid expenses	274	
Due from Iowa Industrial New Jobs Training Program	5,704,969	
	55,302,746	1,033,395
NONCURRENT ASSETS		
Investments		1,844,404
Restricted cash	8,971,065	
Due from Iowa Industrial New Jobs Training Program	9,107,106	
Capital assets, non-depreciable	16,932,080	
Capital assets, net accumulated depreciation	28,313,373	
	63,323,624	1,844,404
Total assets	\$ 118,626,370	\$ 2,877,799

See Notes to Financial Statements.

	Business-type Activities	Component Unit Foundation
CURRENT LIABILITIES		
Liabilities		
Accounts payable	\$ 1,573,682	\$ 24,819
Salaries and benefits payable	1,322,287	
Deposits held in custody for others	237,387	
Accrued interest payable	135,978	
Deferred revenue		
Succeeding year property tax	9,759,883	
Other	9,615,401	
Long-term liabilities due within one year		
Compensated absences	263,985	
Early retirement	403,380	
Affiliate payable	925,871	830,333
Notes payable	535,000	
Bonds payable	2,580,000	
Obligations under capitalized leases	12,325	
Certificates payable	4,395,000	
Total current liabilities	31,760,179	855,152
Noncurrent liabilities		
Long-term liabilities due over one year		
Net OPEB obligation	339,060	
Early retirement	781,081	
Notes payable	3,645,000	
Bonds payable	30,370,000	
Certificates payable	23,050,000	
Total noncurrent liabilities	58,185,141	-
Total liabilities	89,945,320	855,152
Net assets		
Invested in capital assets, net of related debt	19,390,853	
Restricted		
Nonexpendable		
Scholarships		624,198
Expendable		
Scholarships		831,533
Restricted for specific purposes	3,318,879	
Unrestricted	5,971,318	566,916
Total net assets	28,681,050	2,022,647
Total liabilities and net assets	\$ 118,626,370	\$ 2,877,799

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

	Business-type Activities	Component Unit Foundation
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$9,460,857	\$ 8,149,889	
Federal appropriations	20,103,874	
Iowa Industrial New Jobs Training Program	4,939,286	
Sales and services	2,599,048	
Miscellaneous	4,281,191	\$ 396,791
Total operating revenues	40,073,288	396,791
OPERATING EXPENSES		
Education and support		
Liberal arts and sciences	5,348,064	
Vocational technical	8,559,820	
Adult education	3,063,158	
Cooperative services	9,494,794	
General administration	2,507,767	28,439
Student services	1,701,656	
Learning resources	696,452	
Physical plant	2,443,287	
General institution	4,914,032	
Auxiliary enterprises	4,020,013	
Scholarships and grants	13,695,069	133,120
Depreciation	1,584,923	
Other	1,661,702	226,306
Total operating expenses	59,690,737	387,865
Operating (loss) income	(19,617,449)	8,926
NONOPERATING REVENUES (EXPENSES)		
State appropriation	10,590,494	
Pell grant	8,846,257	
Property taxes	9,168,987	
Investment income	598,850	300,614
Loss on sale of capital assets	(346,461)	
Interest on indebtedness	(2,366,097)	
Net nonoperating revenues (expenses)	26,492,030	300,614
Change in net assets	6,874,581	309,540
NET ASSETS		
Beginning	21,806,469	1,713,107
Ending	\$ 28,681,050	\$ 2,022,647

See Notes to Financial Statements.

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NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
BUSINESS-TYPE ACTIVITIES
June 30, 2011

ASSETS	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
Current assets				
Cash	\$ 4,463,793	\$ 4,554,997	\$ 11,466,099	
Investments			9,048,586	
Receivables				
Accounts, less allowance of \$1,298,044	6,042,583	181,705	175,593	
Accrued interest		13	357,299	
Property tax				
Current year delinquent	35,194		39,947	
Succeeding year	1,800,784		2,502,289	
Due from other funds	134,928			
Due from other governments	1,110,016	2,215	413,919	\$ 120,480
Due from affiliate	627,985	33,813	134,399	16,398
Inventories	1,285	617,287		
Prepaid expenses			274	
Due from Iowa Industrial New Jobs Training Program			5,704,969	
Total current assets	14,216,568	5,390,030	29,843,374	136,878
Noncurrent assets				
Restricted cash				
Due from Iowa Industrial New Jobs Training Program			9,107,106	
Capital assets, non-depreciable				
Capital assets, net				
Total noncurrent assets	-	-	9,107,106	-
Total assets	\$ 14,216,568	\$ 5,390,030	\$ 38,950,480	\$ 136,878
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 280,891	\$ 36,094	\$ 128,208	\$ 1,950
Salaries and benefits payable	812,599		509,688	
Deposits held in custody for others	237,387			
Accrued interest payable		7,087	767	
Due to other funds				134,928
Due to affiliate	687,188	76,706		
Deferred revenue				
Succeeding year property tax	1,800,784		2,502,289	
Other	5,856,946		3,758,455	
Long-term liabilities due within one year				
Compensated absences	237,720	26,265		
Early retirement payable			403,380	
Notes payable			200,000	
Bonds payable		70,000		
Obligations under capitalized leases				
Certificates payable			4,395,000	
Total current liabilities	9,913,515	216,152	11,897,787	136,878
Noncurrent liabilities				
Long-term liabilities due over one year				
Net OPEB obligation	339,060			
Early retirement payable			781,081	
Notes payable				
Bonds payable		2,025,000		
Certificates payable			23,050,000	
Total noncurrent liabilities	339,060	2,025,000	23,831,081	-
Total liabilities	10,252,575	2,241,152	35,728,868	136,878

See Notes to Financial Statements.

EXHIBIT C

Plant Fund	Total
	\$ 20,484,889
	9,048,586
\$ 276,186	6,676,067
2,823	360,135
97,267	172,408
5,456,810	9,759,883
	134,928
	1,646,630
17,738	830,333
	618,572
	274
	5,704,969
5,850,824	55,437,674
8,971,065	8,971,065
	9,107,106
16,932,080	16,932,080
28,313,373	28,313,373
54,216,518	63,323,624
\$ 60,067,342	\$ 118,761,298
\$ 1,126,539	\$ 1,573,682
	1,322,287
	237,387
128,124	135,978
	134,928
161,977	925,871
5,456,810	9,759,883
	9,615,401
	263,985
	403,380
335,000	535,000
2,510,000	2,580,000
12,325	12,325
	4,395,000
9,730,775	31,895,107
	339,060
	781,081
3,645,000	3,645,000
28,345,000	30,370,000
	23,050,000
31,990,000	58,185,141
41,720,775	90,080,248

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF NET ASSETS (Continued)
BUSINESS-TYPE ACTIVITIES
June 30, 2011

	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
Net assets				
Invested in capital assets, net of related debt			\$ 3,221,612	
Restricted for specific purposes				
Unrestricted	\$ 3,963,993	\$ 3,148,878		
Total net assets	3,963,993	3,148,878	3,221,612	\$ -
Total liabilities and net assets	\$ 14,216,568	\$ 5,390,030	\$ 38,950,480	\$ 136,878

See Notes to Financial Statements.

EXHIBIT C
(Continued)

	Plant Fund		Total
\$	19,390,853	\$	19,390,853
	97,267		3,318,879
	(1,141,553)		5,971,318
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	18,346,567		28,681,050
	<hr/>		<hr/>
\$	60,067,342	\$	118,761,298

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NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2011

	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
OPERATING REVENUES				
General				
Tuition and fees	\$ 7,658,272	\$ 66,427	\$ 425,190	
Federal appropriations	1,939,525	1,861,006	2,268,554	\$ 13,659,824
Iowa Industrial New Jobs Training Program			4,939,286	
Sales and services	56,741	2,442,629		
Miscellaneous	167,652	182,168	3,759,566	
Total operating revenues	9,822,190	4,552,230	11,392,596	13,659,824
OPERATING EXPENSES				
Education and support				
Liberal arts and sciences	5,347,434		630	
Vocational technical	7,157,548		1,402,272	
Adult education	2,854,336		208,822	
Cooperative services	2,479,590		7,015,204	
General administration	2,407,193		100,574	
Student services	1,700,410		1,246	
Learning resources	525,235		171,217	
Physical plant	2,067,129		376,158	
General institution	2,980,961		1,933,071	
Auxiliary enterprises		4,020,013		
Scholarships and grants				13,695,069
Depreciation				
Other				
Total operating expenses	27,519,836	4,020,013	11,209,194	13,695,069
Operating income (loss)	(17,697,646)	532,217	183,402	(35,245)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	7,963,174	29,874	652,338	38,989
Pell grant	8,846,257			
Property taxes	1,749,157		2,003,078	
Investment income	102,216	6,106	281,714	
Loss on sale of capital assets				
Interest on indebtedness			(1,452,027)	
Total nonoperating revenues (expenses)	18,660,804	35,980	1,485,103	38,989
Change in net assets before transfers	963,158	568,197	1,668,505	3,744
Transfers	237,543	607,091	(2,271,286)	(6,370)
Change in net assets	1,200,701	1,175,288	(602,781)	(2,626)
NET ASSETS				
Beginning	2,763,292	1,973,590	3,824,393	2,626
Ending	\$ 3,963,993	\$ 3,148,878	\$ 3,221,612	\$ -

See Notes to Financial Statements.

