

**NORTH IOWA AREA COMMUNITY COLLEGE
MASON CITY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

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Officials

Name	Title	Term Expires
Board of Directors		
John Heilskov	President (October, 2010 - Current)	2011
	Vice President (July, 2010 - September, 2010)	
Toni Noah	Vice President (October, 2010 - Current)	2013
Jean Torgeson	President (July, 2010 - September, 2010)	2011
	Member (October, 2010 - Current)	
Karen Knudtson	Member	2011
Dean Cataldo	Member	2011
David Steffens, Jr.	Member	2013
Gordon Anderson	Member	2013
James Niemants	Member	2013
Robert Davis	Member	2011

Officials

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

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A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report

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

We have audited the accompanying financial statements of North Iowa Area Community College, Mason City, Iowa, at and for the year ended June 30, 2011, which along with the discretely presented component unit collectively comprise the College's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of North Iowa Area Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Iowa Area Community College and its discretely presented component unit at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2012, on our consideration of North Iowa Area Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the schedule of funding progress for the retiree health plan on pages 4 through 12 and 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Iowa Area Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements and supplemental data. The supplementary information on pages 32 through 42, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. Information included in the statistical section (pages 43 through 45) has not been audited by us, and we express no opinion or provide any other assurance on it.

HOGAN - HANSEN

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Mason City, Iowa
February 6, 2012

**North Iowa Area Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2011**

Management of North Iowa Area Community College (College) has prepared a discussion and analysis of the College's financial statements that provides an overview of financial activities for the year beginning July 1, 2010 and ending June 30, 2011. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- College operating revenue decreased 4.7% in FY11. The main reason for the decrease is that during FY11, the College did not have continuing federal funding through ARRA (American Recovery and Reinvestment Act). Federal dollars are considered operating revenue while state General Aid is considered non-operating revenue. Tuition and fees rates were increased by 6% for FY11. There were changes in Continuing Education organization begun in fiscal year 2010 and the partnership with Mercy Medical Center-North Iowa was dissolved at the end of 2010. With these changes came changes in the offerings in FY11. We were able to see some positive changes in revenue between FY10 and FY11. Revenue associated with the Iowa Industrial New Jobs Training Program increased by 20.6% in FY11. This program involves the diversion of state withholding to repay bonds that are issued for workforce training. Revenue for this program can vary from year to year depending on funds needed for annual bond payments.
- College operating expenses in FY11 decreased 0.18% from FY10. Salary and benefit costs decreased by 7.85%. This was due to a decrease in early retirement costs compared to FY10. The faculty and staff received an average salary increase of 1.8% and there was a 2.7% increase in the cost of the College's health insurance program.
- Construction of an Emergency Services Training Facility in collaboration with the Mason City Fire Department was begun and completed during FY11. Some site development was included in this construction for potential growth in programming for additional training opportunities in the future.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COLLEGE AS A WHOLE

The Statement of Net Assets

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

	Net Assets	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current and other assets	\$ 30,960,505	\$ 28,737,649
Non-current assets	1,561,921	1,536,875
Capital assets, net of accumulated depreciation	<u>22,169,592</u>	<u>22,076,878</u>
Total assets	<u>\$ 54,692,018</u>	<u>\$ 52,351,402</u>
Current liabilities	\$ 10,059,618	\$ 10,030,835
Non-current liabilities	<u>9,002,656</u>	<u>9,515,424</u>
Total liabilities	<u>19,062,274</u>	<u>19,546,259</u>
Net assets:		
Invested in capital assets, net of related debt	20,819,592	20,531,878
Restricted, expendable	2,992,973	2,491,891
Unrestricted	<u>11,817,179</u>	<u>9,781,374</u>
Total net assets	<u>35,629,744</u>	<u>32,805,143</u>
Total liabilities and net assets	<u>\$ 54,692,018</u>	<u>\$ 52,351,402</u>

The largest portion of the College’s net assets (58.4%) is Invested in capital assets (e.g., land, infrastructure, buildings, intangibles and equipment), less the related debt. The debt related to these net assets is liquidated with sources other than capital assets. The restricted portion of net assets (8.4%) includes resources that are subject to external restrictions, constitutional provisions or enabling legislation related to how they can be used. Unrestricted net assets represent the remaining net assets (33.2%). These can be used to meet the College’s obligations as they come due.

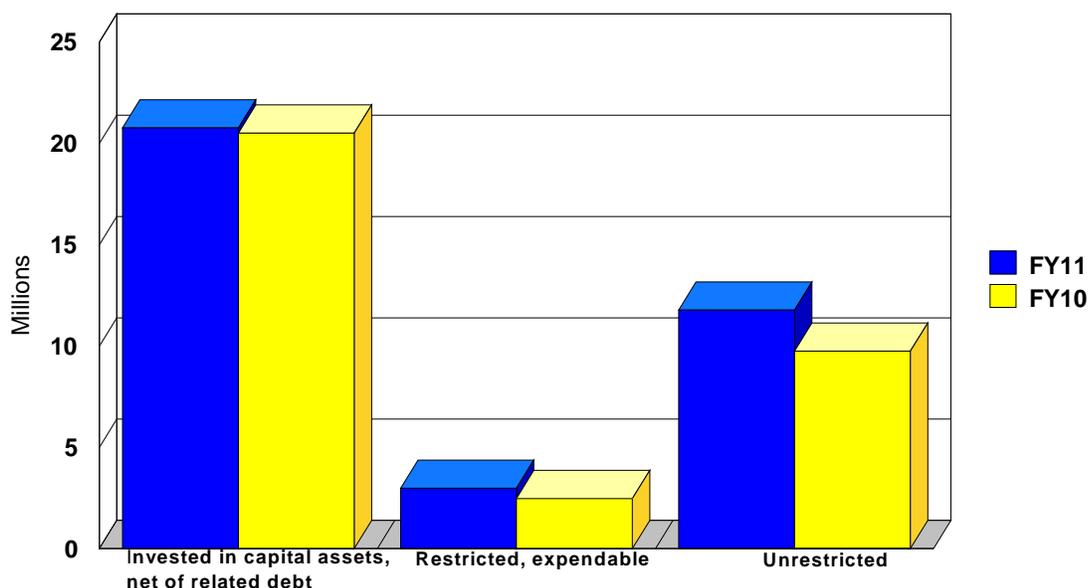
Restricted, expendable net assets in FY11 increased \$501,082 from FY10 or 20.11%. There were few retirements in FY11 compared to FY10. The negative balance that was created from those FY10 early retirements is being collected over the next four to five years. This recapturing of the negative balance would be reflected here. The New Jobs Training Program bond sale and other revenue for the year exceeded the related expenses for current projects. Both of these account for most of this change.

Unrestricted net assets increased \$2,035,805 or 20.81%. There was a net increase in Plant Fund net assets as revenue exceeded expenses for the year. Additional increases were the result of activities in the auxiliary services. Other increases are the result of either replacement of retirees at a reduced cost or because of positions that were not filled. There were travel restrictions put in place for this year that helped keep the cost of travel to a minimum.

Statement of Revenue, Expenses and Changes in Net Assets

Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenue, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenue received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenue, expenses, gains and losses received or spent by the College. The graph below reflects FY11 and FY10 amounts.

Comparison of Net Assets



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

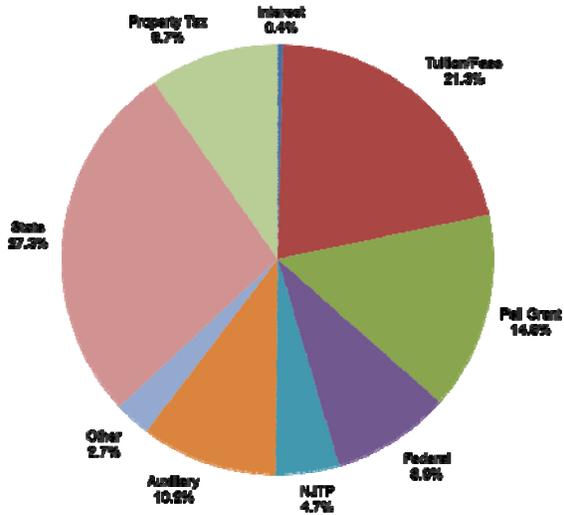
Changes in Net Assets

	<u>Year ended</u> <u>June 30, 2011</u>	<u>Year ended</u> <u>June 30, 2010</u>
Operating revenue:		
Tuition and fees	\$ 8,100,847	\$ 7,529,558
Federal appropriations	3,384,491	5,126,008
Sales and services	230,476	221,024
Iowa Industrial New Jobs Training Program	1,801,669	1,493,439
Auxiliary enterprises	3,877,228	3,660,619
Miscellaneous	<u>282,828</u>	<u>515,437</u>
Total operating revenue	17,677,539	18,546,085
Total operating expenses	<u>34,809,298</u>	<u>34,873,219</u>
Operating loss	<u>(17,131,759)</u>	<u>(16,327,134)</u>
 Non-operating revenue (expenses):		
State appropriations	10,397,623	8,880,845
Pell grant	5,656,272	4,533,975
Property tax	3,690,404	3,346,110
Gifts	516,855	557,640
Interest income from investments	162,811	238,934
Gain (loss) on sale of capital assets	(30,991)	14,525
Donated capital assets	---	6,012
Interest on indebtedness	<u>(436,614)</u>	<u>(481,696)</u>
Net non-operating revenue	<u>19,956,360</u>	<u>17,096,345</u>
 Increase in net assets	2,824,601	769,211
Net assets beginning of year	<u>32,805,143</u>	<u>32,035,932</u>
 Net assets end of year	<u>\$ 35,629,744</u>	<u>\$ 32,805,143</u>

