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, 2012

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Officials

Name	Title	Term Expires
Board of Directors		
(Before September, 2011 Election)		
John Heilskov	President	2011
Toni Noah	Vice President	2013
David Steffens, Jr.	Member	2013
James Niemants	Member	2013
Robert Davis	Member	2011
Gordon Anderson	Member	2013
Jean Torgeson	Member	2011
Karen Knudtson	Member	2011
Dean Cataldo	Member	2011
(After September, 2011 Election)		
John Heilskov	President	2015
Toni Noah	Vice President	2013
David Steffens, Jr.	Member	2013
James Niemants	Member	2013
Robert Davis	Member	2015
Gordon Anderson	Member	2013
Jean Torgeson	Member	2015
Karen Knudtson	Member	2015
Dean Cataldo	Member	2015

Officials

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

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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, and its discretely presented component unit as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of North Iowa Area Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component unit of the College discussed in Note 1, which represents 100% of the assets and revenue of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to that unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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 the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the 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 as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2013, 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.

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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 which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information on pages 32 through 45, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hogan - Hansen

HOGAN - HANSEN

Mason City, Iowa
January 29, 2013

North Iowa Area Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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, 2011 and ending June 30, 2012. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- College operating revenue decreased 3.89% in FY12. There are several reasons for the decrease. During FY12, the College experienced a loss in funding in Perkins, Adult Basic Education (ABE) and indirect funding for the State Energy Program. Federal dollars are considered operating revenue while State General Aid is considered non-operating revenue. Tuition and fees rates were increased by 5.03% for FY12. Revenue associated with the Iowa Industrial New Jobs Training Program decreased by 2.49% in FY12. 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 FY12 increased 0.97% over FY11. Salary and benefit costs increased 0.19%. The faculty and staff received an average salary increase of 2.5% and there was a 2.5% increase in the cost of the College's health insurance program. During the year, a few positions were open more than one month and there was a decrease in early retirement costs resulting in a net increase less than the amount of wage and benefit cost increases.

- Site development was continued for the Emergency Services Training Center. Our Facilities Master Plan was completed and delivered. We began central campus landscaping that included trees, sidewalks and sod. We engaged the services of a company to have a housing feasibility study done. With the information gained from the feasibility study, we began the discussion on creating new student housing.

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

	June 30, 2012	June 30, 2011
Current and other assets	$ 32,145,004	$ 30,960,505
Non-current assets	1,593,200	1,561,921
Capital assets, net of accumulated depreciation/amortization	21,422,042	22,169,592
Total assets	$ 55,160,246	$ 54,692,018
Current liabilities	$ 9,158,671	$ 10,059,618
Non-current liabilities	9,347,050	9,002,656
Total liabilities	18,505,721	19,062,274
Net assets:		
Invested in capital assets, net of related debt	20,267,042	20,819,592
Restricted, expendable	4,024,723	2,992,973
Unrestricted	12,362,760	11,817,179
Total net assets	36,654,525	35,629,744
Total liabilities and net assets	$ 55,160,246	$ 54,692,018

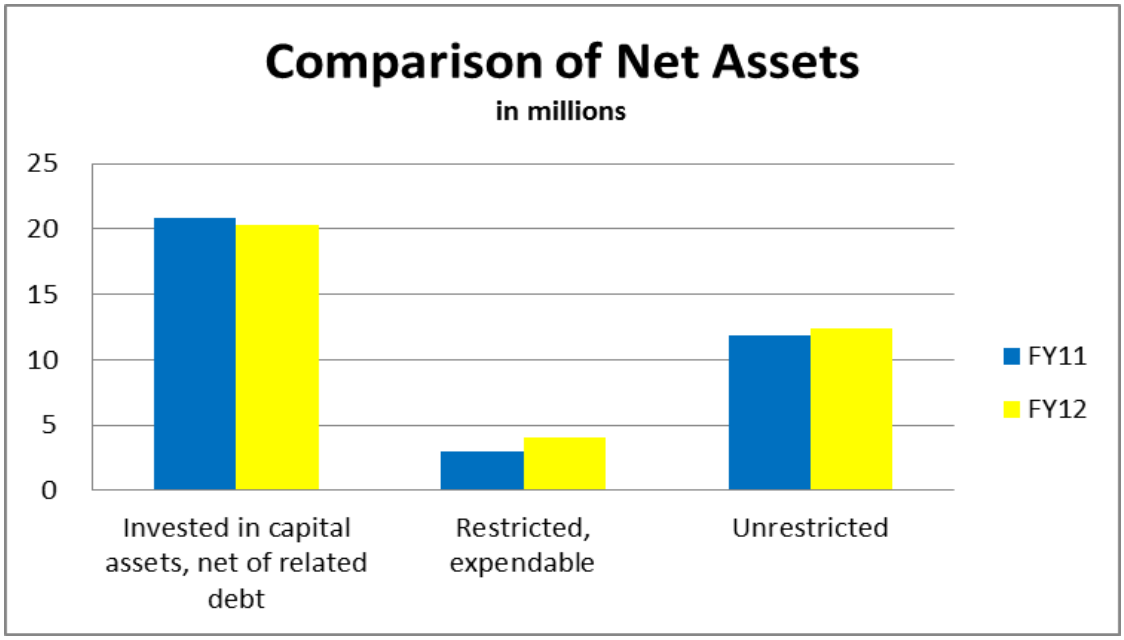
The largest portion of the College's net assets (55.29%) is invested in capital assets (e.g., land, infrastructure, buildings, intangibles and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets. The restricted portion of net assets (10.98%) includes resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets represent the remaining net assets (33.73%). These can be used to meet the College's obligations as they come due.