EXHIBIT D

Plant Fund	Total
	\$ 8,149,889
\$ 374,965	20,103,874
	4,939,286
99,678	2,599,048
171,805	4,281,191
646,448	40,073,288
	5,348,064
	8,559,820
	3,063,158
	9,494,794
	2,507,767
	1,701,656
	696,452
	2,443,287
	4,914,032
	4,020,013
	13,695,069
1,584,923	1,584,923
1,661,702	1,661,702
3,246,625	59,690,737
(2,600,177)	(19,617,449)
1,906,119	10,590,494
	8,846,257
5,416,752	9,168,987
208,814	598,850
(346,461)	(346,461)
(914,070)	(2,366,097)
6,271,154	26,492,030
3,670,977	6,874,581
1,433,022	-
5,103,999	6,874,581
13,242,568	21,806,469
\$ 18,346,567	\$ 28,681,050

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NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2011

	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 6,488,800	\$ 66,427	\$ 1,167,041	
Federal appropriations	1,874,212	1,861,337	2,005,604	\$ 5,467,411
Iowa Industrial New Jobs Training Program			2,276,540	
Payments to employees for salaries	(16,347,625)	(901,162)	(455,844)	
Payments to suppliers for goods and services	(4,682,375)	(490,146)	(2,644,709)	
Payments to NJTP recipients			(6,147,062)	
Cost of goods sold		(2,576,202)		
Scholarships				(5,500,957)
Auxiliary enterprise receipts		2,274,746		
Other operating payments paid on employees' behalf	(6,554,164)	(278,988)	(947,584)	
Other operating receipts	224,393	182,168	3,759,566	
Net cash (used in) provided by operating activities	(18,996,759)	138,180	(986,448)	(33,546)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
State appropriations	7,963,174	29,874	652,338	42,313
PELL grant	8,846,257			
Property tax	1,739,489		1,982,321	
Increase (decrease) in due from other funds		574,021		(2,397)
Increase (decrease) in due to other funds	2,397			
Increase (decrease) in due to affiliate	154,749	17,676		
(Increase) decrease in due from affiliate	(323,173)	(3,608)	(100,127)	
Transfers	237,543	607,091	(2,271,286)	(6,370)
Federal direct lending receipts	13,561,948	1,832,260	185,280	8,192,413
Federal direct lending disbursements	(13,561,948)	(1,832,260)	(185,280)	(8,192,413)
Miscellaneous agency fund receipts	383,210			
Miscellaneous agency fund disbursements	(230,575)			
Net cash provided by non-capital financing activities	18,773,071	1,225,054	263,246	33,546
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of debt		2,095,000	9,155,000	
Acquisition of capital assets				
Principal paid on debt and leases			(4,450,000)	
Interest paid on debt and leases			(1,452,946)	
Net cash provided by (used in) capital and related financing activities	-	2,095,000	3,252,054	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments			(9,048,586)	
Principal received on notes receivable		95,000		
Sale of investments			7,034,196	
Interest on investments	102,216	6,093	228,758	
Net cash provided by (used in) investing activities	102,216	101,093	(1,785,632)	-
Net (decrease) increase in cash	(121,472)	3,559,327	743,220	-
CASH, beginning of year	4,585,265	995,670	10,722,879	
CASH, end of year	\$ 4,463,793	\$ 4,554,997	\$ 11,466,099	\$ -

See Notes to Financial Statements.

EXHIBIT E

	Plant Fund	Total
		\$ 7,722,268
\$	374,965	11,583,529
		2,276,540
		(17,704,631)
	(1,658,558)	(9,475,788)
		(6,147,062)
		(2,576,202)
		(5,500,957)
		2,274,746
		(7,780,736)
	112,370	4,278,497
	(1,171,223)	(21,049,796)
	1,906,119	10,593,818
		8,846,257
	5,345,011	9,066,821
		571,624
	(574,021)	(571,624)
	151,477	323,902
		(426,908)
	1,433,022	-
		23,771,901
		(23,771,901)
		383,210
		(230,575)
	8,261,608	28,556,525
		11,250,000
	(5,734,761)	(5,734,761)
	(2,732,580)	(7,182,580)
	(923,315)	(2,376,261)
	(9,390,656)	(4,043,602)
	(21,090,733)	(30,139,319)
		95,000
	23,185,008	30,219,204
	205,996	543,063
	2,300,271	717,948
	-	4,181,075
		16,303,814
\$	-	\$ 20,484,889

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (Continued)
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2011

	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities				
Operating income (loss)	\$ (17,697,646)	\$ 532,217	\$ 183,402	\$ (35,245)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities				
Depreciation				
Changes in assets and liabilities				
(Increase) decrease in accounts receivable	19,418	(167,883)	139,377	
(Increase) in NJTP receivable			(2,662,746)	
(Increase) decrease in due from other governments	(65,313)	331	(262,950)	
(Increase) decrease in inventories	12,167	(125,846)		
(Increase) decrease in prepaid expenses			(274)	
Increase (decrease) in accounts payable and accrued liabilities	(75,069)	(30,505)	1,014,269	1,699
Increase in other postemployment benefits	71,129			
Increase (decrease) in deferred revenue	(1,188,890)		602,474	
Increase in compensated absences	(72,555)	(70,134)		
Net cash (used in) provided by operating activities	<u>\$ (18,996,759)</u>	<u>\$ 138,180</u>	<u>\$ (986,448)</u>	<u>\$ (33,546)</u>

See Notes to Financial Statements.

EXHIBIT E
(Continued)

Plant Fund	Total
\$ (2,600,177)	\$ (19,617,449)
1,584,923	1,584,923
(159,113)	(168,201)
	(2,662,746)
	(327,932)
	(113,679)
	(274)
3,144	913,538
	71,129
	(586,416)
	(142,689)
\$ (1,171,223)	\$ (21,049,796)

NORTHEAST IOWA COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

The College has one component unit which meets the Governmental Accounting Standards Board (GASB) criteria. The Northeast Iowa Community College Foundation is a nonprofit corporation which is governed by a separate Board of Directors. The Foundation's purpose is to support the College through donations to provide scholarships to students, and for the enhancement and extension of facilities, equipment, and services. The activities of the Foundation are reported using the discrete method. The Foundation issues a separate financial report. The independent auditor's report on the component unit financial statements for year ending June 30, 2011 expresses an unqualified opinion dated October 4, 2011. Audited financial statements of Northeast Iowa Community College Foundation are available at the Northeast Iowa Community College District office located at Hwy 150 South, Calmar, IA 52132.

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

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

b. Significant Accounting Policies (Continued)

Financial Statement Presentation

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

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

Fund Financial Statements

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

The funds of the financial reporting entity are described below:

Current Funds

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

Unrestricted Fund

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

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

Auxiliary Funds

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

Restricted Funds

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

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Current Funds (Continued)

Scholarship Fund

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

Plant Fund

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

Measurement Focus

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

Basis of Accounting

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

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets

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

Cash and Investments

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

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

Property Tax Receivable

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

Due from Other Governments

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

Due from Affiliate

The Foundation transferred money from their individual accounts to Northeast Iowa Community College's general checking account. As of June 30, 2011, there was \$25,475 due from the Foundation to Northeast Iowa Community College. The College entered into a lease agreement with the Foundation for equipment in the amount of \$121,013, which is included as due from affiliate.

Inventories

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Due from Iowa Industrial New Jobs Training Program (NJTP)

This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenses incurred through June 30, 2011 on NJTP projects including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets

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

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. Interest costs of \$697,420 were capitalized for year ended June 30, 2011.