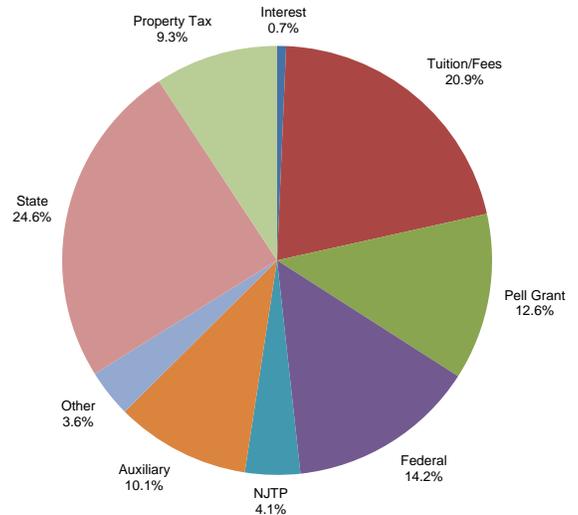
The Statement of Revenue, Expenses and Changes in Net Assets reflects a surplus with an increase (\$2,824,601 or 8.61%) in the net assets at the end of the fiscal year but did show an increase (\$804,625 or 4.93%) in net operating loss. Most of this change in operating loss is attributable to the change in accounts payable at the end of the year and the increase in general institution costs that include contracted technology costs.

Total Revenue by Source

FY11



FY10



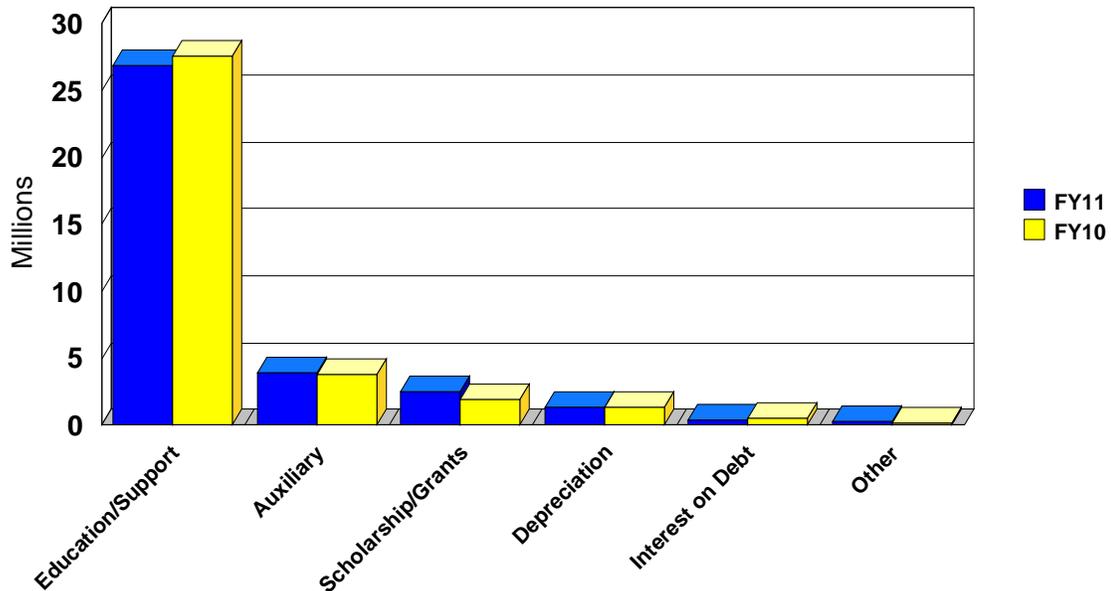
In FY11, operating revenue decreased \$868,546 or 4.7%, as a net result of the following changes:

- Tuition for credit classes increased due to an increase in the tuition rate from \$109.76 per credit hour in FY10 to \$116.35 per credit hour in FY11. There was an increase in Continuing Education revenue between the two years indicating a change in the demand for our offerings.
- Federal revenue decreased \$1,741,517 or 33.97% in FY11 because of discontinuation of the special ARRA funding that was received in FY10. There was no anticipation that this funding would continue. Under non-operating revenue, state appropriations increased 17.08%. This is due in part to state General Aid being increased over the prior year. There was an additional increase in Pell grant awards for the FY11 year.
- Revenue associated with the Iowa Industrial New Jobs Training Program increased by \$308,230 in FY11. This program issues bonds used for workforce training by new or expanding companies. The bonds are repaid from employee state withholding revenue that is diverted to this program. Revenue depends on what is needed to make the annual principal and interest payments.

Operating Expenses

	<u>Year ended June 30, 2011</u>	<u>Year ended June 30, 2010</u>
Education and support:		
Liberal arts and sciences	\$ 6,507,018	\$ 6,971,637
Vocational technical	3,590,306	3,883,574
Adult education	3,746,410	4,967,038
Cooperative services	2,216,579	1,459,423
Administration	1,678,194	1,586,845
Student services	3,327,961	3,695,209
Learning resources	580,609	535,802
Physical plant	2,301,849	2,521,966
General institution	2,916,658	2,004,677
Auxiliary enterprises	3,880,312	3,786,315
Scholarships and grants	2,539,414	1,934,664
Loan cancellations and bad debt	---	5,367
Administrative and collection costs	225,175	187,316
Depreciation/amortization	<u>1,298,813</u>	<u>1,333,386</u>
 Total	 <u>\$ 34,809,298</u>	 <u>\$ 34,873,219</u>

Total Expenses



In FY11, operating expenses decreased by 0.18% mainly due to faculty and staff receiving an average salary increase of 1.8%, a 2.7% increase in the cost of the College's health insurance program and a decrease in early retirement costs.

Statement of Cash Flows

The final statement included in North Iowa Area Community College's basic financial statements is the Statement of Cash Flows. The Statement of Cash Flows is an important tool in helping the users to assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital and related financing and investing activities. Information is presented for FY11 and FY10.

Cash Flows

	<u>Year ended June 30, 2011</u>	<u>Year ended June 30, 2010</u>
Cash provided (used) by:		
Operating activities	\$ (16,934,045)	\$ (13,518,673)
Non-capital financing activities	20,008,542	16,321,775
Capital and related financing activities	(1,568,735)	(657,545)
Investing activities	<u>162,811</u>	<u>238,934</u>
Net increase in cash	1,668,573	2,384,491
Cash and certificates of deposit - beginning of the year	<u>21,323,431</u>	<u>18,938,940</u>
Cash and certificates of deposit - end of the year	<u>\$ 22,992,004</u>	<u>\$ 21,323,431</u>

Cash used for operating activities includes tuition and fees, grants and contracts along with payments to employees and to suppliers. Much of the change in use of cash for operating activities is related to the loss of federal funding through ARRA. Other associated activity was in the purchases of goods and services and auxiliary enterprises.

Cash provided by non-capital financing activities includes state appropriations, local property taxes received by the College and the receipt and disbursement of federal direct loan program proceeds. Other financial aid in the non-capital financing section includes the Pell grant. This section includes New Jobs Training certificate issuances as well as the repayment of these certificates. The increase in cash flow is directly related to the increase in the Pell grant, New Jobs Training certificates and state General Aid in FY11.

Cash used for capital and related financing activities represents the principal and interest payments of general obligation debt for the Plant Fund and the purchase of capital assets. NIACC made more capital asset acquisitions in FY11 than in FY10.

Cash flows from investing activities reflect that funds were invested for less in certificates of deposit than a year ago. Investment income decreased in FY11 by \$76,123. This is due to lower interest rates available in FY11.

CAPITAL ASSETS

At June 30, 2011 the College had \$44,211,022 invested in capital assets, less accumulated depreciation/amortization of \$22,041,430. Depreciation expense/amortization totaled \$1,298,813 for the 2011 fiscal year. Details for the capital assets are shown below.

Capital Assets, Net, at Year End

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Land	\$ 340,756	\$ 340,756
Building	19,509,598	19,528,934
Construction in progress	539,793	182,602
Other structures and improvements	486,619	555,880
Intangibles	456,842	515,419
Furniture, vehicles and equipment	<u>835,984</u>	<u>953,287</u>
Total	<u>\$ 22,169,592</u>	<u>\$ 22,076,878</u>

The increases in assets were offset by the total depreciation charge for FY11. This accounts for the change in total capital assets. There was a building in progress without depreciation that accounts for most of the increase.

Planned capital expenditures for FY12 include the completion of the Emergency Services Training Facility and site development. The College has also completed the project of developing a facility master plan. The goal was to create a long-term building or repurposing of space for the future. More detailed information about the College's capital assets is presented in Note 3 to the financial statements.

DEBT

At June 30, 2011, the College had \$8,095,000 in debt outstanding, a decrease of \$5,000 from FY10. The table below summarizes these amounts by type.

Outstanding Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Certificates payable	\$ 6,745,000	\$ 6,555,000
Notes payable	<u>1,350,000</u>	<u>1,545,000</u>
	<u>\$ 8,095,000</u>	<u>\$ 8,100,000</u>

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

ECONOMIC FACTORS

North Iowa Area Community College continued to improve its financial position during the current fiscal year. Community colleges received additional funding for the FY12 year through the legislature. The continuing decline in the demographics of high school students continues to be a concern for College officials.

- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost. We are leveraging our contract with SunGard Higher Education to help develop strategies to meet this demand.
- Demographics of the area continue to be a source of concern. The number of high school graduates will decline over the next five years and the population continues to age. This could impact enrollment at the College.
- Economic impacts on businesses will have an impact on our student population and demand for retraining of workers. Funding through Iowa Workforce Development to assist in some of this training has a limited period of availability. Changes in state deliveries and state offices in smaller communities will continue to increase demand for college services.
- Expenses will continue to increase due to normal increases in salaries and benefits. Higher utility costs will also contribute to increased costs of operation. Though we have been implementing strategies for efficiencies in usage, utility costs keep rising.
- State financial concerns and unknown funding from the state are challenging the ways the College practices purchasing and hiring.

CONTACT THE COLLEGE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Statement of Net Assets

At June 30, 2011

	Primary Institution	<u>Component Unit</u> Foundation
Assets		
Current Assets		
Cash and certificates of deposit	\$ 22,992,004	\$ 1,129,431
Receivables		
Accounts (net of allowance for doubtful accounts		
College - \$244,492).....	1,572,167	—
College bookstore	—	50,000
Property tax - succeeding year	3,776,652	—
Notes (net of allowance for doubtful accounts -		
College - \$28,555).....	62,898	—
Iowa Industrial New Jobs Training Program	1,167,267	—
Contributions.....	—	376,380
Due from other governments	1,134,590	—
Prepaid expenses.....	41,886	—
Inventories	213,041	—
Total Current Assets	<u>30,960,505</u>	<u>1,555,811</u>
 Noncurrent Assets		
Investment in marketable securities	—	15,267,919
Receivables		
Notes.....	55,169	—
Iowa Industrial New Jobs Training Program	1,506,752	—
Investment in Commonfund Realty Investors, LLC	—	6,399
Investments in real estate.....	—	543,656
Beneficial interest in assets held by others	—	288,538
Capital assets, net of accumulated depreciation/amortization	<u>22,169,592</u>	<u>—</u>
Total Noncurrent Assets	<u>23,731,513</u>	<u>16,106,512</u>
 Total Assets	 <u>\$ 54,692,018</u>	 <u>\$ 17,662,323</u>

See accompanying notes to the financial statements.

	Primary Institution	<u>Component Unit Foundation</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,358,500	\$ 17,576
Due to North Iowa Area Community College Foundation.....	50,000	—
Salaries and benefits payable	1,048,977	—
Deferred compensation	32,375	—
Interest payable	25,311	—
Compensated absences.....	263,577	—
Insurance claims incurred but not reported	280,022	—
Deposits held in custody for others	567,651	—
Deferred Revenue		
Succeeding year property tax	3,776,652	—
Tuition	257,006	—
Other	593,136	—
Early retirement payable.....	181,411	—
Certificates payable	1,425,000	—
Notes payable.....	200,000	—
Total Current Liabilities	<u>10,059,618</u>	<u>17,576</u>
Noncurrent Liabilities		
Early retirement payable.....	451,375	—
Deferred revenue, other	1,605,781	—
Deferred compensation	45,000	—
Annuity payable	—	76,384
Certificates payable	5,320,000	—
Notes payable.....	1,150,000	—
Net OPEB liability	398,552	—
Refundable advances on student loans	31,948	—
Total Noncurrent Liabilities.....	<u>9,002,656</u>	<u>76,384</u>
Total Liabilities	<u>19,062,274</u>	<u>93,960</u>
Net Assets		
Invested in capital assets, net of related debt	20,819,592	—
Restricted		
Nonexpendable.....	—	3,438,973
Expendable		
Loans	16,324	—
Cash reserve.....	285,793	—
Other	2,690,856	12,106,557
Unrestricted	11,817,179	2,022,833
Total Net Assets	<u>35,629,744</u>	<u>17,568,363</u>
Total Liabilities and Net Assets	<u>\$ 54,692,018</u>	<u>\$ 17,662,323</u>

Statement of Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2011

	Primary Institution	<u>Component Unit</u> Foundation
Operating Revenue		
Tuition and fees, net of scholarship allowances of \$3,512,660	\$ 8,100,847	\$ —
Federal appropriations.....	3,384,491	—
Sales and services	230,476	—
Iowa Industrial New Jobs Training Program.....	1,801,669	—
Auxiliary enterprises	3,877,228	—
Contributions	—	1,055,263
Miscellaneous.....	<u>282,828</u>	<u>123,464</u>
Total Operating Revenue.....	<u>17,677,539</u>	<u>1,178,727</u>
Operating Expenses		
Education and Support		
Liberal arts and sciences	6,507,018	—
Vocational technical	3,590,306	—
Adult education	3,746,410	—
Cooperative services	2,216,579	—
Administration	1,678,194	—
Student services	3,327,961	—
Learning resources	580,609	—
Physical plant.....	2,301,849	—
General institution	2,916,658	—
Auxiliary enterprises	3,880,312	—
Scholarships and grants.....	2,539,414	—
Administrative and collection costs.....	225,175	—
Program services.....	—	843,117
Fundraising expenses	—	109,667
Management and general expenses	—	37,518
Depreciation/amortization.....	<u>1,298,813</u>	<u>—</u>
Total Operating Expenses.....	<u>34,809,298</u>	<u>990,302</u>
Operating Income (Loss).....	<u>(17,131,759)</u>	<u>188,425</u>
Nonoperating Revenue (Expenses)		
State appropriations	10,397,623	—
Pell grant	5,656,272	—
Property tax	3,690,404	—
Gifts	516,855	—
Investment income, net of investment expense of \$48,090 for the Foundation.....	162,811	2,455,438
Loss on sale of capital assets.....	(30,991)	—
Interest on indebtedness	<u>(436,614)</u>	<u>—</u>
Net Nonoperating Revenue	<u>19,956,360</u>	<u>2,455,438</u>
Increase in Net Assets	2,824,601	2,643,863
Net Assets - Beginning of Year	<u>32,805,143</u>	<u>14,924,500</u>
Net Assets - End of Year.....	<u>\$ 35,629,744</u>	<u>\$ 17,568,363</u>

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended June 30, 2011

Cash Flows From Operating Activities

Tuition and fees	\$ 7,927,705
Federal appropriations.....	2,969,712
Iowa Industrial New Jobs Training Program.....	963,202
Payments to employees for salaries and benefits	(19,839,673)
Payments to suppliers for goods and services	(12,054,146)
Payments to New Jobs Training Program recipients.....	(1,251,282)
Scholarships	(158,031)
Loans issued	(28,800)
Loan collections.....	23,829
Auxiliary enterprise receipts	4,004,034
Other receipts.....	509,405
Net Cash Used in Operating Activities	<u>(16,934,045)</u>

Cash Flows From Noncapital Financing Activities

State appropriations	10,502,473
Pell grant	5,656,272
Property tax	3,690,404
Gifts	516,855
Federal direct lending receipts	8,505,197
Federal direct lending disbursements.....	(8,515,791)
Proceeds from issuance of debt.....	1,915,000
Principal paid on debt.....	(1,725,000)
Interest paid on debt.....	(381,506)
Miscellaneous agency fund receipts.....	283,998
Miscellaneous agency fund disbursements.....	(439,360)
Net Cash Provided by Noncapital Financing Activities	<u>20,008,542</u>

Cash Flows From Capital and Related Financing Activities

Acquisition of capital assets	(1,325,585)
Proceeds from sale of capital assets.....	10,000
Principal paid on debt.....	(195,000)
Interest paid on debt.....	(58,150)
Net Cash Used in Capital and Related Financing Activities	<u>(1,568,735)</u>

Cash Flows From Investing Activities

Investment income	<u>162,811</u>
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Net Increase in Cash and Certificates of Deposit..... **1,668,573**

Cash and Certificates of Deposit at Beginning of Year

	<u>21,323,431</u>
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Cash and Certificates of Deposit at End of Year **\$ 22,992,004**

Statement of Cash Flows

Year Ended June 30, 2011

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

Loss from operations	\$ (17,131,759)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Depreciation/amortization	1,298,813
Changes in Assets and Liabilities	
Increase in accounts receivable, net	(94,056)
Increase in notes receivable, net	(4,971)
Increase in Iowa Industrial New Jobs Training Program receivable	(318,912)
Increase in due from governments	(62,194)
Decrease in prepaid expenses	22,525
Decrease in inventories	44,015
Increase in accounts payable	737,101
Increase in salaries and benefits payable.....	14,207
Decrease in deferred revenue	(835,734)
Increase in deferred compensation	25,000
Decrease in compensated absences.....	(222,618)
Decrease in early retirement payable	(745,538)
Increase in reserve for unsubmitted insurance claims.....	132,161
Increase in refundable advances on student loans	1,655
Increase in deposits held in custody.....	7,415
Increase in net OPEB liability	<u>198,845</u>
Net Cash Used in Operating Activities	<u>\$ (16,934,045)</u>

Supplemental Disclosure

Capital and Related Financing Activities

At June 30, 2011

Cost of property and equipment.....	\$ 1,432,518
Amounts Payable	
Current year	<u>(106,933)</u>
Cash Paid for Property and Equipment	<u>\$ 1,325,585</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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

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

Reporting Entity

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

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

Discrete Component Unit

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

The Foundation is a nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Basis of Presentation

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

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

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

Unrestricted Net Assets

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

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

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

Measurement Focus and Basis of Accounting

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Assets, Liabilities and Net Assets

Cash and Certificates of Deposit

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

Certificates of deposit are stated at cost.