Restricted, expendable net assets in FY12 increased $1,031,750 from FY11 or 34.47%. There were fewer early retirements in FY12 compared to FY11. The negative balance that was created from prior 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 $545,581 or 4.62%. There was a net increase in Plant Fund net assets as revenue exceeded expenses for the year. Additional increases were the result in activities in the Auxiliary Services. Other increases are the result of either replacement of retirees at a reduced cost or because positions that were not filled. We continued to implement travel restrictions during 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 earned by the College, both operating and non-operating, and the expenses incurred 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 FY12 and FY11 amounts.

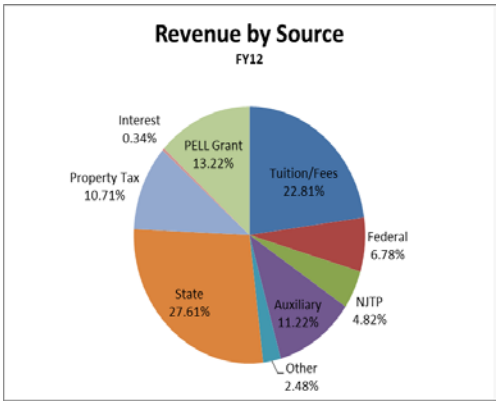


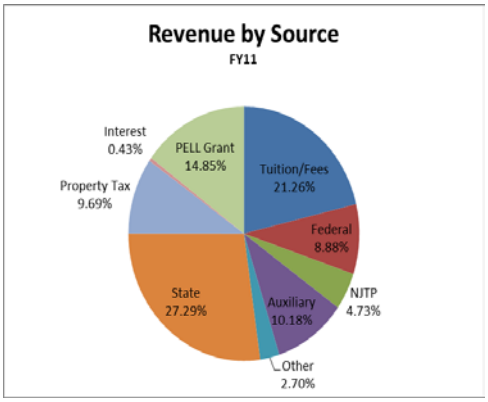
In general, a public college such as North Iowa Area Community College will report an operating loss, as the financial reporting model classifies state appropriations, Pell grant and property taxes as non-operating revenue. Operating revenue is received for providing goods and services to students, customers 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

	Year ended June 30, 2012	Year ended June 30, 2011
Operating revenue:		
Tuition and fees	$ 8,315,676	$ 8,100,847
Federal appropriations	2,472,940	3,384,491
Sales and services	204,290	230,476
Iowa Industrial New Jobs Training Program	1,756,858	1,801,669
Auxiliary enterprises	4,092,447	3,877,228
Miscellaneous	146,944	282,828
Total operating revenue	16,989,155	17,677,539
Total operating expenses	35,146,286	34,809,298
Operating loss	(18,157,131)	(17,131,759)
Non-operating revenue (expenses):		
State appropriations	10,068,392	10,397,623
Pell grant	4,821,643	5,656,272
Property tax	3,905,020	3,690,404
Gifts	553,095	516,855
Interest on investments	123,759	162,811
Loss on sale of capital assets	---	(30,991)
Donated capital assets	60,161	---
Bond premium	38,913	---
Interest on indebtedness	(389,071)	(436,614)
Net non-operating revenue	19,181,912	19,956,360
Increase in net assets	1,024,781	2,824,601
Net assets beginning of year	35,629,744	32,805,143
Net assets end of year	$ 36,654,525	$ 35,629,744

The Statement of Revenue, Expenses and Changes in Net Assets reflects a surplus with an increase ($1,024,781 or 2.88%) in the net assets at the end of the fiscal year but did show an increase ($1,025,372 or 5.98%) in net operating loss. Most of this change in operating loss is attributable to the increase in operating expenses along with the loss of operating revenue.





In FY12, operating revenue decreased $688,384 or 3.89%, as a net result of the following changes:

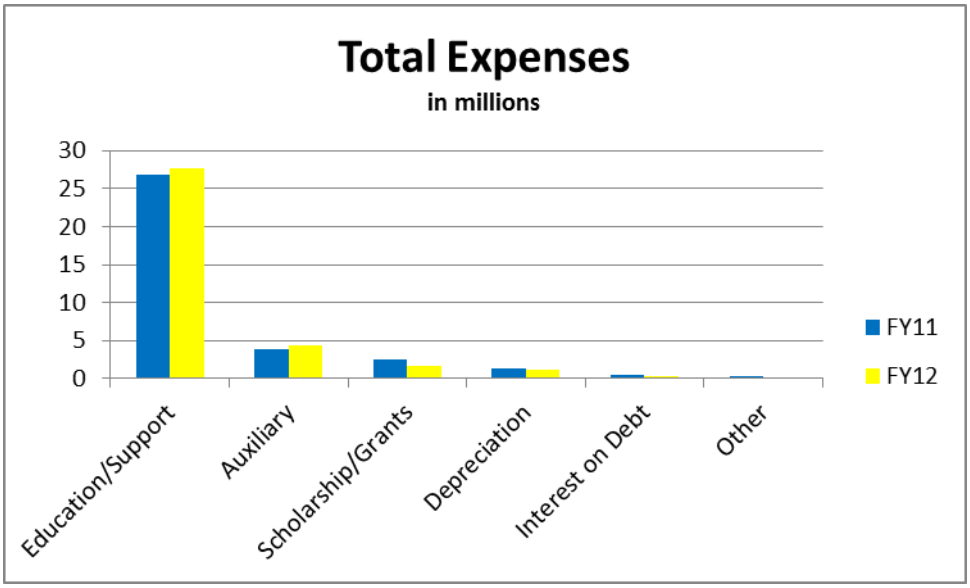
- Tuition for credit classes increased due to an increase in the tuition rate from $116.35 per credit hour in FY11 to $122.20 per credit hour in FY12. There was an increase in Continuing Education revenue between the two years indicating a change in the demand for our offerings.