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

Assets	Amount
Equipment and vehicles	\$ 5,000
Intangible assets	200,000
Buildings and improvements	25,000

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

Assets	Years
Buildings and improvements	30
Intangible assets	25
Equipment	5-10
Vehicles	5-10

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

Salaries and Benefits Payable

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

Deferred Revenue

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Compensated Absences

College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. Amounts representing the cost of compensated absences are recognized as liabilities of the appropriate fund, and have been computed based on rates of pay in effect as of June 30, 2011.

Net Assets

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

Nonexpendable

Net assets subject to externally imposed stipulations requiring they be maintained permanently by the College, including the College's permanent endowment funds.

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. Restricted net assets are used first when an expense is incurred for purposes for both restricted and unrestricted net assets.

Unrestricted Net Assets

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

Auxiliary Enterprise Revenues

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

Summer Session

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

Tuition and Fees

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Operating and Nonoperating Activities

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

Use of Estimates

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

Scholarship Allowances and Student Aid

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

2. Cash and Investments

The College's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

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 FINANCIAL STATEMENTS

2. **Cash and Investments (Continued)**

Credit Risk

The College's investments in the Iowa Schools Joint Investment Trust at June 30, 2011 were rated Aa2 by Moody's Investors Service.

The College's petty cash and deposit accounts as of June 30, 2011 consist of the following:

Petty cash	\$	8,410
Other deposit accounts		<u>20,476,479</u>
	\$	<u>20,484,889</u>

The College's restricted cash as of June 30, 2011 consists of the following:

Other deposit accounts	\$	<u>8,971,065</u>
------------------------	----	------------------

The College's investments as of June 30, 2011 consist of the following:

Certificates of deposit	\$	<u>9,048,586</u>
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At June 30, 2011, the College had investments in the Iowa Schools Joint Investment Trust, as follows:

		<u>Amortized Cost</u>
Diversified portfolio	\$	<u>8,543</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The Northeast Iowa Community College Foundation's investments are stated at fair value and are not subject to risk categorization and consist of the following:

	Fair Value		Quoted Prices in Active Market for Identical Assets (Level 1)
Investments in bond fund	\$ 392,250	\$	392,250
Investments in common stock	783,697		783,697
Investments in preferred stock	84,603		84,603
Investments in mutual funds	360,654		360,654
Investments in alternative assets	<u>223,200</u>		<u>223,200</u>
	<u>\$ 1,844,404</u>	\$	<u>1,844,404</u>

NOTES TO FINANCIAL STATEMENTS

2. Cash and Investments (Continued)

The following schedule summarizes the Foundation's investment return and its classification in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2011:

Interest and dividend income	\$	54,364
Net realized and unrealized gains		246,250
 Total investment return	 \$	 <u>300,614</u>

Fair values for short-term and long-term investments are determined by level 1 inputs by reference to quoted market prices and other relevant information generated by market transactions.

3. Inventories

The College's inventories as of June 30, 2011 are as follows:

Supplies and materials	\$	214,872
Merchandise held for resale		403,700
 Total	 \$	 <u>618,572</u>

4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Capital non-depreciable assets				
Land	\$ 683,366			\$ 683,366
Construction in progress	14,194,744	\$ 9,646,393	\$ 7,592,423	16,248,714
	14,878,110	9,646,393	7,592,423	16,932,080
Capital assets, being depreciated				
Buildings	34,467,774	9,029,052	359,817	43,137,009
Other structures and improvements	2,573,866	443,997		3,017,863
Furniture and equipment	5,177,130	1,367,826	1,195,682	5,349,274
Total capital assets being depreciated	42,218,770	10,840,875	1,555,499	51,504,146
Less accumulated depreciation				
Buildings	17,883,425	1,127,670	359,821	18,651,274
Other structures and improvements	1,124,458	92,192		1,216,650
Furniture and equipment	3,807,005	365,061	849,217	3,322,849
Total accumulated depreciation	22,814,888	1,584,923	1,209,038	23,190,773
Total capital assets being depreciated	19,403,882	9,255,952	346,461	28,313,373
Capital assets, net	\$ 34,281,992	\$ 18,902,345	\$ 7,938,884	\$ 45,245,453

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Notes payable	\$ 4,745,000		\$ 565,000	\$ 4,180,000	\$ 535,000
Certificates payable	22,495,000	\$ 9,155,000	4,205,000	27,445,000	4,395,000
Bonds payable	33,220,000	2,095,000	2,365,000	32,950,000	2,580,000
Other liabilities					
Capital leases	59,905		47,580	12,325	12,325
Early retirement	149,878	1,428,606	394,023	1,184,461	403,380
Long-term liabilities	\$ 60,669,783	\$ 12,678,606	\$ 7,576,603	\$ 65,771,786	\$ 7,925,705

a. Certificates Payable

In accordance with agreements dated between July 1, 2002 and June 30, 2011, the College issued certificates totaling \$27,445,000 with interest rates ranging from 1.20% to 6.70% per annum. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new or are expanding their operations within the State of Iowa. Interest is payable semi-annually, while the principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes collected.

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

	Principal	Interest	Total
Year ending June 30,			
2012	\$ 4,395,000	\$ 1,309,969	\$ 5,704,969
2013	4,045,000	1,129,205	5,174,205
2014	3,615,000	952,626	4,567,626
2015	3,430,000	782,194	4,212,194
2016	3,350,000	611,697	3,961,697
2017-2021	8,610,000	939,845	9,549,845
	\$ 27,445,000	\$ 5,725,536	\$ 33,170,536

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations (Continued)

b. Notes Payable

The College has issued notes payable for the purchase and construction of College properties. As of June 30, 2011, the notes payable outstanding consist of the following:

\$200,000 Lease Purchase Certificates of Participation, due June 1, 2012 plus interest semi-annually with interest rate of 4.60%. The leases were issued to build the Cresco Center. See Note 14 regarding repayment arrangements.	\$ 200,000
\$720,000 Lease Purchase Certificates of Participation, due annually in varying installments June 1, 2012 through June 1, 2016 plus interest semi-annually with interest rates of the leases varying from 4.15% to 4.45%. The leases were issued to build and maintain buildings.	720,000
\$2,490,000 Tax Exempt Lease Purchase Certificates of Participation Series 2002A, due annually in varying installments December 1, 2011 through December 1, 2022 plus interest semi-annually with interest rates of the leases varying from 3.90% to 4.70%. The leases were issued to purchase the Town Clock Center.	2,490,000
\$770,000 Taxable Lease Purchase Certificates of Participation Series 2002B, due annually in varying installments December 1, 2011 through December 1, 2017 plus interest semi-annually with interest rates of the leases varying from 5.70% to 6.75%. The leases were issued to purchase the Town Clock Center.	770,000
	\$ 4,180,000

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

	Principal	Interest	Total
Year ending June 30,			
2012	\$ 535,000	\$ 194,676	\$ 729,676
2013	355,000	170,119	525,119
2014	375,000	153,363	528,363
2015	390,000	135,271	525,271
2016	660,000	133,234	793,234
2017-2021	1,190,000	315,915	1,505,915
2022-2026	675,000	31,996	706,996
	\$ 4,180,000	\$ 1,134,574	\$ 5,314,574

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations (Continued)

c. Capital Leases

The College is obligated under certain leases accounted for as capital leases. The leased assets are accounted for in the plant fund. Capital assets under capital leases totaled \$211,426 at June 30, 2011. The following schedule shown below is a schedule of future minimum lease payments under capital leases as of June 30, 2011.

Year ending June 30, 2012	\$ 12,485
Minimum lease payments	12,485
Less imputed interest	(160)
Present value of minimum lease payments	\$ 12,325

The College has capital leases ending at various dates until June 30, 2013. The capitalized lease obligations have automatic renewal for one year if 30 day written notice is not given at the end of the lease term.

d. Bonded Indebtedness

\$21,505,000 General Obligation School Bonds Series 2010A, due annually in varying installments June 1, 2012 through June 1, 2021 plus interest semi-annually with interest rates varying from 2.40% to 5.50%. These bonds were issued to renovate, erect and equip the buildings at the Calmar and Peosta campuses.

\$9,350,000 General Obligation School Bonds, Series 2010B, are due annually in varying installments June 1, 2012 through June 1, 2022 plus interest semi-annually with interest rates varying from 3.25% to 3.90%. Bonds are callable after June 1, 2017.