Due from Other Governments

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

Inventories

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

Property Tax Receivable

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

Receivable for Iowa Industrial New Jobs Training Program (NJTP)

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

Capital Assets

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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

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

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

Buildings and improvements	20 - 50 Years
Intangibles	4 - 15 Years
Other structures	20 - 25 Years
Furniture, vehicles and equipment	4 - 20 Years

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

Salaries and Benefits Payable

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

Deferred Revenue

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

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

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

Compensated Absences

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

Refundable Advances on Student Loans

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Tuition and Fees

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

Auxiliary Enterprise Revenue

Auxiliary enterprise revenue primarily represents revenue generated by the dormitories, bookstore, food service, auditorium and athletics.

Operating and Nonoperating Activities

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

Scholarship Allowances and Student Aid

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

Income Taxes

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

Estimates and Assumptions

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

Notes to the Financial Statements

(2) Cash and Certificates of Deposit

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

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

Foundation

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

The Foundation's marketable securities are reported in accordance with Financial Accounting Standards Board Accounting Standards Codification. Under this codification, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of net assets. Unrealized gains and losses are included in the change in net assets.

Marketable securities and other investments are stated at fair value. Fair value and unrealized appreciation at June 30, 2011 are summarized as follows:

	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Mutual Funds (Common Fund)			
Multi-Strategy Equity Fund.....	\$ 5,327,809	\$ 9,693,012	\$ 4,365,203
Multi-Strategy Bond Fund	4,649,876	5,426,750	776,874
Intermediate Term Fund.....	<u>130,304</u>	<u>128,813</u>	<u>(1,491)</u>
	10,107,989	15,248,575	5,140,586
Corporate stocks	<u>62,769</u>	<u>19,344</u>	<u>(43,425)</u>
	<u>\$ 10,170,758</u>	<u>\$ 15,267,919</u>	<u>\$ 5,097,161</u>

Interest Rate Risk

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

Notes to the Financial Statements

(3) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Capital Assets Not Being Depreciated/Amortized				
Land	\$ 340,756	\$ —	\$ —	\$ 340,756
Construction in progress	<u>182,602</u>	<u>539,793</u>	<u>182,602</u>	<u>539,793</u>
Total Capital Assets Not Being Depreciated/Amortized.....	<u>523,358</u>	<u>539,793</u>	<u>182,602</u>	<u>880,549</u>
Capital Assets Being Depreciated/Amortized				
Buildings.....	32,987,490	789,320	44,555	33,732,255
Other structures and improvements...	2,624,671	—	—	2,624,671
Intangibles.....	1,680,179	108,620	—	1,788,799
Furniture, vehicles and equipment.....	<u>5,024,861</u>	<u>177,387</u>	<u>17,500</u>	<u>5,184,748</u>
Total Capital Assets Being Depreciated/Amortized.....	<u>42,317,201</u>	<u>1,075,327</u>	<u>62,055</u>	<u>43,330,473</u>
Less Accumulated Depreciation/Amortization for				
Buildings.....	13,458,556	767,665	3,564	14,222,657
Intangibles.....	1,164,760	167,197	—	1,331,957
Other structures and improvements...	2,068,791	69,261	—	2,138,052
Furniture, vehicles and equipment.....	<u>4,071,574</u>	<u>294,690</u>	<u>17,500</u>	<u>4,348,764</u>
Total Accumulated Depreciation/ Amortization	<u>20,763,681</u>	<u>1,298,813</u>	<u>21,064</u>	<u>22,041,430</u>
Net Total Capital Assets Being Depreciated/Amortized.....	<u>21,553,520</u>	<u>(223,486)</u>	<u>40,991</u>	<u>21,289,043</u>
Capital Assets, Net	<u>\$ 22,076,878</u>	<u>\$ 316,307</u>	<u>\$ 223,593</u>	<u>\$ 22,169,592</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Current Portion
Certificates payable	\$ 6,555,000	\$ 1,915,000	\$ 1,725,000	\$ 6,745,000	\$ 1,425,000
Notes payable.....	1,545,000	—	195,000	1,350,000	200,000
Early retirement benefits.....	1,378,324	18,025	763,563	632,786	181,411
Deferred revenue, other	3,149,372	170,628	1,121,083	2,198,917	593,136
Deferred compensation	52,375	25,000	—	77,375	32,375
Refundable advances on student loans	30,293	1,655	—	31,948	—
Net OPEB liability	<u>199,707</u>	<u>198,845</u>	<u>—</u>	<u>398,552</u>	<u>—</u>
	<u>\$ 12,910,071</u>	<u>\$ 2,329,153</u>	<u>\$ 3,804,646</u>	<u>\$ 11,434,578</u>	<u>\$ 2,431,922</u>

Notes to the Financial Statements

(4) Long-Term Liabilities

Certificates Payable

In accordance with agreements dated between June 1, 2001 and December 1, 2010, the College issued certificates totaling \$15,385,000 with interest rates ranging from 1.2% to 6.9%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
2012.....	\$ 1,425,000	\$ 314,082	\$ 1,739,082
2013.....	1,055,000	252,325	1,307,325
2014.....	885,000	206,733	1,091,733
2015.....	785,000	164,385	949,385
2016.....	830,000	125,563	955,563
2017-2020	<u>1,765,000</u>	<u>175,810</u>	<u>1,940,810</u>
Total	<u>\$ 6,745,000</u>	<u>\$ 1,238,898</u>	<u>\$ 7,983,898</u>

Total interest expenditures were \$378,464 for the certificates payable for the year ended June 30, 2011.

Notes Payable

The College has issued notes for the construction of a recreation center as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2011 notes payable indebtedness are as follows:

Year Ending June 30,	Note Issuance of October 16, 2007			Total
	Interest Rates	Principal	Interest	
2012.....	3.75 - 4.05%	\$ 200,000	\$ 50,863	\$ 250,863
2013.....	3.80 - 4.05	210,000	43,193	253,193
2014.....	3.85 - 4.05	220,000	35,038	255,038
2015.....	3.90 - 4.05	230,000	26,388	256,388
2016.....	3.95 - 4.05	240,000	17,233	257,233
2017.....	4.00 - 4.05	<u>250,000</u>	<u>7,563</u>	<u>257,563</u>
Total		<u>\$ 1,350,000</u>	<u>\$ 180,278</u>	<u>\$ 1,530,278</u>

Total interest expenditures were \$58,150 for the notes payable for the year ended June 30, 2011.

Early Retirement Benefits Payable

The liability at June 30, 2011 for those employees who have elected early retirement was \$632,786. For more details, see Note 8.

Notes to the Financial Statements

(5) Operating Leases

The College has leased various facilities within merged Area II to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire in 2012 and require various minimum annual rentals. Certain leases are renewable for additional periods. The College also leases several copiers, all with terms of five years, under operating leases. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

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

Year Ending June 30,	
2012.....	\$ 62,318
2013.....	42,441
2014.....	12,406
2015.....	<u>2,195</u>
Total.....	<u>\$ 119,360</u>

Total rental expenditures for the year ended June 30, 2011 for all operating leases was \$59,238.

(6) Iowa Public Employees Retirement System

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

Plan members are required to contribute 4.5% of their annual covered salary and the College is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The College's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 was \$436,010, \$451,069 and \$421,408, respectively, equal to the required contributions for the year.

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

The College contributes to the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 4.5% and the College is required to contribute 6.95%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2011 were \$460,562 and \$298,205, respectively.

Notes to the Financial Statements

(8) Termination Benefits

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

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

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

If a staff member is at least 59 years of age, has ten years of service and has accumulated at least 90 days of sick leave on February 1 of the year of retirement, they will receive a payment for their accumulated sick leave as follows: \$4,000 for professional salaried staff and faculty; \$3,100 for office personnel and associate staff members; and \$2,100 for physical plant staff members. Those who meet the age and service criteria will be paid proportionately if they have less than 90 days on February 1 of the retirement year.

Included in the early retirement liability is a provision for future health insurance benefits elected by 20 retirees. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2011, 26 retirees received early retirement benefits. The College's early retirement expense for the year ended June 30, 2011 was \$763,563.

(9) Other Postemployment Benefits (OPEB)

Plan Description

The College operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 207 active and 25 retired members in the plan. Employees must be age 55 or older at retirement.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the College's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution.....	\$ 192,358
Interest on net OPEB obligation	6,684
Adjustment to annual required contribution	<u>56,517</u>
Annual OPEB Cost	255,559
Contributions made	<u>(56,714)</u>
Increase in Net OPEB Obligation.....	198,845
Net OPEB Obligation - Beginning of Year	<u>199,707</u>
Net OPEB Obligation - End of Year.....	<u>\$ 398,552</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2011.

For the fiscal year 2011, the College contributed \$56,714 to the medical plan.

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 154,157	39.3%	\$ 93,526
June 30, 2010	173,847	38.9	199,707
June 30, 2011	255,559	22.2	398,552

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for the period of July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.482 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.482 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10.682 million, and the ratio of the UAAL to the covered payroll was 13.9%. 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, 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 that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the College's funding policy. The health cost trend rate is 6%.