- Federal revenue decreased $911,551 or 26.93% in FY12 under operating revenue because of discontinuation of the special ARRA funding that was received in FY11. There was no anticipation that this funding would continue. Under non-operating revenue, State appropriations decreased 3.17%. This is due in part to state support of State General Aid being increased over the prior year, along with a decrease in Workforce Training and Education Funds and State Iowa Works funding changes. Financial Aid activity, accounted for under non-operating activities, was less in FY12 because of a change in policy on packaging loans and the elimination of year-round PELL.

- Revenue associated with the Iowa Industrial New Jobs Training Program decreased by $44,811 in FY12. 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

	Year ended June 30, 2012	Year ended June 30, 2011
Education and support:		
Liberal arts and science	$ 6,619,974	$ 6,507,018
Vocational technical	3,571,247	3,590,306
Adult education	3,727,513	3,746,410
Cooperative services	2,264,573	2,216,579
Administration	2,179,853	1,678,194
Student services	3,763,149	3,327,961
Learning resources	577,099	580,609
Physical plant	2,306,978	2,301,849
General institution	2,698,920	2,916,658
Auxiliary enterprises	4,329,354	3,880,312
Scholarships and grants	1,632,336	2,539,414
Loan cancellations and bad debts	3,079	---
Administrative and collection costs	238,545	225,175
Depreciation/amortization	1,233,666	1,298,813
Total	$ 35,146,286	$ 34,809,298



In FY12, operating expenses increased by 0.97% mainly due to faculty and staff receiving an average salary increase of 2.5%, a 2.5% 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 FY12 and FY11.

Cash Flows

	Year ended June 30, 2012	Year ended June 30, 2011
Cash provided (used) by:		
Operating activities	$ (17,538,388)	$ (16,934,045)
Non-capital financing activities	19,987,490	20,008,542
Capital and related financing activities	(638,423)	(1,568,735)
Investing activities	123,759	162,811
Net increase in cash	1,934,438	1,668,573
Cash and certificates of deposit - beginning of the year	22,992,004	21,323,431
Cash and certificates of deposit - end of the year	$ 24,926,442	$ 22,992,004

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 Pell grant. This section includes New Jobs Training Certificate issuances as well as the repayment of these certificates. The decrease in cash flow is directly related to the decrease in state appropriations and pell grants in FY12.

Cash used for capital and related financing activities represents the proceeds from general obligation debt, principal and interest payments of general obligation debt for the Plant Fund and the purchase of capital assets. NIACC made fewer capital asset acquisitions in FY12.

Cash flows from investing activities reflect that funds were invested less in certificates of deposit than a year ago. Investment income decreased in FY12 by $39,052. This is due to lower interest rates available in FY12 and less opportunities for allowed investing.

CAPITAL ASSETS

At June 30, 2012 the College had $44,697,138 invested in capital assets, less accumulated depreciation/amortization of $23,275,096. Depreciation expense/amortization totaled $1,233,666 for the 2012 fiscal year. Details for the capital assets are shown below.

Capital Assets, Net, at Year End

	June 30, 2012	June 30, 2011
Land	$ 340,756	$ 340,756
Construction in progress	---	539,793
Buildings	19,288,657	19,509,598
Other structures and improvements	417,355	486,619
Intangibles	364,341	456,842
Furniture, vehicles and equipment	1,010,933	835,984
Total	$ 21,422,042	$ 22,169,592

The increases in assets were offset by the total depreciation charge and decrease in construction in progress for FY12. This accounts for the negative change in total Capital Assets, Net, for the end of the fiscal year.

Planned capital expenditures for FY13 include the beginning stages of construction of Student Housing, continued site development of the Emergency Services Training Facility and new program development for Diesel Technology. The College has begun planning the implementation of some of the items included in the completed Facilities Master Plan. The goal was to create a long-term building or repurposing of space for the future. This includes leveraging technology and efficient room usage. More detailed information about the College's capital assets is presented in Note 3 to the financial statements.

DEBT

At June 30, 2012, the College had $8,395,000 in debt outstanding, an increase of $300,000 from FY11. The table below summarizes these amounts by type.

Outstanding Debt

	June 30, 2012	June 30, 2011
Certificates payable	$ 7,240,000	$ 6,745,000
Notes payable	1,155,000	1,350,000
	$ 8,395,000	$ 8,095,000

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

ECONOMIC FACTORS

North Iowa Area Community College continued to improve its financial position during the current fiscal year. The 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 Ellucian (previously known as Sungard Higher Education) to help develop strategies for our faculty and students 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, as well as students working and enrolling in less total hours.