\$2,095,000 Certificates of Participation, Series 2011A, are due annually in varying installments June 1, 2012 through June 1, 2031 plus interest semi-annually with interest rates varying from 1.45% to 5.00%. These bonds were issued to purchase the buildings and equipment of the Northeast Iowa Community-Based Dairy Foundation. Bonds are callable after May 1, 2018.

Year Ending June 30,	Principal	Interest	Total
2012	\$ 2,580,000	\$ 1,432,243	\$ 4,012,243
2013	2,700,000	1,354,302	4,054,302
2014	2,880,000	1,262,097	4,142,097
2015	3,020,000	1,148,758	4,168,758
2016	3,115,000	1,024,126	4,139,126
2017-2021	16,560,000	2,907,836	19,467,836
2022-2026	1,360,000	292,770	1,652,770
2027-2031	735,000	113,968	848,968
Total	\$ 32,950,000	\$ 9,536,100	\$ 42,486,100

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations (Continued)

e. Operating Leases

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and accordingly, all rents are charged as incurred. These leases expire between 2011 and 2018 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The College has also entered into equipment leases. These leases have been classified as operating leases and accordingly, all rents are charged as incurred. These leases expire in 2011 and require various minimum annual rentals.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year following June 30, 2011:

Year ending June 30,	
2012	\$ 90,000
2013	60,000
2014	60,000
2015	60,000
2016	60,000
2017-2018	<u>105,000</u>
Minimum lease payments for all operating leases	<u>\$ 435,000</u>

Rents for fiscal year 2011 totaled \$139,589 for operating leases, except those with terms of a month or less that were not renewed.

6. Due to/from Other Funds

As of June 30, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Unrestricted fund	\$ 134,928	
Scholarship fund		\$ 134,928
	<u>\$ 134,928</u>	<u>\$ 134,928</u>

NOTES TO FINANCIAL STATEMENTS

7. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

	Transfers In	Transfers Out
Unrestricted fund		
Restricted fund	\$ 1,437,628	\$ 49,696
Scholarship fund	3,744	
Auxiliary fund		445,578
Plant fund		708,555
	1,441,372	1,203,829
 Auxiliary fund		
Unrestricted fund	445,578	
Restricted fund	123,441	
Plant fund	38,072	
	607,091	None
 Restricted fund		
Unrestricted fund	49,696	1,437,628
Auxiliary fund		123,441
Scholarship fund	2,626	
Plant fund		762,539
	52,322	2,323,608
 Scholarship fund	None	6,370
 Plant fund		
Unrestricted fund	708,555	
Restricted fund	762,539	
Auxiliary fund		38,072
	1,471,094	38,072
 Total	\$ 3,571,879	\$ 3,571,879

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

8. Early Retirement

The College has offered a voluntary early retirement plan to its employees for the 2009/2010, 2010/2011 academic years. Employees previously qualifying for NICC early retirement must have completed at least 10 years of full-time staff, and regular part-time service to the College and must have reached the age of 55 on or before July 1 of the year of their retirement. The application for early retirement is subject to approval by the Board of Trustees during the period the plan is offered.

Those eligible employees who were approved to receive benefits under early retirement plan received a cash payment equal to 50% to 72.5% of their regular contractual salary. Retirees received the cash payment over a three-year period.

8. Early Retirement (Continued)

A staff member accepting early retirement has three options to choose from as to when the cash benefits would be received. The College also contributes a set amount toward single plan health insurance for the retiree, if the retiree chooses to remain in the employer's health insurance plan. This contribution continues until the day the retiree is eligible under another group plan or until the end of the month prior to the month in which the retiree becomes eligible for Medicare. The plan is funded on a pay-as-you-go basis through property tax levies. At June 30, 2011, the College has obligations to twenty-four participants with a total early retirement liability of \$1,184,461. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$394,023.

9. Iowa Public Employees Retirement System

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

Plan members are required to contribute 4.50%, 4.30% and 4.10% of their annual covered salary and the College is required to contribute 6.95%, 6.65% and 6.35% of annual covered payroll for the years ended June 30, 2011, 2010, and 2009, respectively. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$543,705, \$532,277, and \$507,300, respectively, equal to the required contributions for each year.

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

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

As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 4.50%, 4.30%, and 4.10% and the College is required to contribute 6.95%, 6.65%, and 6.35% for the years ended June 30, 2011, 2010, and 2009, respectively.

The employee's required and actual contributions to TIAA-CREF for the years ended June 30, 2011, 2010, and 2009 were \$357,461, \$347,465, and \$335,483, respectively. The College's required and actual contributions to TIAA-CREF for the years ended June 30, 2011, 2010, and 2009 were \$552,107, \$537,486 and \$519,625 respectively.

11. Other Postemployment Benefits (OPEB)

Plan Description

The College operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 291 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Health Choices, Inc. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

NOTES TO FINANCIAL STATEMENTS

11. Other Postemployment Benefits (OPEB) (Continued)

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 Northeast Iowa Community 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 the year ended June 30, 2011, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	\$	75,162
Interest on net OPEB obligation		13,397
Adjustment to annual required contribution		<u>(17,430)</u>
Annual OPEB cost		71,129
Contributions made		<u>None</u>
Increase in net OPEB obligation		71,129
Net OPEB obligation beginning of year		<u>267,931</u>
Net OPEB obligation end of year	\$	<u>339,060</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 actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the College contributed \$None to the medical plan. Plan members eligible for benefits contributed \$None of the premium costs.

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 150,382	10.4%	\$ 134,771
2010	148,771	10.5%	267,931
2011	71,129	0.0%	339,060

11. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$517,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$517,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11,506,000 and the ratio of the UAAL to covered payroll was 4.5%. As of June 30, 2011, 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 health care 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, presents 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 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 July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the College's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 6.5%. The medical trend rate is reduced 0.5% each year until reaching the 6.5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009. Turnover rates are based on T-6 of the actuary's pension handbook.

Projected claim costs of the medical plan are \$10,261 per month for retirees less than age 65 and \$None per month for retirees who have attained age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

12. Related Organizations

Northeast Iowa Community-Based Dairy Foundation is a non-profit organization whose goal is to support educational efforts and whose financial activities are not included in these financial statements. The College, Northeast Iowa Community-Based Dairy Foundation, and Iowa State University have an interagency agreement for the purpose of cooperating in the operations of a dairy education and applied research laboratory. The Board of Trustees of the College has a member who is an ex-officio member of the Board of Directors of the above Foundation. However, these members do not compromise a majority in the above Foundation's Board. For the year ended June 30, 2011, the College paid the Foundation \$40,008 in rent. The Foundation and Northeast Iowa Community College have a fiscal agent agreement where the Foundation paid the College \$30,000 for services for the year ended June 30, 2011. Audited financial statements of Northeast Iowa Community-Based Dairy Foundation are available at the Northeast Iowa Community College District office located at Hwy 150 South, Calmar, IA 52132.

NOTES TO FINANCIAL STATEMENTS

12. Related Organizations (Continued)

Significant financial data for the year ended June 30, 2011, which is audited, is as follows:

Total assets	\$ 4,144,376
Total liabilities	1,911,820
Total equity	2,232,556
Total revenue	2,027,714
Total expenses	1,577,996

13. New Jobs Training Program

Northeast Iowa Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area I in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the College has administered 225 projects with 72 currently receiving project funding. The remaining 153 projects have been completed and of those, 27 only have the repayment of the certificates left and 126 have been fully repaid.

Northeast Iowa Community College also administers the Iowa Jobs Training Program (IJTP) in Area I in accordance with the Code of Iowa. IJTP's purpose is to provide tax-aided training or retraining for existing employees of businesses. Approved businesses receive forgivable loans from the Workforce Development Fund, a state administered fund. Since inception, the College has administered 299 projects with 33 currently receiving project funding.

14. Commitments

The College is a member of ACCES, Inc. (Alliance for Community Colleges for Electronic Sharing), a computer consortium of eleven (11) Iowa community colleges. The College will continue to be a member of ACCES, Inc. for the foreseeable future. ACCES, Inc. has changed its mission from a consortium for providing administrative software services to a buying consortium for the acquisition and maintenance of Datatel Colleague and other administrative software. The ongoing expenditures for the Datatel Colleague software and maintenance will be paid through ACCES Consortium. The College is committed to paying ACCES, Inc. consortium \$86,980 for software, licensing and maintenance for FY12.