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

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

(10) Risk Management

The College is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The College assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage during the year ended June 30, 2011.

Notes to the Financial Statements

(10) Risk Management

The College purchases commercial insurance for employee health and dental insurance. Beginning January 1, 1996, the College began a self-funding plan. The current plan self-funds from the health insurance \$1,000 deductible amount to the \$500 deductible amount. The activity in the reserve for unsubmitted insurance claims is as follows:

Beginning balance	\$ 147,861
Claims and changes in estimates	231,637
Claims and administrative fees paid	<u>(99,476)</u>
Ending Balance	<u>\$ 280,022</u>

(11) New Jobs Training Programs

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area II in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the case of default, from standby property tax. Since inception, the Community College has administered 132 projects with 29 currently receiving project funding. The remaining 103 projects have been completed, of which 19 are in repayment process and 84 have been fully repaid.

The College has receivables totaling approximately \$235,000 from employers who are making an attempt to pay the balance. However, it appears doubtful that the employers are going to be able to make the payments. The College has not set up an allowance as they intend to levy property taxes for these uncollectible accounts or transfer excess funds from other projects. Tax levies will correspond with the repayment schedule that would have been followed by the employers.

The College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Area II in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses receive loans from the Iowa Workforce Training Fund or the Grow Iowa Values Fund which are State administered funds. Since inception, the College has administered 192 projects, with 25 currently receiving project funding and the remaining 167 having been completed.

(12) Related Party Transactions

The North Iowa Area Community College Foundation (Foundation) provided funding for various projects of the College. The Foundation committed to and paid \$521,854 for the year ended June 30, 2011. The College also owed approximately \$50,000 to the Foundation as of June 30, 2011, which is reflected in the statement of net assets.

(13) Subsequent Events

Management has evaluated subsequent events through February 6, 2012, the date which the financial statements were available to be issued.

On November 17, 2011, the Board of Directors approved the issuance of \$2,050,000 in Industrial New Jobs Training Certificates (Series 2011-1).

On January 19, 2012, the Board of Directors approved the sale of refunding capital loan notes, Series 2012, in the amount of \$1,155,000. Proceeds will be used for the redemption of outstanding capital loan notes dated October 1, 2007.

Required Supplementary Information

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	\$ —	\$ 1,452,000	\$ 1,452,000	0.0%	\$ 11,381,000	12.76%
2010	7-1-08	—	1,452,000	1,452,000	0.0	11,534,000	12.59
2011	7-1-10	—	1,482,000	1,482,000	0.0	10,682,000	13.87

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

Other Supplementary Information

Schedule of Budgetary Comparison of Expenditures - Budget and Actual

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Unrestricted	\$ 22,086,002	\$ 22,086,002	\$ 21,910,041	\$ (175,961)
Restricted	6,820,971	8,820,971	4,793,762	(4,027,209)
Unemployment	55,000	55,000	102,735	47,735
Insurance.....	322,000	322,000	310,019	(11,981)
Early retirement	116,000	116,000	161,244	45,244
Equipment replacement...	<u>650,000</u>	<u>650,000</u>	<u>319,264</u>	<u>(330,736)</u>
Total Restricted.....	<u>7,963,971</u>	<u>9,963,971</u>	<u>5,687,024</u>	<u>(4,276,947)</u>
Plant	<u>2,004,168</u>	<u>2,004,168</u>	<u>822,380</u>	<u>(1,181,788)</u>
Total	<u>\$ 32,054,141</u>	<u>\$ 34,054,141</u>	<u>\$ 28,419,445</u>	<u>\$ (5,634,696)</u>

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

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

While the College overexpended its budget in the unemployment and early retirement functions, for the year ended June 30, 2011, the College's expenditures did not exceed the amount budgeted in total.

Note 1 - Reconciliation Between Budgetary Basis Statement and GAAP Expenses

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

Total actual expenditures above, budgetary basis	\$ 28,419,445
Items Not Required to be Budgeted	
Auxiliary enterprises.....	4,505,032
Scholarships and grants	5,811,200
Iowa Workforce Development contract	1,288,772
Loan funds	996
Retirement of indebtedness	58,150
Investment in plant.....	62,055
Combining adjustments	<u>(4,868,747)</u>
Total Expenses	<u>\$ 35,276,903</u>

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

Total operating expenses	\$ 34,809,298
Interest on indebtedness	436,614
Loss on sale of capital assets.....	<u>30,991</u>
Total Expenses	<u>\$ 35,276,903</u>

Other Supplementary Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Combining Balance Sheet Schedule

At June 30, 2011

	Current Funds		Loan Funds	Plant Funds		Agency Funds	Adjustments	Total
	Unrestricted	Restricted		Unexpended	Investment in Plant			
Assets								
Cash and certificates of deposit	\$ 8,389,825	\$ 10,642,355	\$ 19,862	\$ 3,699,051	\$ —	\$ 240,911	\$ —	\$ 22,992,004
Receivables								
Accounts (net of allowance for doubtful accounts - \$244,492)	1,278,343	134,441	—	—	—	159,383	—	1,572,167
Property tax - succeeding year	1,154,181	1,468,290	—	1,154,181	—	—	—	3,776,652
Notes (net of allowance for doubtful accounts - \$28,555)	—	89,657	28,410	—	—	—	—	118,067
Iowa Industrial New Jobs Training Program	—	2,674,019	—	—	—	—	—	2,674,019
Due from other funds	640,114	87,863	—	119,888	—	204	(848,069)	—
Due from other governments	239,547	587,931	—	42,741	—	264,371	—	1,134,590
Prepaid expenses	11,927	2,413	—	—	—	27,546	—	41,886
Inventories	213,041	—	—	—	—	—	—	213,041
Capital Assets								
Land	—	—	—	—	340,756	—	—	340,756
Buildings	—	—	—	—	33,732,255	—	—	33,732,255
Construction in progress	—	—	—	—	539,793	—	—	539,793
Other structures and improvements	—	—	—	—	2,624,671	—	—	2,624,671
Intangibles	—	—	—	—	1,788,799	—	—	1,788,799
Furniture and equipment	—	—	—	—	5,184,748	—	—	5,184,748
Accumulated depreciation/amortization	—	—	—	—	—	—	(22,041,430)	(22,041,430)
Total Assets	\$ 11,926,978	\$ 15,686,969	\$ 48,272	\$ 5,015,861	\$ 44,211,022	\$ 692,415	\$ (22,889,499)	\$ 54,692,018
Liabilities and Fund Balance								
Liabilities								
Accounts payable	\$ 397,780	\$ 911,879	\$ —	\$ 7,016	\$ —	\$ 41,825	\$ —	\$ 1,358,500
Due to North Iowa Area Community College Foundation	50,000	—	—	—	—	—	—	50,000
Salaries and benefits payable	1,107,031	65,282	—	—	—	—	(45,961)	1,126,352
Interest payable	—	25,311	—	—	—	—	—	25,311
Due to other funds	120,092	612,500	—	—	—	115,477	(848,069)	—
Compensated absences	206,531	57,046	—	—	—	—	—	263,577
Insurance claims incurred but not reported	280,022	—	—	—	—	—	—	280,022
Deposits held in custody for others	32,413	125	—	—	—	535,113	—	567,651
Deferred Revenue								
Succeeding year property tax	1,154,181	1,468,290	—	1,154,181	—	—	—	3,776,652
Tuition	69,579	—	—	—	—	—	187,427	257,006
Other	6,816	2,192,101	—	—	—	—	—	2,198,917
Early retirement payable	—	632,786	—	—	—	—	—	632,786
Certificates payable	—	6,745,000	—	—	—	—	—	6,745,000
Notes payable	—	—	—	1,350,000	—	—	—	1,350,000
Net OPEB liability	—	—	—	—	—	—	398,552	398,552
Refundable advances on student loans	—	—	31,948	—	—	—	—	31,948
Total Liabilities	3,424,445	12,710,320	31,948	2,511,197	—	692,415	(308,051)	19,062,274
Fund Balance								
Invested in capital assets, net of related debt	—	—	—	—	44,211,022	—	(23,391,430)	20,819,592
Restricted								
Expendable								
Loans	—	—	16,324	—	—	—	—	16,324
Cash reserve	—	285,793	—	—	—	—	—	285,793
Other	—	2,690,856	—	—	—	—	—	2,690,856
Unrestricted	6,356,022	—	—	2,504,664	—	—	809,982	9,670,668
Auxiliary enterprises	2,146,511	—	—	—	—	—	—	2,146,511
Total Fund Balance	8,502,533	2,976,649	16,324	2,504,664	44,211,022	—	(22,581,448)	35,629,744
Total Liabilities and Fund Balance	\$ 11,926,978	\$ 15,686,969	\$ 48,272	\$ 5,015,861	\$ 44,211,022	\$ 692,415	\$ (22,889,499)	\$ 54,692,018