- Economic impacts on businesses will have an impact on our student population and demand for retraining of workers. Funding through Workforce Development to assist in some of this training has a limited period of availability. Changes in State deliveries and changes of 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 and Federal governments 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

As of June 30, 2012

	Primary Institution	Component Unit Foundation
Assets		
Current Assets		
Cash and certificates of deposit	$ 24,926,442	$ 1,206,154
Receivables		
Accounts (net of allowance for doubtful accounts College - $275,090)	1,092,107	—
College bookstore	—	61,925
Property tax - succeeding year	3,897,054	—
Notes (net of allowance for doubtful accounts - College - $30,805)	53,840	—
Iowa Industrial New Jobs Training Program	1,209,315	—
Contributions (net of allowance for uncollectible promises)	—	1,256,495
Due from other governments	655,063	—
Prepaid expenses	70,128	—
Inventories	241,055	—
Total Current Assets	**32,145,004**	**2,524,574**
Noncurrent Assets		
Investment in marketable securities	—	15,420,486
Receivables		
Notes	49,174	—
Iowa Industrial New Jobs Training Program	1,544,026	—
Investment in Commonfund Realty Investors, LLC	—	85,170
Investments in real estate	—	543,656
Beneficial interest in assets held by others	—	279,351
Capital assets, net of accumulated depreciation/amortization	21,422,042	—
Total Noncurrent Assets	**23,015,242**	**16,328,663**
Total Assets	**$ 55,160,246**	**$ 18,853,237**

See accompanying notes to the financial statements.

	Primary Institution	Component Unit Foundation
Liabilities		
Current Liabilities		
Accounts payable	$ 344,535	$ 490
Due to North Iowa Area Community College Foundation	61,925	—
Salaries and benefits payable	1,057,081	—
Interest payable	27,515	—
Compensated absences	245,086	—
Insurance claims incurred but not reported	350,280	—
Deposits held in custody for others	644,589	—
Deferred Revenue		
Succeeding year property tax	3,897,054	—
Tuition	369,843	—
Other	537,472	—
Early retirement payable	158,291	—
Certificates payable	1,245,000	—
Notes payable	220,000	—
Total Current Liabilities	**9,158,671**	**490**
Noncurrent Liabilities		
Early retirement payable	308,323	—
Deferred revenue, other	1,485,443	—
Deferred compensation	60,000	—
Annuity payable	—	60,535
Certificates payable	5,995,000	—
Notes payable	935,000	—
Net OPEB liability	532,707	—
Refundable advances on student loans	30,577	—
Total Noncurrent Liabilities	**9,347,050**	**60,535**
Total Liabilities	**18,505,721**	**61,025**
Net Assets		
Invested in capital assets, net of related debt	20,267,042	—
Restricted		
Nonexpendable	—	3,687,618
Expendable		
Loans	18,155	—
Cash reserve	285,793	—
Other	3,720,775	13,265,207
Unrestricted	12,362,760	1,839,387
Total Net Assets	**36,654,525**	**18,792,212**
Total Liabilities and Net Assets	**$ 55,160,246**	**$ 18,853,237**

Statement of Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2012

	Primary Institution	Component Unit Foundation
Operating Revenue		
Tuition and fees, net of scholarship allowances of $3,435,941	$ 8,315,676	$ —
Federal appropriations	2,472,940	—
Sales and services	204,290	—
Iowa Industrial New Jobs Training Program	1,756,858	—
Auxiliary enterprises	4,092,447	—
Contributions	—	2,059,309
Miscellaneous	146,944	154,360
Total Operating Revenue	**16,989,155**	**2,213,669**
Operating Expenses		
Education and Support		
Liberal arts and sciences	6,619,974	—
Vocational technical	3,571,247	—
Adult education	3,727,513	—
Cooperative services	2,264,573	—
Administration	2,179,853	—
Student services	3,763,149	—
Learning resources	577,099	—
Physical plant	2,306,978	—
General institution	2,698,920	—
Auxiliary enterprises	4,329,354	—
Scholarships and grants	1,632,336	—
Loan cancellations and bad debts	3,079	—
Administrative and collection costs	238,545	—
Program services	—	972,762
Fundraising expenses	—	117,019
Management and general expenses	—	30,715
Depreciation/amortization	1,233,666	—
Total Operating Expenses	**35,146,286**	**1,120,496**
Operating Income (Loss)	**(18,157,131)**	**1,093,173**
Nonoperating Revenue (Expenses)		
State appropriations	10,068,392	—
Pell grant	4,821,643	—
Property tax	3,905,020	—
Gifts	553,095	—
Interest on investments, net of investment expense of $49,091 for the Foundation	123,759	130,676
Donated capital assets	60,161	—
Bond premium	38,913	—
Interest on indebtedness	(389,071)	—
Net Nonoperating Revenue	**19,181,912**	**130,676**
Increase in Net Assets	**1,024,781**	**1,223,849**
Net Assets - Beginning of Year	35,629,744	17,568,363
Net Assets - End of Year	**$ 36,654,525**	**$ 18,792,212**