The College is also a member of CAST, Inc. (College Alliance Sharing Technology), a computer consortium composed of four (4) Iowa community colleges. Its purpose is to provide administrative support and sharing of computer services. The College is committed to be a member of CAST until July 1, 2012. The percentage of the total annual expenditures of CAST, Inc. is to be paid based on the percentage of unrestricted general fund expenditures of the preceding fiscal year compared to the total of all participating colleges' general fund expenditures for the preceding fiscal year. The College's payments to CAST, Inc. for fiscal year 2012 are estimated to be \$174,892 for the consortium, which represents approximately 29% of the budget for CAST, Inc.

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

NOTES TO FINANCIAL STATEMENTS

14. Commitments (Continued)

The total outstanding construction projects of the College at June 30, 2011 amount to \$1,321,032. These construction commitments will be paid from the \$35 million bond levy that was passed in December 2007. Of these commitments, \$None will be funded by state and federal grants.

15. Contingent Liabilities

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenses are disallowed by the grantor government due to noncompliance with grant program regulations, the College may be required to reimburse the grantor government. As of June 30, 2011 significant amounts of grant expenses have not been audited by granting authorities but the College believes that disallowed expenses, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the College.

16. Risk Management Policies

The College carries commercial insurance coverage for coverage associated with property and inland marine, general liability, automobile liability, automobile physical damage, fidelity bonds, health, and worker's compensation. The College is self-insured with respect to their health insurance coverage. The College maintains reinsurance that carries a specific stop loss of \$85,000 per employee covered and an aggregate stop loss of 125% of total estimated claims. Claims payable include all known claims and an amount for claims that have been incurred but not reported (IBNR).

The changes in the aggregate liabilities for claims included in salaries and benefits payable for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Claims payable, beginning of year	\$ 501,245	\$ 537,866
Claims recognized	5,187,668	3,815,836
Claim payments	(5,179,225)	(3,852,457)
Claims payable, end of year	\$ 509,688	\$ 501,245

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

17. Net Assets

The statement of net assets reports \$3,318,879 of restricted net assets, of which \$3,221,612 is restricted by enabling legislation.

18. Subsequent Events

The College has entered into an agreement with Northeast Iowa Community-Based Dairy Foundation transferring the Foundation's real estate to the College for \$1,561,000 by assumption of the Foundation's real estate debt. The College has in turn entered into a lease agreement with the Foundation leasing the real estate to the Foundation under a 20 year lease arrangement. The lease arrangement has several provisions including but not limited to early termination and repurchase options exercisable as of April 30, 2018 and annually thereafter as of April 30. Yearly lease payments range from \$155,038 to \$173,250.

18. Subsequent Events (Continued)

The College will continue to act as the Foundation's fiscal agent. The College was previously paid \$30,000 per year for these services. As part of the lease agreement, these services beginning July 1, 2011 will be provided as in-kind services to the Foundation by the College.

These agreements are effective for the year ended June 30, 2012.

On September 19, 2011, the College issued \$750,000 General Obligation Refunding Capital Loan Notes, Series 2011 and redeemed Capital Loan Notes dated June 1, 2006. The College issued \$3,080,000 Lease Purchase Refunding Certificates of Participation, Series 2011B and redeemed Certificates of Participation, Series 2002A and 2002B.

On July 1, 2011, the College issued certificates totaling \$2,980,000 for NJTP projects. The debt was incurred as allowed by Chapter 260E of the Code of Iowa and will mature beginning on June 1, 2012.

Subsequent events were evaluated through January 30, 2012, which is the date the financial statements were available to be issued.

NORTHEAST IOWA COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (in thousands)

Fiscal 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	July 1, 2008	-	\$ 1,018	\$ 1,018	0.0%	\$ 12,369	8.2%
2010	July 1, 2008	-	\$ 1,018	\$ 1,018	0.0%	\$ 13,453	7.6%
2011	July 1, 2010	-	\$ 517	\$ 517	0.0%	\$ 11,506	4.5%

See Note 11 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

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

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

Our report on our audit of the financial statements of Northeast Iowa Community College as of and for the year ended June 30, 2011 appears on pages 2-3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northeast Iowa Community College financial statements as a whole. The accompanying additional balance sheet and schedule of revenues, expenditures, and other changes in fund balance information on pages 34 through 39 and the budgetary comparison schedule on page 43 are presented for purposes of additional analysis using regulatory basis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The adjustments made in preparing the supplemental presentations were subjected to audit procedures as part of the audit of the financial statements. The accompanying regulatory financial statements are not intended to present Northeast Iowa Community College's financial position or results of operations. The 2011 information shown on pages 40 through 42 is presented for purposes of additional analysis and is not a required part of the financial statements. The 2011 information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of Northeast Iowa Community College as of and for the eight years ended June 30, 2003 to June 30, 2010 (none of which is presented herein), and we expressed unqualified opinions on those financial statements. Those audits were conducted for purposes of forming an opinion on the financial statements as a whole. The information set forth in the supplementary information for each of the eight years in the period ended June 30, 2010, appearing on pages 40-41 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare financial statements for the eight years ending June 30, 2010. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the supplementary information for each of the eight years in the period ended June 30, 2010, appearing on pages 40-41 is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Decorah, Iowa
January 30, 2012

Hacker, Nelson & Co., P.C.

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NORTHEAST IOWA COMMUNITY COLLEGE
BALANCE SHEET - REGULATORY AND GAAP BASIS
June 30, 2011

	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
ASSETS				
Cash	\$ 4,463,793	\$ 4,554,997	\$ 11,466,099	
Investments			9,048,586	
Receivables				
Accounts, less allowance of \$1,298,044	6,042,583	181,705	175,593	
Accrued interest		13	357,299	
Property tax				
Current year delinquent	35,194		39,947	
Succeeding year	1,800,784		2,502,289	
Due from other funds	134,928			
Due from other governments	1,110,016	2,215	413,919	\$ 120,480
Due from affiliate	627,985	33,813	134,399	16,398
Inventories	1,285	617,287		
Due from Iowa Industrial New Jobs Training Program			14,812,075	
Restricted cash				
Prepaid expenses			274	
Capital assets				
Land				
Construction in progress				
Buildings				
Other structures and improvements				
Furniture and equipment, including assets acquired under capital leases of \$429,298				
Accumulated depreciation				
Total assets	\$ 14,216,568	\$ 5,390,030	\$ 38,950,480	\$ 136,878
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 280,891	\$ 36,094	\$ 128,208	\$ 1,950
Salaries and benefits payable	812,599		509,688	
Accrued interest payable		7,087	767	
Deposits held in custody for others	237,387			
Due to other funds				134,928
Due to affiliate	687,188	76,706		
Deferred revenue				
Succeeding year property tax	1,800,784		2,502,289	
Other	5,856,946		3,758,455	
Compensated absences	237,720	26,265		
Early retirement payable			1,184,461	
Net OPEB liability				
Notes payable			200,000	
Bonds payable		2,095,000		
Obligations under capitalized leases				
Certificates payable			27,445,000	
Total liabilities	9,913,515	2,241,152	35,728,868	136,878
Fund balance				
Invested in capital assets, net of related debt				
Fund balances				
Restricted for specific purposes			3,221,612	
Unrestricted	4,303,053	3,148,878		
Total fund equity	4,303,053	3,148,878	3,221,612	-
Total liabilities and fund equity	\$ 14,216,568	\$ 5,390,030	\$ 38,950,480	\$ 136,878

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 1

Unexpended	Plant Funds		GAAP Adjustments	GAAP Basis
	Retirement of Indebtedness	Investment in Plant		
				\$ 20,484,889
				9,048,586
\$ 276,186				6,676,067
2,823				360,135
	\$ 97,267			172,408
	5,456,810			9,759,883
				134,928
				1,646,630
17,738				830,333
				618,572
				14,812,075
8,971,065				8,971,065
				274
		\$ 683,366		683,366
		16,248,714		16,248,714
		43,137,007		43,137,007
		3,017,862		3,017,862
		5,349,274		5,349,274
		(23,190,770)		(23,190,770)
\$ 9,267,812	\$ 5,554,077	\$ 45,245,453	\$ -	\$ 118,761,298
\$ 1,126,539				\$ 1,573,682
128,124				1,322,287
				135,978
				237,387
40,964		\$ 121,013		134,928
				925,871
	\$ 5,456,810			9,759,883
				9,615,401
				263,985
				1,184,461
			\$ 339,060	339,060
		3,980,000		4,180,000
9,113,738		21,741,262		32,950,000
		12,325		12,325
				27,445,000
10,409,365	5,456,810	25,854,600	339,060	90,080,248
		19,390,853		19,390,853
	97,267			3,318,879
(1,141,553)			(339,060)	5,971,318
(1,141,553)	97,267	19,390,853	(339,060)	28,681,050
\$ 9,267,812	\$ 5,554,077	\$ 45,245,453	\$ -	\$ 118,761,298