Combining Schedule of Revenue, Expenditures and Changes in Fund Balance

Year Ended June 30, 2011

Revenue	Current Funds		Loan Funds	Plant Funds			Adjustments	Total
	Unrestricted	Restricted		Unexpended	Retirement of Indebtedness	Investment in Plant		
General								
State appropriations.....	\$ 8,819,473	\$ 845,657	\$ —	\$ 732,493	\$ —	\$ —	\$ —	\$ 10,397,623
Tuition and fees	11,626,515	—	—	—	—	—	(3,525,668)	8,100,847
Property tax.....	1,138,152	1,414,100	—	1,080,002	58,150	—	—	3,690,404
Federal appropriations.....	689,235	8,351,528	—	—	—	—	—	9,040,763
Sales and services.....	236,640	—	—	—	—	—	(6,164)	230,476
Interest on investments.....	51,854	89,717	817	13,851	—	—	—	156,239
Iowa Industrial New Jobs Training Program	—	1,801,669	—	—	—	—	—	1,801,669
Increase in plant investment due to plant expenditures (including \$825,800 in current fund expenditures)	—	—	—	—	—	1,432,518	(1,432,518)	—
Gifts.....	143,462	185,440	100	1,454	—	—	—	330,456
Miscellaneous	321,418	597,228	2,818	32,815	—	—	(671,451)	282,828
Total General	23,026,749	13,285,339	3,735	1,860,615	58,150	1,432,518	(5,635,801)	34,031,305
Auxiliary Enterprises								
Sales and services.....	4,559,269	—	—	—	—	—	(717,817)	3,841,452
Interest on investments.....	6,572	—	—	—	—	—	—	6,572
Gifts.....	186,399	—	—	—	—	—	—	186,399
Miscellaneous	35,776	—	—	—	—	—	—	35,776
Total Auxiliary Enterprises	4,788,016	—	—	—	—	—	(717,817)	4,070,199
Total Revenue.....	27,814,765	13,285,339	3,735	1,860,615	58,150	1,432,518	(6,353,618)	38,101,504
Expenditures								
Education and Support								
Liberal arts and sciences	6,349,786	154,770	—	—	—	—	2,462	6,507,018
Vocational technical	3,368,642	949,529	—	—	—	—	(727,865)	3,590,306
Adult education	2,080,105	1,700,414	—	—	—	—	(34,109)	3,746,410
Cooperative services	51,059	2,953,039	—	—	—	—	(787,519)	2,216,579
Administration	1,567,642	108,492	—	—	—	—	2,060	1,678,194
Student services	2,946,546	384,905	—	—	—	—	(3,490)	3,327,961
Learning resources	551,845	25,288	—	—	—	—	3,476	580,609
Physical plant.....	2,265,867	63,041	—	—	—	—	(27,059)	2,301,849
General institution	2,728,549	257,854	—	—	—	—	(69,745)	2,916,658
Total Education and Support.....	21,910,041	6,597,332	—	—	—	—	(1,641,789)	26,865,584
Auxiliary enterprises	4,505,032	—	—	—	—	—	(624,720)	3,880,312
Scholarships and grants.....	—	5,811,200	—	—	—	—	(3,271,786)	2,539,414
Administrative and collection costs.....	—	—	996	224,179	—	—	—	225,175
Plant asset acquisitions.....	—	—	—	598,201	—	—	(598,201)	—
Disposal of plant assets.....	—	—	—	—	—	62,055	(62,055)	—
Interest on indebtedness.....	—	378,464	—	—	58,150	—	—	436,614
Depreciation/amortization.....	—	—	—	—	—	—	1,298,813	1,298,813
Loss on sale of capital assets.....	—	—	—	—	—	—	30,991	30,991
Total Expenditures.....	26,415,073	12,786,996	996	822,380	58,150	62,055	(4,868,747)	35,276,903
Revenue Over (Under) Expenditures.....	1,399,692	498,343	2,739	1,038,235	—	1,370,463	(1,484,871)	2,824,601
Other Financing Sources (Uses)								
Transfers in.....	399,352	230,963	—	35,062	—	—	(665,377)	—
Transfers out	(434,414)	(230,963)	—	—	—	—	665,377	—
Total Other Financing Sources (Uses).....	(35,062)	—	—	35,062	—	—	—	—
Net.....	1,364,630	498,343	2,739	1,073,297	—	1,370,463	(1,484,871)	2,824,601
Fund Balances - Beginning of Year.....	7,137,903	2,478,306	13,585	1,431,367	—	42,840,559	(21,096,577)	32,805,143
Fund Balances - End of Year.....	\$ 8,502,533	\$ 2,976,649	\$ 16,324	\$ 2,504,664	\$ —	\$ 44,211,022	\$ (22,581,448)	\$ 35,629,744

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

Year Ended June 30, 2011

	Education				Support					Total
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	
Revenue										
State appropriations	\$ 6,007,029	\$ 2,113,513	\$ 692,713	\$ —	\$ 6,218	\$ —	\$ —	\$ —	\$ —	\$ 8,819,473
Tuition and fees	7,461,964	2,658,955	1,151,598	—	352,748	1,250	—	—	—	11,626,515
Property tax	—	—	—	—	1,138,152	—	—	—	—	1,138,152
Federal appropriations.....	222,031	255,828	179,626	—	7,890	879	—	22,981	—	689,235
Sales and services	3,780	51,948	91,660	956	—	—	507	87,789	—	236,640
Interest on investments	—	—	—	—	51,623	—	—	—	231	51,854
Gifts	9,515	45,726	150	—	819	1,200	894	—	85,158	143,462
Miscellaneous	126,477	31,423	22,987	—	89,501	27,289	371	21,408	1,962	321,418
Total Revenue	13,830,796	5,157,393	2,138,734	956	1,646,951	30,618	1,772	132,178	87,351	23,026,749
Expenditures										
Salaries and benefits	6,017,872	2,901,809	1,377,029	16,824	1,054,295	2,308,482	403,537	1,044,551	767,475	15,891,874
Services.....	155,287	254,490	503,897	33,190	117,372	147,780	9,934	901,925	1,855,090	3,978,965
Materials and supplies.....	129,424	192,903	170,247	477	42,687	113,061	137,725	299,241	80,104	1,165,869
Travel.....	42,783	16,984	27,459	568	48,812	21,516	649	4,378	25,880	189,029
Plant asset acquisitions.....	4,420	2,456	1,473	—	9,823	6,385	—	15,772	—	40,329
Miscellaneous	—	—	—	—	294,653	349,322	—	—	—	643,975
Total Expenditures	6,349,786	3,368,642	2,080,105	51,059	1,567,642	2,946,546	551,845	2,265,867	2,728,549	21,910,041
Revenue Over (Under) Expenditures	7,481,010	1,788,751	58,629	(50,103)	79,309	(2,915,928)	(550,073)	(2,133,689)	(2,641,198)	1,116,708
Other Financing Uses										
Transfers out	—	—	—	—	—	(265,000)	—	(35,062)	—	(300,062)
Net	\$ 7,481,010	\$ 1,788,751	\$ 58,629	\$ (50,103)	\$ 79,309	\$ (3,180,928)	\$ (550,073)	\$ (2,168,751)	\$ (2,641,198)	\$ 816,646

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

Year Ended June 30, 2011

	Trade and Industry	Farm	Food Services	Auditorium	Dormitories	Athletics	Tech-Prep	BookZone	Miscellaneous	Total
Revenue										
Sales and services	\$ 37,308	\$ 230,546	\$ 1,000,538	\$ 473,132	\$ 1,575,977	\$ 234,676	\$ —	\$ 989,822	\$ 17,270	\$ 4,559,269
Interest on investments	312	332	3,769	511	19	—	50	—	1,579	6,572
Gifts	—	22,779	4,720	—	800	158,100	—	—	—	186,399
Miscellaneous	—	1,148	—	14,269	3,370	870	—	16,119	—	35,776
Total Revenue	<u>37,620</u>	<u>254,805</u>	<u>1,009,027</u>	<u>487,912</u>	<u>1,580,166</u>	<u>393,646</u>	<u>50</u>	<u>1,005,941</u>	<u>18,849</u>	<u>4,788,016</u>
Expenditures										
Salaries and benefits	—	23,760	447,091	64,627	178,148	14,659	—	98,837	—	827,122
Services	—	112,587	38,561	384,853	295,052	43,716	—	73,416	—	948,185
Materials and supplies	34,883	118,873	477,259	24,307	57,329	180,879	—	735,136	—	1,628,666
Travel	—	293	6,786	3,095	—	219,582	—	—	—	229,756
Plant asset acquisitions	—	—	16,303	—	—	—	—	—	—	16,303
Miscellaneous	—	—	—	—	651,239	199,706	—	4,055	—	855,000
Total Expenditures	<u>34,883</u>	<u>255,513</u>	<u>986,000</u>	<u>476,882</u>	<u>1,181,768</u>	<u>658,542</u>	<u>—</u>	<u>911,444</u>	<u>—</u>	<u>4,505,032</u>
Revenue Over (Under) Expenditures	<u>2,737</u>	<u>(708)</u>	<u>23,027</u>	<u>11,030</u>	<u>398,398</u>	<u>(264,896)</u>	<u>50</u>	<u>94,497</u>	<u>18,849</u>	<u>282,984</u>
Other Financing Sources (Uses)										
Transfers In	—	—	117,352	—	17,000	265,000	—	—	—	399,352
Transfers out	—	—	(117,352)	—	—	—	—	—	(17,000)	(134,352)
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>17,000</u>	<u>265,000</u>	<u>—</u>	<u>—</u>	<u>(17,000)</u>	<u>265,000</u>
Net	2,737	(708)	23,027	11,030	415,398	104	50	94,497	1,849	547,984
Fund Balances - Beginning of Year	65,290	(9,211)	536,796	95,076	52,431	(86,489)	9,660	102,335	149,101	914,989
Fund Balances - End of Year	<u>\$ 68,027</u>	<u>\$ (9,919)</u>	<u>\$ 559,823</u>	<u>\$ 106,106</u>	<u>\$ 467,829</u>	<u>\$ (86,385)</u>	<u>\$ 9,710</u>	<u>\$ 196,832</u>	<u>\$ 150,950</u>	<u>\$ 1,462,973</u>