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended June 30, 2012

Cash Flows From Operating Activities	
Tuition and fees	$ 8,799,375
Federal appropriations	2,665,186
Iowa Industrial New Jobs Training Program	1,491,648
Payments to employees for salaries and benefits	(19,210,459)
Payments to suppliers for goods and services	(14,524,743)
Payments to New Jobs Training Program recipients	(1,012,939)
Scholarships	(201,147)
Loans issued	(40,700)
Loan collections	55,753
Auxiliary enterprise receipts	3,987,428
Other receipts	452,210
Net Cash Used in Operating Activities	**(17,538,388)**
Cash Flows From Noncapital Financing Activities	
State appropriations	10,198,646
Pell grant	4,821,643
Property tax	3,905,020
Gifts	553,095
Federal direct lending receipts	7,646,176
Federal direct lending disbursements	(7,488,599)
Proceeds from issuance of debt	2,050,000
Principal paid on debt	(1,555,000)
Interest paid on debt	(330,486)
Agency fund receipts	955,689
Agency fund disbursements	(768,694)
Net Cash Provided by Noncapital Financing Activities	**19,987,490**
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(425,955)
Proceeds from debt premiums	38,913
Proceeds from issuance of debt	1,155,000
Principal paid on debt	(1,350,000)
Interest paid on debt	(56,381)
Net Cash Used in Capital and Related Financing Activities	**(638,423)**
Cash Flows From Investing Activities	
Interest on investments	**123,759**
Net Increase in Cash and Certificates of Deposit	**1,934,438**
Cash and Certificates of Deposit - Beginning of Year	22,992,004
Cash and Certificates of Deposit - End of Year	**$ 24,926,442**

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended June 30, 2012

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	$ (18,157,131)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation/amortization	1,233,666
Changes in Assets and Liabilities	
Decrease in accounts receivable, net	363,517
Decrease in notes receivable, net	15,053
Increase in Iowa Industrial New Jobs Training Program receivable	(79,322)
Decrease in due from other governments	192,246
Increase in prepaid expenses	(28,242)
Increase in inventories	(28,014)
Decrease in accounts payable	(989,520)
Increase in salaries and benefits payable	8,104
Decrease in deferred revenue	(64,174)
Decrease in deferred compensation	(17,375)
Decrease in compensated absences	(18,491)
Decrease in early retirement payable	(166,172)
Increase in insurance claims incurred but not reported	70,258
Decrease in refundable advances on student loans	(1,371)
Decrease in deposits held in custody for others	(5,575)
Increase in net OPEB liability	134,155
Net Cash Used in Operating Activities	**$ (17,538,388)**

Supplemental Disclosure

Capital and Related Financing Activities

At June 30, 2012	
Cost of property and equipment	$ 486,116
Donated property and equipment	(60,161)
Cash Paid for Property and Equipment	**$ 425,955**

See accompanying 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.

(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/components:

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 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.

(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, 2012 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.

(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	$ 5,000
Buildings	5,000
Other structures and improvements	5,000
Intangibles	5,000
Furniture, vehicles and equipment	5,000

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

Buildings	20 - 50 Years
Other structures and improvements	20 - 50 Years
Intangibles	4 - 15 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, 2012.

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.

(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.

(2) Cash and Certificates of Deposit

The College's deposits in banks at June 30, 2012 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, 2012 are summarized as follows:

	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Mutual Funds (Common Fund)			
Multi-Strategy Equity Fund	$ 5,434,797	$ 9,475,863	$ 4,041,066
Multi-Strategy Bond Fund	4,850,035	5,794,070	944,035
Intermediate Term Fund	132,187	132,383	196
	10,417,019	15,402,316	4,985,297
Corporate stocks	62,759	18,170	(44,589)
	$ 10,479,778	**$ 15,420,486**	**$ 4,940,708**

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.

(3) Capital Assets

Capital assets activity for the College for the year ended June 30, 2012 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	539,793	—	539,793	—
Total Capital Assets Not Being Depreciated/Amortized	880,549	—	539,793	340,756
Capital Assets Being Depreciated/Amortized				
Buildings	33,732,255	562,782	—	34,295,037
Other structures and improvements	2,624,671	—	—	2,624,671
Intangibles	1,788,799	—	—	1,788,799
Furniture, vehicles and equipment	5,184,748	463,127	—	5,647,875
Total Capital Assets Being Depreciated/Amortized	43,330,473	1,025,909	—	44,356,382
Less Accumulated Depreciation/Amortization				
Buildings	14,222,657	783,723	—	15,006,380
Other structures and improvements	2,138,052	69,264	—	2,207,316
Intangibles	1,331,957	92,501	—	1,424,458
Furniture, vehicles and equipment	4,348,764	288,178	—	4,636,942
Total Accumulated Depreciation/ Amortization	22,041,430	1,233,666	—	23,275,096
Total Capital Assets Being Depreciated/Amortized, Net	21,289,043	(207,757)	—	21,081,286
Capital Assets, Net	**$ 22,169,592**	**$ (207,757)**	**$ 539,793**	**$ 21,422,042**

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Current Portion
Certificates payable	$ 6,745,000	$ 2,050,000	$ 1,555,000	$ 7,240,000	$ 1,245,000
Notes payable	1,350,000	1,155,000	1,350,000	1,155,000	220,000
Early retirement benefits	632,786	68,064	234,236	466,614	158,291
Deferred revenue, other	2,198,917	417,134	593,136	2,022,915	537,472
Deferred compensation	77,375	22,625	40,000	60,000	—
Refundable advances on student loans	31,948	—	1,371	30,577	—
Net OPEB liability	398,552	134,155	—	532,707	—
	$ 11,434,578	**$ 3,846,978**	**$ 3,773,743**	**$ 11,507,813**	**$ 2,160,763**