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NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE - REGULATORY AND GAAP BASIS
For the Year Ended June 30, 2011

	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
REVENUES AND OTHER ADDITIONS				
General				
State appropriations	\$ 7,963,174	\$ 29,874	\$ 652,338	\$ 256,419
Tuition and fees	17,119,129	66,427	425,190	
Property taxes	1,749,157		2,003,078	
Federal appropriations	1,324,925	28,746	2,268,554	24,626,875
Investment income	102,216	6,106	281,714	
Iowa Industrial New Jobs Training Program			4,939,286	
Sales and services	56,741			
Miscellaneous	167,652		3,759,566	108,636
	28,482,994	131,153	14,329,726	24,991,930
Auxiliary enterprises				
Sales and services		4,274,889		
Miscellaneous		182,168		
		4,457,057		
Total revenues and other additions	28,482,994	4,588,210	14,329,726	24,991,930
EXPENDITURES AND OTHER DEDUCTIONS				
Education and support				
Liberal arts and sciences	5,347,434		630	
Vocational technical	7,157,548		1,941,077	
Adult education	2,854,336		228,822	
Cooperative services	2,479,590		8,467,231	
General administration	2,407,193		100,574	
Student services	1,700,410		1,246	
Learning resources	525,235		171,217	
Physical plant	2,067,129		487,050	
General institution	2,909,832		1,933,071	
	27,448,707		13,330,918	
Auxiliary enterprises				
Scholarships and grants		4,020,013		24,988,186
Plant asset acquisitions				
Interest on indebtedness				
Other				
Expended for plant assets				
Bond payable for plant assets				
Retirement of indebtedness				
Disposal of plant assets				
Depreciation				
		4,020,013		24,988,186
Total expenditures and other deductions	27,448,707	4,020,013	13,330,918	24,988,186
Excess (deficiency) of revenues and other additions over (under) expenditures and other deductions	1,034,287	568,197	998,808	3,744
TRANSFERS				
Mandatory	590,909		(223,039)	(3,744)
Nonmandatory	(353,366)	607,091	(1,378,550)	(2,626)
Total transfers	237,543	607,091	(1,601,589)	(6,370)
Net increase (decrease) in fund balance	1,271,830	1,175,288	(602,781)	(2,626)
FUND BALANCE				
Beginning	3,031,223	1,973,590	3,824,393	2,626
Ending	\$ 4,303,053	\$ 3,148,878	\$ 3,221,612	\$ -

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 2

Unexpended	Plant Funds		GAAP Adjustments	GAAP Basis
	Retirement of Indebtedness	Investment in Plant		
\$ 1,906,119			\$ (217,430)	\$ 10,590,494
1,745,941	\$ 3,670,811		(9,460,857)	8,149,889
374,965			326,066	9,168,987
208,814				28,950,131
99,678				598,850
171,805			(108,636)	4,939,286
4,507,322	3,670,811		(9,460,857)	156,419
				4,099,023
				66,653,079
			(1,832,260)	2,442,629
				182,168
			(1,832,260)	2,624,797
4,507,322	3,670,811		(11,293,117)	69,277,876
				5,348,064
			(538,805)	8,559,820
			(20,000)	3,063,158
			(1,452,027)	9,494,794
				2,507,767
				1,701,656
				696,452
			(263,142)	2,291,037
			71,129	4,914,032
			(2,202,845)	38,576,780
				4,020,013
12,336,038			(11,293,117)	13,695,069
	914,070		(12,072,896)	263,142
1,668,554			1,452,027	2,366,097
			(117,744)	1,550,810
		\$ (5,645,699)	5,645,699	-
		(7,366,888)	7,366,888	-
(8,328,619)	2,685,000	5,643,619		-
		346,461		346,461
		1,584,923		1,584,923
5,675,973	3,599,070	(5,437,584)	(9,019,143)	23,826,515
5,675,973	3,599,070	(5,437,584)	(11,221,988)	62,403,295
(1,168,651)	71,741	5,437,584	(71,129)	6,874,581
				364,126
763,325				(364,126)
763,325				-
(405,326)	71,741	5,437,584	(71,129)	6,874,581
(736,227)	25,526	13,953,269	(267,931)	21,806,469
\$ (1,141,553)	\$ 97,267	\$ 19,390,853	\$ (339,060)	\$ 28,681,050

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NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE - REGULATORY BASIS
EDUCATION AND SUPPORT UNRESTRICTED CURRENT FUNDS
For the Year Ended June 30, 2011

	Education		
	Liberal Arts and Sciences	Vocational Technical	Adult Education
REVENUES AND OTHER ADDITIONS			
State appropriations	\$ 2,565,167	\$ 4,089,955	\$ 1,297,651
Tuition and fees	6,363,973	7,422,527	1,800,628
Property taxes			
Federal appropriations		109,446	235,838
Investment income			
Sales and services			20,289
Miscellaneous		64,130	22,935
Total revenues and other additions	8,929,140	11,686,058	3,377,341
EXPENDITURES AND OTHER DEDUCTIONS			
Salaries and wages	4,058,317	5,234,949	1,682,321
Employee fringe benefits	1,220,151	1,632,947	466,797
Services	9,287	155,274	611,060
Materials and supplies	47,251	105,967	50,293
Travel	12,428	28,411	43,865
Loan cancellations and bad debts			
Miscellaneous			
Total expenditures and other deductions	5,347,434	7,157,548	2,854,336
Excess (deficiency) of revenues and other additions over (under) expenditures and other deductions	3,581,706	4,528,510	523,005
TRANSFERS			
Mandatory		212,870	173
Nonmandatory	(6,621)	60,399	251,422
Total transfers	(6,621)	273,269	251,595
Net increase (decrease) in fund balance	\$ 3,575,085	\$ 4,801,779	\$ 774,600
FUND BALANCE			
Beginning			
Ending			

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NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE - REGULATORY BASIS
AUXILIARY ENTERPRISE UNRESTRICTED CURRENT FUNDS
Year Ended June 30, 2011

	Bookstore	Food Services	Child Care
Revenues and other additions			
State appropriations			\$ 29,874
Tuition and fees			
Federal appropriations			28,746
Sales and services	\$ 3,196,667	\$ 258,255	666,892
Investment income			
Miscellaneous	32,542		55,961
Total revenues and other additions	3,229,209	258,255	781,473
Expenditures and other deductions			
Salaries and wages	113,833	73,937	643,258
Employee fringe benefits	47,665	26,272	205,051
Services	5,649	1,051	2,315
Materials and supplies	6,358	12,110	67,263
Travel	1,610		177
Interest on indebtedness			
Cost of goods sold	2,390,713	109,417	
Miscellaneous	20,000		
Total expenditures and other deductions	2,585,828	222,787	918,064
Excess (deficiency) of revenues and other additions over (under) expenditures and other deductions	643,381	35,468	(136,591)
Transfers			
Nonmandatory			111,705
			111,705
Net increase (decrease) in fund balance	643,381	35,468	(24,886)
Fund balance (deficit)			
Beginning	1,597,046	34,447	4,348
Ending	\$ 2,240,427	\$ 69,915	\$ (20,538)

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

Farm	Trade and Industry	Professional Development	Miscellaneous	Total
				\$ 29,874
		\$ 62,630	\$ 3,797	66,427
				28,746
	\$ 112,519		40,556	4,274,889
\$ 2,623			3,483	6,106
		4,687	88,978	182,168
2,623	112,519	67,317	136,814	4,588,210
				831,028
				278,988
71,355	3,223	25,395	45,402	154,390
	9,141	486	31,844	127,202
	32	18,010		19,829
7,087				7,087
(15,750)	73,156		18,666	2,576,202
			5,287	25,287
62,692	85,552	43,891	101,199	4,020,013
(60,069)	26,967	23,426	35,615	568,197
			495,386	607,091
			495,386	607,091
(60,069)	26,967	23,426	531,001	1,175,288
(2,919)	116,684	52,693	171,291	1,973,590
\$ (62,988)	\$ 143,651	\$ 76,119	\$ 702,292	\$ 3,148,878

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE - REGULATORY BASIS
RESTRICTED CURRENT FUNDS
Year Ended June 30, 2011