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

Year Ended June 30, 2011

	Scholarships and Grants	Equipment Replace- ment	Insurance	Early Retirement	Unemploy- ment Compen- sation	Cash Reserve	Iowa Workforce Development Contract			Iowa Industrial New Jobs Training Program Adminis- tration	Iowa Industrial New Jobs Training Program	Miscel- laneous	Total
							Workforce Invest- ment Act	Tempo- rary Assist- ance for Needy Families	Other				
Revenue													
State appropriations	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 93,955	\$ 535,725	\$ —	\$ 215,977	\$ 845,657
Property tax	—	505,845	300,332	470,965	45,344	—	—	—	—	—	91,614	—	1,414,100
Federal appropriations.....	5,811,200	—	—	—	—	—	974,127	318,786	214,128	—	—	1,033,287	8,351,528
Interest on investments	—	4,957	149	—	31	—	132	—	—	36,628	38,407	9,413	89,717
Iowa Industrial New Jobs Training Program	—	—	—	—	—	—	—	—	—	—	1,801,669	—	1,801,669
Gifts	—	750	—	—	—	—	—	—	—	—	—	184,690	185,440
Miscellaneous	8	—	15,360	—	—	—	—	—	—	318,467	14,000	249,393	597,228
Total Revenue.....	5,811,208	511,552	315,841	470,965	45,375	—	974,259	318,786	308,083	890,820	1,945,690	1,692,760	13,285,339
Expenditures													
Salaries and benefits	—	—	—	161,244	102,735	—	427,835	255,596	200,643	158,519	—	1,072,111	2,378,683
Services.....	—	—	310,019	—	—	—	499,874	54,960	70,409	538,706	1,336,263	237,505	3,047,736
Materials and supplies.....	—	1,319	—	—	—	—	32,479	5,696	25,528	1,019	—	97,925	163,966
Travel.....	—	—	—	—	—	—	18,507	395	5,855	3,290	—	41,063	69,110
Plant asset acquisitions.....	—	317,945	—	—	—	—	1,994	2,139	5,648	—	—	577,886	905,612
Interest on indebtedness	—	—	—	—	—	—	—	—	—	—	378,464	—	378,464
Federal Pell Grant Program.....	5,656,272	—	—	—	—	—	—	—	—	—	—	—	5,656,272
Federal Supplemental Educational Opportunity Grants.....	154,928	—	—	—	—	—	—	—	—	—	—	—	154,928
Loan cancellations and bad debts	—	—	—	—	—	—	—	—	—	—	—	2,125	2,125
Private scholarships	—	—	—	—	—	—	—	—	—	—	—	30,100	30,100
Total Expenditures.....	5,811,200	319,264	310,019	161,244	102,735	—	980,689	318,786	308,083	701,534	1,714,727	2,058,715	12,786,996
Revenue Over (Under) Expenditures..	8	192,288	5,822	309,721	(57,360)	—	(6,430)	—	—	189,286	230,963	(365,955)	498,343
Other Financing Sources (Uses)													
Transfers in.....	—	—	—	—	—	—	—	—	—	230,963	—	—	230,963
Transfers out	—	—	—	—	—	—	—	—	—	—	(230,963)	—	(230,963)
Total Other Financing Sources (Uses)	—	—	—	—	—	—	—	—	—	230,963	(230,963)	—	—
Net.....	8	192,288	5,822	309,721	(57,360)	—	(6,430)	—	—	420,249	—	(365,955)	498,343
Fund Balances - Beginning of Year.....	1,999	921,200	97,798	(1,724,323)	19,411	285,793	—	—	27,731	1,768,629	—	1,080,068	2,478,306
Fund Balances - End of Year	\$ 2,007	\$ 1,113,488	\$ 103,620	\$ (1,414,602)	\$ (37,949)	\$ 285,793	\$ (6,430)	\$ —	\$ 27,731	\$ 2,188,878	\$ —	\$ 714,113	\$ 2,976,649

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

Year Ended June 30, 2011

	Fine Arts	Student Organi- zations	Iowa Small Business New Jobs Training Program	Federal Direct Student Loan Program	Miscel- laneous	Total
Balances - Beginning of Year	\$ 48,754	\$ 143,178	\$ 335,716	\$ —	\$ 93,853	\$ 621,501
Additions						
State appropriations ...	—	—	105,433	—	—	105,433
Federal appropriations	—	—	—	8,515,791	—	8,515,791
Tuition and fees	2,900	104,657	—	—	—	107,557
Sales and services	26,548	23,870	—	—	30	50,448
Interest on investments	261	1,053	1,478	—	1,852	4,644
Miscellaneous	1,110	100	—	—	103,383	104,593
Total Additions	<u>30,819</u>	<u>129,680</u>	<u>106,911</u>	<u>8,515,791</u>	<u>105,265</u>	<u>8,888,466</u>
Deductions						
Salaries and benefits ..	595	6,113	—	—	5,191	11,899
Services	14,742	53,315	235,169	8,515,791	88,638	8,907,655
Materials and supplies	5,702	13,452	—	—	2,824	21,978
Travel	1,085	25,170	—	—	7	26,262
Miscellaneous	1,060	6,000	—	—	—	7,060
Total Deductions ..	<u>23,184</u>	<u>104,050</u>	<u>235,169</u>	<u>8,515,791</u>	<u>96,660</u>	<u>8,974,854</u>
Balances - End of Year	<u>\$ 56,389</u>	<u>\$ 168,808</u>	<u>\$ 207,458</u>	<u>\$ —</u>	<u>\$ 102,458</u>	<u>\$ 535,113</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture			
Direct			
Rural Microentrepreneur Assistance Program	10.870		<u>\$ 76,960</u>
U.S. Department of Labor			
Indirect			
Pass-Through Iowa Workforce Development			
Employment Service Cluster			
Employment Service/Wagner-Peyser Funded Activities	17.207	7-W-02-FR-0	157,249
ARRA - Employment Service/Wagner-Peyser Funded Activities	17.207		5,776
Disabled Veterans' Outreach Program.....	17.801	7-W-02-FR-0	5,659
Local Veterans' Employment Representative Program	17.804	7-W-02-FR-0	<u>5,163</u>
Total Employment Service Cluster.....			<u>173,847</u>
Unemployment Insurance	17.225	7-W-02-FR-0	<u>85,202</u>
Trade Adjustment Assistance.....	17.245	7-W-02-FR-0	<u>3,076</u>
Workforce Investment Act Cluster			
WIA Adult Program	17.258	7-W-02-FR-0	166,606
WIA Youth Activities.....	17.259	7-W-02-FR-0	210,560
WIA Dislocated Workers	17.260	7-W-02-FR-0	117,776
WIA National Emergency Grants	17.277		82,046
ARRA - WIA National Emergency Grants.....	17.277		19,917
WIA Dislocated Worker Formula Grants.....	17.278		<u>218,134</u>
Total Workforce Investment Act Cluster			<u>815,039</u>
Incentive Grants - WIA Section 503	17.267	7-W-02-FR-0	<u>42,690</u>
Total U.S. Department of Labor			<u>1,119,854</u>
U.S. Small Business Administration			
Indirect			
Pass-Through Iowa State University			
Small Business Development Centers	59.037		<u>91,254</u>
U.S. Department of Veterans Affairs			
Direct			
Vocational Rehabilitation for Disabled Veterans	64.116		<u>679</u>
U.S. Department of Energy			
Indirect			
Pass-Through Iowa Economic Development Authority			
State Energy Program.....	81.041		<u>22,981</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Education			
Direct			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 66,642
Federal Work-Study Program.....	84.033		88,255
Federal Pell Grant Program	84.063		5,663,802
Federal Direct Student Loans.....	84.268		8,515,791
Academic Competitiveness Grants	84.375		<u>88,286</u>
Total Student Financial Assistance Cluster			<u>14,422,776*</u>
TRIO Student Support Services.....	84.042		<u>273,570</u>
Total Direct			<u>14,696,346</u>
Indirect			
Pass-Through Iowa Department of Education			
Adult Education - Basic Grants to States	84.002		<u>130,286</u>
Higher Education Institutional Aid	84.031		<u>370,001</u>
Career and Technical Education - Basic Grants to States.....	84.048		<u>177,187</u>
Tech-Prep Education.....	84.243		<u>78,074</u>
State Fiscal Stabilization Fund Cluster			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.....	84.394		311,054
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397		<u>41,376</u>
Total State Fiscal Stabilization Fund Cluster			<u>352,430</u>
Total Indirect			<u>1,107,978</u>
Total U.S. Department of Education.....			<u>15,804,324</u>
U.S. Department of Health and Human Services			
Indirect			
Pass-Through Iowa Department of Education			
Student Financial Assistance Cluster			
Nursing Student Loans	93.364		<u>54,665*</u>
Pass-Through Iowa Workforce Development			
Temporary Assistance for Needy Families Cluster			
Temporary Assistance for Needy Families	93.558	9-W-02-FN-0	318,786
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714		<u>29,203</u>
Total Temporary Assistance for Needy Families Cluster			<u>347,989</u>
Medicaid Infrastructure Grants to Support the Competitive Employment of People With Disabilities	93.768	10-W-PF-DN-0-02	<u>32,427</u>
Total U.S. Department of Health and Human Services.....			<u>435,081</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
Corporation for National and Community Service			
Direct			
Retired and Senior Volunteer Program.....	94.002		<u>\$ 64,309</u>
Social Security Administration			
Indirect			
Pass-Through Iowa Workforce Development Social Security - Work Incentives Planning and Assistance Program.....	96.008	7-W-02-FR-0	<u>14,378</u>
Total Federal Financial Assistance.....			<u>\$ 17,629,820</u>

* Total Student Financial Assistance Cluster - \$14,477,441

(1) Basis of Presentation

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

(2) Loans Outstanding

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

The amount presented for Nursing Student Loans represents the balance of loans outstanding as of June 30, 2011 of \$54,665.