(4) Long-Term Liabilities

Certificates Payable

In accordance with agreements dated between June 1, 2002 and December 1, 2011, the College issued certificates totaling $14,765,000 with interest rates ranging from 0.5% to 6.9% per annum. The debt was incurred to fund the development and training costs incurred related 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 tax, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 1,245,000	$ 281,008	$ 1,526,008
2014	1,100,000	237,640	1,337,640
2015	1,005,000	194,180	1,199,180
2016	1,005,000	150,413	1,155,413
2017	795,000	107,815	902,815
2018-2021	2,090,000	155,194	2,245,194
Total	**$ 7,240,000**	**$ 1,126,250**	**$ 8,366,250**

Total interest expenditures were $332,690 for the certificates payable for the year ended June 30, 2012.

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, 2012 notes payable indebtedness are as follows:

	Note Issuance of March 5, 2012			
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	2.00%	$ 220,000	$ 22,000	$ 242,000
2014	2.00	225,000	17,550	242,550
2015	2.00	230,000	13,050	243,050
2016	2.00	240,000	8,400	248,400
2017	2.00	240,000	3,600	243,600
Total		**$ 1,155,000**	**$ 64,600**	**$ 1,219,600**

Total interest expenditures were $56,381 for the notes payable for the year ended June 30, 2012.

Early Retirement Benefits Payable

The liability at June 30, 2012 for those employees who have elected early retirement was $466,614. For more details, see Note 8.

(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 2014 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 or equipment. 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, 2012.

Year Ending June 30,	
2013	$ 55,259
2014	51,259
2015	39,920
2016	37,725
2017	37,725
Total	**$ 221,888**

Total rental expenditures for the year ended June 30, 2012 for all operating leases was $61,522.

(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 5.38% of their annual covered salary and the College is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The College's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 was $537,773, $436,010 and $451,069, 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 5.38% and the College is required to contribute 8.07%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2012 were $519,568 and $346,379, respectively.

(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 19 retirees. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2012, 21 retirees received early retirement benefits. The College's early retirement expense for the year ended June 30, 2012 was $234,236.

(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 employees and retirees and their spouses. There are 207 active and 25 retired members in the plan. Employees must be age 55 or older at retirement.

(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, 2012, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	$ 206,519
Interest on net OPEB obligation	9,964
Adjustment to annual required contribution	(21,378)
Annual OPEB Cost	195,105
Contributions made	(60,950)
Increase in Net OPEB Obligation	134,155
Net OPEB Obligation - Beginning of Year	398,552
Net OPEB Obligation - End of Year	**$ 532,707**

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, 2012.

For the fiscal year ended June 30, 2012, the College contributed $60,950 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 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 173,847	38.9%	$ 199,707
June 30, 2011	255,559	22.2	398,552
June 30, 2012	195,105	31.2	532,707

(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, 2011 through June 30, 2012, the actuarial accrued liability was $1.329 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $1.329 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 12.4%. As of June 30, 2012, 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 for the retiree health plan, 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%. An inflation rate of 0% is assumed for the purpose of this computation.

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, 2012.

(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	$ 280,022
Claims and changes in estimates	185,190
Claims and administrative fees paid	114,932
Ending Balance	**$ 350,280**

(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 136 projects with 27 currently receiving project funding. The remaining 109 projects have been completed, of which 20 are in repayment process and 89 have been fully repaid.

The College has receivables totaling $111,073 from an employer who is making an attempt to pay the balance. However, it appears doubtful that the employer is going to be able to make the payments. The College has not set up an allowance as they intend to levy property taxes for this uncollectible account or transfer excess funds from other projects. Tax levies will correspond with the repayment schedule that would have been followed by the employer.

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 216 projects, with 24 currently receiving project funding and the remaining 192 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 $558,095 for the year ended June 30, 2012. The College also owed $61,925 to the Foundation as of June 30, 2012, which is reflected in the statement of net assets.

(13) Subsequent Events

Management has evaluated subsequent events through January 29, 2013, the date which the financial statements were available to be issued.

On November 15, 2012, the Board of Directors approved the issuance of $2,895,000 in Industrial New Jobs Training Certificates (Series 2012-1).

On December 13, 2012, the Board of Directors approved the sale of dormitory revenue bond anticipation notes, Series 2012, in the amount of $9,995,000. Proceeds will be used for the construction of new student dormitories.

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]
2010	7-1-08	$ —	$ 1,452,000	$ 1,452,000	0.0%	$ 11,534,000	12.6%
2011	7-1-10	—	1,482,000	1,482,000	0.0	10,682,000	13.9
2012	7-1-10	—	1,329,000	1,329,000	0.0	10,682,000	12.4

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.

Supplementary Information

Supplementary Information

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 the College uses business-type activities reporting, this budgetary comparison information is included as supplementary information.

Schedules presented in 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.