	Restricted Property Tax Levies	Iowa New Jobs Training	Other Federal Programs	Miscellaneous	Total
Revenues and other additions					
State appropriations			\$ 545,272	\$ 107,066	\$ 652,338
Tuition and fees				425,190	425,190
Property taxes	\$ 2,003,078				2,003,078
Federal appropriations			2,268,554		2,268,554
Investment income	274,060	\$ 7,654			281,714
Iowa Industrial New Jobs Training Program		4,939,286			4,939,286
Miscellaneous	93,445	3,506,695	24,924	134,502	3,759,566
Total revenues and other additions	2,370,583	8,453,635	2,838,750	666,758	14,329,726
Expenditures and other deductions					
Salaries and wages			706,589	8,124	714,713
Employee fringe benefits	1,451,213		279,605	923	1,731,741
Services	437,663	6,147,062	474,147	212,934	7,271,806
Materials and supplies	634,753		520,100	108,813	1,263,666
Travel			94,713	1,043	95,756
Plant asset acquisitions	279,494		212,916	177,287	669,697
Interest on indebtedness		1,452,027			1,452,027
Miscellaneous			131,216	296	131,512
Total expenditures and other deductions	2,803,123	7,599,089	2,419,286	509,420	13,330,918
Excess of revenues and other additions over expenditures and other deductions	(432,540)	854,546	419,464	157,338	998,808
Transfers					
Mandatory		(2,944)	(218,257)	(1,838)	(223,039)
Nonmandatory	(13,937)	(851,602)	(313,110)	(199,901)	(1,378,550)
Total transfers	(13,937)	(854,546)	(531,367)	(201,739)	(1,601,589)
Net increase (decrease) in fund balance	(446,477)	-	(111,903)	(44,401)	(602,781)
Fund balance					
Beginning	2,926,139		680,945	217,309	3,824,393
Ending	\$ 2,479,662	\$ -	\$ 569,042	\$ 172,908	\$ 3,221,612

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS - REGULATORY BASIS
AGENCY FUNDS
Year Ended June 30, 2011

	Student Organizations Federal	Federal and Other Programs	Retraining	Dairy Center	Total
Balance, beginning of year	\$ 45,656	\$ 6,097	\$ 33,491	\$ (492)	\$ 84,752
Additions					
State appropriations			98,290		98,290
Tuition and fees	133,046				133,046
Federal appropriations		5,035			5,035
Sales and services	771				771
Miscellaneous	189,873	4,622	104,208		298,703
Total additions	323,690	9,657	202,498	-	535,845
Deductions					
Salaries and wages	6,200			167	6,367
Employee fringe benefits	474			13	487
Services	100,861	2,945	93,503		197,309
Materials and supplies	73,927	3,305			77,232
Travel	53,305	3,379			56,684
Cost of goods sold	23,401				23,401
Miscellaneous	21,730				21,730
Total deductions	279,898	9,629	93,503	180	383,210
Balance, end of year	\$ 89,448	\$ 6,125	\$ 142,486	\$ (672)	\$ 237,387

See Independent Auditor's Report on the Supplementary Information.

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

	2011	2010	2009	2008
Local (property tax)	\$ 9,168,987	\$ 8,338,873	\$ 4,437,962	\$ 4,710,263
State appropriations	10,590,494	8,561,576	9,926,999	9,582,594
Federal appropriations	28,950,131	26,409,295	18,342,004	15,164,519
Total	\$ 48,709,612	\$ 43,309,744	\$ 32,706,965	\$ 29,457,376

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 7

2007	2006	2005	2004	2003
\$ 4,617,926	\$ 4,434,120	\$ 4,264,427	\$ 4,175,583	\$ 4,135,629
9,318,872	9,225,795	7,264,588	7,301,681	7,370,251
13,211,473	13,808,778	14,292,929	13,283,108	12,100,664
<u>\$ 27,148,271</u>	<u>\$ 27,468,693</u>	<u>\$ 25,821,944</u>	<u>\$ 24,760,372</u>	<u>\$ 23,606,544</u>

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

	2011	2010	2009	2008
Revenues				
State appropriations	\$ 8,901,805	\$ 8,630,563	\$ 10,045,748	\$ 9,646,510
Tuition and fees	17,610,746	17,311,196	14,012,003	12,617,952
Property taxes	3,752,235	3,232,287	2,823,374	3,154,039
Federal appropriations	28,249,100	25,972,051	18,087,030	14,421,197
Investment income	390,036	433,017	735,656	781,538
Iowa Industrial New Jobs Training Program	4,939,286	3,064,989	3,255,689	2,942,389
Auxiliary enterprises	4,457,057	4,383,682	3,615,807	3,364,701
Miscellaneous	4,092,595	6,289,740	1,199,579	1,605,837
	<u>\$ 72,392,860</u>	<u>\$ 69,317,525</u>	<u>\$ 53,774,886</u>	<u>\$ 48,534,163</u>
Expenditures				
Liberal arts and sciences	\$ 5,348,064	\$ 5,701,752	\$ 5,644,522	\$ 3,132,660
Vocational technical	9,098,625	7,530,248	7,332,631	9,028,181
Adult education	3,083,158	2,662,436	2,502,973	2,435,011
Cooperative services	10,946,821	11,532,077	6,866,050	6,318,846
General administration	2,507,767	1,676,056	1,912,926	1,788,637
Student services	1,701,656	1,734,854	1,775,038	1,653,107
Learning resources	696,452	929,461	886,356	742,207
Physical plant	2,554,179	2,774,210	2,219,838	1,910,678
General institution	4,842,903	3,845,175	3,503,043	3,377,247
Auxiliary enterprises	4,020,013	4,478,723	4,337,177	3,558,057
Scholarships and grants	24,988,186	23,560,574	16,485,045	13,315,714
Loan cancellations and bad debts				
	<u>\$ 69,787,824</u>	<u>\$ 66,425,566</u>	<u>\$ 53,465,599</u>	<u>\$ 47,260,345</u>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 8

2007	2006	2005	2004	2003
\$ 8,585,540	\$ 8,273,314	\$ 7,168,615	\$ 7,166,690	\$ 7,178,190
12,627,379	11,542,638	12,445,632	11,606,023	10,137,275
3,087,576	2,950,677	2,820,385	2,712,602	2,679,163
13,210,561	13,662,743	14,061,236	12,873,853	11,730,943
770,894	372,952	185,491	179,649	228,708
2,681,762	2,022,297	2,273,725	2,216,877	2,822,387
3,165,052	3,019,488	3,001,282	2,801,656	2,604,598
3,998,906	2,288,211	295,227	262,409	361,260
<u>\$ 48,127,670</u>	<u>\$ 44,132,320</u>	<u>\$ 42,251,593</u>	<u>\$ 39,819,759</u>	<u>\$ 37,742,524</u>
\$ 4,291,171	\$ 4,551,128	\$ 4,490,667	\$ 3,531,504	\$ 3,209,553
7,406,780	8,270,645	7,739,181	7,634,475	6,999,074
2,445,756	2,562,093	2,377,622	2,291,969	2,043,828
7,611,483	4,633,475	4,548,362	4,103,043	4,444,707
1,229,762	750,693	523,381	842,823	785,312
1,514,565	1,572,779	1,476,424	1,665,225	1,404,352
776,377	756,579	841,086	814,478	565,680
1,650,778	1,604,176	1,576,922	1,446,945	1,188,661
3,526,426	3,363,388	2,792,226	2,771,600	2,762,790
3,406,178	3,188,290	3,019,160	3,081,176	2,831,437
12,730,287	12,890,231	12,332,748	11,503,712	10,378,965
(234)	8,445	14,405	9,247	4,697
<u>\$ 46,589,329</u>	<u>\$ 44,151,922</u>	<u>\$ 41,732,184</u>	<u>\$ 39,696,197</u>	<u>\$ 36,619,056</u>

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT
Year Ended June 30, 2011

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	50,589		50,589			
Vocational Education	62,004		62,004			
Adult/Continuing Education				351,993	50,508	402,501
Related Services and Activities					33,614	33,614
Total	112,593		112,593	351,993	84,122	436,115

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES - REGULATORY BASIS
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2011

Funds/Levy	Original Budget	Actual	Variance Actual and Budget
Unrestricted	\$ 28,015,566	\$ 27,448,707	\$ 566,859
Restricted	28,975,000	11,311,952	17,663,048
Unemployment	25,000	14,358	10,642
Insurance	531,206	487,049	44,157
Early retirement	650,000	542,775	107,225
Equipment replacement	774,090	974,784	(200,694)
Total restricted	30,955,296	13,330,918	17,624,378
Plant			
Plant	23,735,898	14,004,592	9,731,306
Bonds and interest	3,613,938	3,599,070	14,868
Total plant	27,349,836	17,603,662	9,746,174
Total	\$ 86,320,698	\$ 58,383,287	\$ 27,937,411

Note to Budgetary Reporting:

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

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

For the year ended June 30, 2011, the College's expenditures for restricted fund - equipment replacement subgroup exceeded the amount budgeted.