Statistical Section



Schedule of Credit and Contact Hours

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	62,231	—	62,231	—	—	—
Vocational education	16,258	—	16,258	—	—	—
Adult education/ continuing education	—	—	—	<u>153,607</u>	<u>38,735</u>	<u>192,342</u>
Total	<u>78,489</u>	<u>—</u>	<u>78,489</u>	<u>153,607</u>	<u>38,735</u>	<u>192,342</u>

Schedule of Tax and Intergovernmental Revenue

Years Ended June 30, 2002 Through 2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Local (property tax).....	\$ 3,690,404	\$ 3,346,110	\$ 3,379,636	\$ 3,209,007	\$ 2,962,592	\$ 2,810,438	\$ 2,757,931	\$ 2,903,480	\$ 2,792,992	\$ 2,405,825
State	10,397,623	8,880,845	10,554,683	10,782,145	9,789,440	9,244,435	8,674,524	7,862,838	7,942,213	8,497,683
Federal	<u>9,040,763</u>	<u>9,659,983</u>	<u>6,657,951</u>	<u>5,548,711</u>	<u>4,534,172</u>	<u>4,094,963</u>	<u>4,377,657</u>	<u>4,277,760</u>	<u>3,920,410</u>	<u>3,774,320</u>
Total	<u>\$ 23,128,790</u>	<u>\$ 21,886,938</u>	<u>\$ 20,592,270</u>	<u>\$ 19,539,863</u>	<u>\$ 17,286,204</u>	<u>\$ 16,149,836</u>	<u>\$ 15,810,112</u>	<u>\$ 15,044,078</u>	<u>\$ 14,655,615</u>	<u>\$ 14,677,828</u>

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

Years Ended June 30, 2002 Through 2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenue										
State appropriations	\$ 9,665,130	\$ 8,773,001	\$ 10,531,191	\$ 10,100,971	\$ 9,678,544	\$ 8,711,014	\$ 8,380,523	\$ 7,862,838	\$ 7,942,213	\$ 8,144,350
Tuition and fees	11,626,515	10,705,794	9,650,246	9,359,960	8,563,029	8,371,061	7,999,703	7,542,650	6,991,633	6,750,829
Property tax	2,552,252	2,254,691	2,338,744	2,224,032	2,001,291	1,897,426	1,865,506	1,944,177	1,842,351	1,476,735
Federal appropriations.....	9,040,763	9,659,983	6,609,386	5,092,587	4,446,171	4,094,963	4,377,657	4,277,760	3,920,410	3,774,320
Sales and services	236,640	221,024	220,654	239,945	251,662	364,703	321,134	451,282	543,487	562,753
Interest on investments	141,571	204,398	409,282	750,316	763,926	489,162	263,177	143,427	195,887	308,741
Iowa Industrial New Jobs Training Program.....	1,801,669	1,493,439	1,076,200	1,110,306	1,067,167	1,536,809	1,833,748	1,293,308	1,810,724	1,126,408
Auxiliary enterprises	4,788,016	4,602,336	4,389,782	3,806,512	3,589,113	3,048,076	1,566,038	836,274	850,365	802,581
Miscellaneous.....	1,247,548	1,170,835	1,397,021	1,926,115	2,046,803	1,784,495	2,045,179	1,638,369	1,731,013	2,332,450
Total Revenue	\$ 41,100,104	\$ 39,085,501	\$ 36,622,506	\$ 34,610,744	\$ 32,407,706	\$ 30,297,709	\$ 28,652,665	\$ 25,990,085	\$ 25,828,083	\$ 25,279,167
Expenditures										
Liberal arts and sciences.....	\$ 6,504,556	\$ 6,960,855	\$ 6,330,635	\$ 6,288,908	\$ 5,943,033	\$ 5,588,990	\$ 5,676,475	\$ 5,368,917	\$ 5,791,601	\$ 5,496,919
Vocational technical.....	4,318,171	3,973,228	3,991,555	3,904,936	3,085,462	3,267,663	3,266,549	3,075,553	3,177,517	3,195,220
Adult education.....	3,780,519	4,984,857	2,307,549	3,558,893	3,531,714	3,533,602	3,053,689	3,267,796	3,461,202	3,334,166
Cooperative services	3,004,098	2,213,919	1,926,100	2,291,350	1,786,208	2,077,615	2,153,615	1,456,014	1,905,524	1,446,772
Administration.....	1,676,134	1,582,055	1,601,812	1,742,303	1,570,535	1,407,399	1,189,597	1,126,724	1,052,522	888,246
Student services	3,331,451	3,754,950	3,625,311	3,500,896	3,105,053	3,078,987	2,715,377	2,441,405	2,198,980	2,031,108
Learning resources.....	577,133	534,090	561,378	569,277	529,873	540,632	582,289	467,132	476,031	484,121
Physical plant	2,328,908	2,614,665	1,957,665	1,840,561	1,980,149	2,067,471	2,006,982	1,923,055	1,689,474	2,221,039
General institution.....	2,986,403	2,108,574	2,083,980	2,051,474	2,202,957	1,680,644	1,561,915	1,361,546	1,306,644	1,138,786
Auxiliary enterprises	4,505,032	4,394,703	4,473,241	3,621,093	3,202,981	2,758,600	1,508,483	870,523	795,084	823,391
Scholarships and grants.....	5,811,200	4,662,335	3,060,557	2,461,990	2,272,500	2,111,449	2,431,863	2,382,837	2,092,749	1,914,420
Iowa Workforce Development contract...	—	—	2,202,003	1,189,384	999,964	975,731	1,126,671	1,049,312	1,013,050	1,105,290
Interest on indebtedness	378,464	416,447	461,414	480,212	517,985	457,792	468,070	466,249	467,138	510,655
Total Expenditures	\$ 39,202,069	\$ 38,200,678	\$ 34,583,200	\$ 33,501,277	\$ 30,728,414	\$ 29,546,575	\$ 27,741,575	\$ 25,257,063	\$ 25,427,516	\$ 24,590,133

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of North Iowa Area Community College, Mason City, Iowa, as of and for the year ended June 30, 2011, which along with the discretely presented component unit collectively comprise the College's basic financial statements, and have issued our report thereon dated February 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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 a material misstatement of North Iowa Area Community College's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying schedule of findings and questioned costs as item 11-II-IC-A to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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Mason City, Iowa
February 6, 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

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

Compliance

We have audited North Iowa Area Community College's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on North Iowa Area Community College's major federal programs for the year ended June 30, 2011. North Iowa Area Community College's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of North Iowa Area Community College's management. Our responsibility is to express an opinion on North Iowa Area Community College's compliance based on our audit.

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

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

Internal Control Over Compliance

The management of North Iowa Area Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered North Iowa Area Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Iowa Area Community College's internal control over compliance.

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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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

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

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
February 6, 2012

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiencies identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

Significant deficiencies identified not considered to be material weaknesses? yes none reported

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

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

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.007	Student Financial Assistance Cluster
	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grants
93.364	Nursing Student Loans
84.031	Higher Education Institutional Aid
	State Fiscal Stabilization Fund Cluster
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

Current year internal control deficiencies are as follows:

11-II-IC-A Travel Expenses - During our audit, we tested 34 disbursements for travel expenses, 2 of which were not supported by proper documentation.

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

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

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

There were no matters reported.

Part IV: Findings Related to Statutory Reporting

11-IV-A Certified Budget - While two categories of the budget were overexpended, in total, expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.

11-IV-B Questionable Disbursements - No expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted, except for those discussed in Finding 11-IV-C below.

11-IV-C Travel Expense - We tested 34 individual travel expense transactions. For two of those items, we found that there was a lack of documentation to show that the expense met the public purpose requirement as defined in an Attorney General's opinion dated April 25, 1979. Expenditures of College money for travel expenses of spouses of College officials or employees were noted; however, the College was reimbursed for all such expenditures.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2011

Auditor's Recommendation - We recommend that proper supporting documentation for all travel disbursements be required before they are paid.

College's Response - The College has requested that the documentation for expenses to be reimbursed be attached to the request for payment.

Auditor's Conclusion - Response accepted.

- 11-IV-D Business Transactions** - No business transactions between the College and College officials or employees were noted.
- 11-IV-E Bond Coverage** - Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 11-IV-F Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 11-IV-G Publication** - The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.
- 11-IV-H Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.
- 11-IV-I Credit and Contact Hours** - Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.