Budgetary Comparison Schedule of Expenditures - Budget to Actual

Year Ended June 30, 2012

	Original and Final Budget	Actual	Over (Under) Budget
Unrestricted	$ 23,339,300	$ 23,220,067	$ (119,233)
Restricted	7,173,750	4,012,056	(3,161,694)
Unemployment	70,000	125,198	55,198
Insurance	315,000	248,995	(66,005)
Early retirement	116,000	58,726	(57,274)
Equipment replacement	750,000	361,661	(388,339)
Total Restricted	8,424,750	4,806,636	(3,618,114)
Plant	2,206,932	484,730	(1,722,202)
Total	**$ 33,970,982**	**$ 28,511,433**	**$ (5,459,549)**

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 function, for the year ended June 30, 2012, 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	$ 28,511,433
Items Not Required to be Budgeted	
Auxiliary enterprises	5,049,342
Scholarships and grants	4,909,328
Iowa Workforce Development contract	1,077,931
Loan funds	3,079
Retirement of indebtedness	56,381
Combining adjustments	(4,072,137)
Total Expenses	**$ 35,535,357**

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

Total operating expenses	$ 35,146,286
Interest on indebtedness	389,071
Total Expenses	**$ 35,535,357**

Combining Balance Sheet Schedule - All Funds

As of June 30, 2012

	Current Funds		Loan	Plant Funds		Agency		
	Unrestricted	Restricted	Funds	Unexpended	Investment in Plant	Funds	Adjustments	Total
Assets								
Cash and certificates of deposit	$ 8,905,575	$ 11,101,759	$ 27,614	$ 4,369,700	$ —	$ 521,794	$ —	$ 24,926,442
Receivables								
Accounts (net of allowance for doubtful accounts - $275,090)	1,045,642	3,625	—	—	—	42,840	—	1,092,107
Property tax - succeeding year	1,192,741	1,511,572	—	1,192,741	—	—	—	3,897,054
Notes (net of allowance for doubtful accounts - $30,805)	—	81,896	21,118	—	—	—	—	103,014
Iowa Industrial New Jobs Training Program	—	2,753,341	—	—	—	—	—	2,753,341
Due from other funds	461,422	57,905	—	—	—	18,273	(537,600)	—
Due from other governments	216,107	331,612	—	—	—	107,344	—	655,063
Prepaid expenses	50,109	4,010	—	—	—	16,009	—	70,128
Inventories	241,055	—	—	—	—	—	—	241,055
Capital Assets								
Land	—	—	—	—	340,756	—	—	340,756
Buildings	—	—	—	—	34,295,037	—	—	34,295,037
Other structures and improvements	—	—	—	—	2,624,671	—	—	2,624,671
Intangibles	—	—	—	—	1,788,799	—	—	1,788,799
Furniture, vehicles and equipment	—	—	—	—	5,647,875	—	—	5,647,875
Accumulated depreciation/amortization	—	—	—	—	—	—	(23,275,096)	(23,275,096)
Total Assets	**$ 12,112,651**	**$ 15,845,720**	**$ 48,732**	**$ 5,562,441**	**$ 44,697,138**	**$ 706,260**	**$ (23,812,696)**	**$ 55,160,246**
Liabilities and Fund Balance								
Liabilities								
Accounts payable	$ 265,555	$ 49,672	$ —	$ —	$ —	$ 29,308	$ —	$ 344,535
Due to North Iowa Area Community College Foundation	61,925	—	—	—	—	—	—	61,925
Salaries and benefits payable	1,136,921	23,101	—	—	—	—	(42,941)	1,117,081
Interest payable	—	27,515	—	—	—	—	—	27,515
Due to other funds	18,273	461,010	—	—	—	58,317	(537,600)	—
Compensated absences	191,757	53,329	—	—	—	—	—	245,086
Insurance claims incurred but not reported	350,280	—	—	—	—	—	—	350,280
Deposits held in custody for others	26,838	125	—	—	—	617,626	—	644,589
Deferred Revenue								
Succeeding year property tax	1,192,741	1,511,572	—	1,192,741	—	—	—	3,897,054
Tuition	96,152	—	—	—	—	—	273,691	369,843
Other	15,692	2,006,214	—	—	—	1,009	—	2,022,915
Early retirement payable	—	466,614	—	—	—	—	—	466,614
Certificates payable	—	7,240,000	—	—	—	—	—	7,240,000
Notes payable	—	—	—	1,155,000	—	—	—	1,155,000
Net OPEB liability	—	—	—	—	—	—	532,707	532,707
Refundable advances on student loans	—	—	30,577	—	—	—	—	30,577
Total Liabilities	**3,356,134**	**11,839,152**	**30,577**	**2,347,741**	**—**	**706,260**	**225,857**	**18,505,721**
Fund Balance								
Invested in capital assets, net of related debt	—	—	—	—	44,697,138	—	(24,430,096)	20,267,042
Restricted								
Expendable								
Loans	—	—	18,155	—	—	—	—	18,155
Cash reserve	—	285,793	—	—	—	—	—	285,793
Other	—	3,720,775	—	—	—	—	—	3,720,775
Unrestricted	6,550,306	—	—	3,214,700	—	—	391,543	10,156,549
Auxiliary enterprises	2,206,211	—	—	—	—	—	—	2,206,211
Total Fund Balance	**8,756,517**	**4,006,568**	**18,155**	**3,214,700**	**44,697,138**	**—**	**(24,038,553)**	**36,654,525**
Total Liabilities and Fund Balance	**$ 12,112,651**	**$ 15,845,720**	**$ 48,732**	**$ 5,562,441**	**$ 44,697,138**	**$ 706,260**	**$ (23,812,696)**	**$ 55,160,246**