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 17.275 – Program of Competitive for Workers Training and Placement in High Growth and Emerging Industry Sectors, Recovery Act
 - Clustered programs:
 - Student Financial Assistance Cluster
 - CFDA Number 84.007-Federal Supplemental Educational Opportunity Grants
 - CFDA Number 84.033-Federal Work-Study Program
 - CFDA Number 84.063-Federal Pell Grant Program
 - CFDA Number 84.268-Federal Direct Student Loans-Subsidized/Unsubsidized, Plus Loans
 - CFDA Number 84.375-Academic Competitiveness Grant
 - TRIO Cluster
 - CFDA Number 84.042-TRIO-Student Support Services
 - CFDA Number 84.047-TRIO-Upward Bound
 - State Fiscal Stabilization Fund Cluster
 - CFDA Number 84.394-State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act
 - CFDA Number 84.397-State Fiscal Stabilization Fund (SFSF)-Government Services, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$382,161.
- (i) Northeast Iowa Community College did qualify as a low-risk auditee.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements:

No matters were noted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

See Management Letter dated January 30, 2012

Part V: Summary of Prior Federal Audit Findings and Questions Costs

N/A

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
U.S. Department of Agriculture			
Direct			
Cooperative State Research, Education, and Extension Service	10.500	\$ 163,200	
New ERA Rural Technology Competitive Grants Program	10.314	<u>17,175</u>	
		<u>180,375</u>	
Passed through Iowa Department of Education			
Child and Adult Care Food Program	10.558	28,746	
Summer Food Service Program for Children	10.559	<u>5,587</u>	
		<u>34,333</u>	
Subtotal U.S. Department of Agriculture		<u>214,708</u>	
U.S. Department of Labor			
Passed through Iowa Department of Education			
Incentive Grants - WIA Section 503	17.267	41,067	
Program of Competitive for Workers Training and Placement in High Growth and Emerging Industry Sectors, Recovery Act	17.275	<u>641,526</u>	
		<u>682,593</u>	
Passed through East Central Intergovernmental Agency			
Program of Competitive for Workers Training and Placement in High Growth and Emerging Industry Sectors, Recovery Act	17.275	<u>40,338</u>	
Subtotal U.S. Department of Labor		<u>722,931</u>	
National Science Foundation			
Passed through Iowa State University			
Education and Human Resources	47.076	<u>30,167</u>	
Small Business Development Center			
Passed through Iowa State University			
Small Business Development	59.037	<u>126,176</u>	
U.S. Department of Veteran Affairs			
Direct			
Post-9/11 Veterans Educational Assistance	64.027	<u>146,292</u>	

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
U.S. Department of Education			
Direct			
Adult Education - State Grant Program	84.002	\$ 240,657	
Federal Supplemental Educational Opportunity Grants	84.007	73,866	
Federal Direct Student Loans - Plus Loans	84.268		\$ 63,586
Federal Direct Student Loans - Subsidized Loans	84.268		7,259,447
Federal Direct Student Loans - Unsubsidized Loans	84.268		8,192,413
Federal Work-Study Program	84.033	109,446	
Fund for the Improvement of Postsecondary Education	84.116	195,292	
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	187,724	
Federal Pell Grant Program	84.063	8,846,257	
TRIO - Student Support Services	84.042	225,991	
TRIO - Upward Bound	84.047	487,526	
		<u>10,366,759</u>	<u>15,515,446</u>
Passed through Iowa Department of Education			
Academic Competitiveness Grant	84.375	45,014	
State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act	84.394	574,879	
State Fiscal Stabilization Fund (SFSF)-Government Services, Recovery Act	84.397	62,217	
Adult Education - State Grant Program	84.002	216	
Vocational Education-Basic Grants to States			
Vocational Education - Basic Grants to States	84.048	370,243	
Tech-Prep Education	84.243	79,087	
		<u>1,131,656</u>	
Subtotal U.S. Department of Education		<u>11,498,415</u>	<u>15,515,446</u>
		<u>\$ 12,738,689</u>	<u>\$ 15,515,446</u>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Note 1. Basis of Presentation

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

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

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

We have audited the financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of and for the year ended June 30, 2011, which collectively comprise Northeast Iowa Community College's basic financial statements and have issued our report thereon dated January 30, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A 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 there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Northeast Iowa Community College in a separate letter dated January 30, 2012.

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
January 30, 2012

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Northeast Iowa Community College compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northeast Iowa Community College's major federal programs for the year ended June 30, 2011. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on Northeast Iowa Community College's compliance based on our audit.

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

In our opinion, Northeast Iowa Community College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Northeast Iowa Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Northeast Iowa Community College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 the College's internal control over compliance.

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.

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

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
January 30, 2012

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MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the Northeast Iowa Community College for the year ended June 30, 2011, we considered the College's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the College's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 thru 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated January 30, 2012 contains our report on significant deficiencies in the College's internal control. This letter does not affect our report dated January 30, 2012, on the financial statements of the Northeast Iowa Community College. Comment number 10 is a repeat comment from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the College's responses and, accordingly, we express no opinion on them.

1. Certified Budget
Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted in total.
2. Questionable Disbursements
We noted certain isolated expenditures that may have not met the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979 which are noted in comments 12 and 13 below.
3. Travel Expense
No expenditures of College money for travel expenses of spouses of College officials and/or employees were noted. No travel advances to College officials or employees were noted.
4. Business Transactions
We noted no business transactions between the College and College officials and/or employees for the year ended June 30, 2011.
5. Bond Coverage
Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Trustee Minutes
We noted no transactions requiring Trustee approval, which had not been approved by the Trustees.

7. Publication
The College published a statement showing the receipt and disbursement of all funds, including the names of persons, firms, or corporations to which disbursements were made, in accordance with Section 260C.14(12) of the Code of Iowa.

8. Deposits and Investments
The flex plan bank account has not been reconciled to the book balance during the year ending June 30, 2011.

Recommendation
All bank accounts should be reconciled monthly to the book balance.

Response
The College will comply with auditor's recommendation on Flex Account reconciliation monthly.

Conclusion
Response accepted.

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

10. Fund Balance Deficits
As of June 30, 2011, there are several sub-group accounts reporting fund balance deficits.

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

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

Conclusion
Response accepted.

11. Payroll Reports
During our audit, we noticed the gross payroll on the Datatel payroll reports did not reconcile to the gross wages reported on the trial balance. Subsequent work was performed to reconcile these items.

Recommendation
We recommend the payroll reports be reconciled to the trial balance every month.

Response
Plans to summarize monthly reconciliations are already in process.

Conclusion
Response accepted.

12. Travel and Reimbursed Expenses

During our audit, we became aware of some isolated travel expenses being reimbursed without proper documentation required by the College policy. The College's policy requires detail receipts to be submitted for expenses to be reimbursed.

Recommendation

We recommend the College to carefully review all policies and procedures with staff. College personnel should carefully review and require proper source documents prior to expenses being reimbursed.

Response

Management has communicated and will reinforce the recommendation to comply with the College Policy.

Conclusion

Response accepted.

13. Trio Grants

During the 2012 fiscal year the College discovered questionable costs relating to Trio Grants. College officials performed an in-depth review resulting in \$12,949 of questioned costs for the period 2009-2012. College officials contacted the appropriate federal, state and local officials as well as outside consultants regarding this matter. This matter has been reviewed by the above parties in varying degrees. College officials reported that representatives of the federal department funding the grants have indicated that they will not be seeking reimbursement of the questioned costs.

Recommendation

We recommend the College personnel carefully review all policies and procedures with staff. The responsible parties need to ensure that careful review of source documents is made for proper eligibility and compliance prior to costs being charged to a program.

Response

We have reviewed with staff the importance of being compliant with grant terms and conditions as well as being compliant with all College policies and procedures including approval and disbursement procedures.

Conclusion

Response accepted.

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

Other procedural matters were discussed with management and documented in a letter to them.

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

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
January 30, 2012