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

Year Ended June 30, 2012

	Current Funds			Plant Funds				
Revenue	**Unrestricted**	**Restricted**	**Loan Funds**	**Unexpended**	**Retirement of Indebtedness**	**Investment in Plant**	**Adjustments**	**Total**
General								
State appropriations	$ 9,102,586	$ 965,806	$ —	$ —	$ —	$ —	$ —	$ 10,068,392
Tuition and fees	11,837,881	—	—	—	—	—	(3,522,205)	8,315,676
Property tax	1,193,542	1,517,936	—	1,137,161	56,381	—	—	3,905,020
Federal appropriations	429,511	6,865,072	—	—	—	—	—	7,294,583
Sales and services	199,464	4,826	—	—	—	—	—	204,290
Interest on investments	43,235	55,864	729	18,692	—	—	—	118,520
Iowa Industrial New Jobs Training Program	—	1,756,858	—	—	—	—	—	1,756,858
Bond premium	—	—	—	38,913	—	—	—	38,913
Increase in plant investment due to donated plant assets								
Increase in plant investment due to plant expenditures	—	—	—	—	—	60,161	—	60,161
(including $425,955 in current fund expenditures)	—	—	—	—	—	425,955	(425,955)	—
Gifts	194,334	170,428	150	—	—	—	—	364,912
Miscellaneous	447,376	487,024	4,031	—	—	—	(791,487)	146,944
Total General	23,447,929	11,823,814	4,910	1,194,766	56,381	486,116	(4,739,647)	32,274,269
Auxiliary Enterprises								
Sales and services	4,779,401	—	—	—	—	—	(789,595)	3,989,806
Interest on investments	5,239	—	—	—	—	—	—	5,239
Gifts	188,183	—	—	—	—	—	—	188,183
Miscellaneous	102,641	—	—	—	—	—	—	102,641
Total Auxiliary Enterprises	5,075,464	—	—	—	—	—	(789,595)	4,285,869
Total Revenue	**28,523,393**	**11,823,814**	**4,910**	**1,194,766**	**56,381**	**486,116**	**(5,529,242)**	**36,560,138**
Expenditures								
Education and Support								
Liberal arts and sciences	6,469,313	215,593	—	—	—	—	(64,932)	6,619,974
Vocational technical	3,616,342	205,019	—	—	—	—	(250,114)	3,571,247
Adult education	2,400,473	1,333,371	—	—	—	—	(6,331)	3,727,513
Cooperative services	46,729	2,955,322	—	—	—	—	(737,478)	2,264,573
Administration	2,097,115	87,250	—	—	—	—	(4,512)	2,179,853
Student services	3,362,058	417,136	—	—	—	—	(16,045)	3,763,149
Learning resources	570,039	4,779	—	—	—	—	2,281	577,099
Physical plant	2,259,015	39,510	—	—	—	—	8,453	2,306,978
General institution	2,398,983	293,897	—	—	—	—	6,040	2,698,920
Total Education and Support	23,220,067	5,551,877	—	—	—	—	(1,062,638)	27,709,306
Auxiliary enterprises	5,049,342	—	—	—	—	—	(719,988)	4,329,354
Scholarships and grants	—	4,909,328	—	—	—	—	(3,276,992)	1,632,336
Loan cancellations and bad debts	—	—	3,079	—	—	—	—	3,079
Administrative and collection costs	—	—	—	238,545	—	—	—	238,545
Plant asset acquisitions	—	—	—	246,185	—	—	(246,185)	—
Interest on indebtedness	—	332,690	—	—	56,381	—	—	389,071
Depreciation/amortization	—	—	—	—	—	—	1,233,666	1,233,666
Total Expenditures	**28,269,409**	**10,793,895**	**3,079**	**484,730**	**56,381**	**—**	**(4,072,137)**	**35,535,357**
Revenue Over (Under) Expenditures	**253,984**	**1,029,919**	**1,831**	**710,036**	**—**	**486,116**	**(1,457,105)**	**1,024,781**
Transfers								
Transfers in	462,896	472,001	—	—	—	—	(934,897)	—
Transfers out	(462,896)	(472,001)	—	—	—	—	934,897	—
Total Transfers	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net	**253,984**	**1,029,919**	**1,831**	**710,036**	**—**	**486,116**	**(1,457,105)**	**1,024,781**
Fund Balances - Beginning of Year	8,502,533	2,976,649	16,324	2,504,664	—	44,211,022	(22,581,448)	35,629,744
Fund Balances - End of Year	**$ 8,756,517**	**$ 4,006,568**	**$ 18,155**	**$ 3,214,700**	**$ —**	**$ 44,697,138**	**$ (24,038,553)**	**$ 36,654,525**

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

Year Ended June 30, 2012

	Education				Support					
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Adminis-tration	Student Services	Learning Resources	Physical Plant	General Institution	Total
Revenue										
State appropriations	$ 5,889,079	$ 2,339,692	$ 815,710	$ —	$ 5,182	$ —	$ —	$ 52,923	$ —	$ 9,102,586
Tuition and fees	7,654,784	2,315,748	1,164,804	—	701,295	1,250	—	—	—	11,837,881
Property tax	—	—	—	—	1,193,542	—	—	—	—	1,193,542
Federal appropriations	—	156,206	249,126	—	7,755	539	—	15,885	—	429,511
Sales and services	1,532	16,493	120,520	1,768	—	—	521	58,630	—	199,464
Interest on investments	—	—	—	—	43,082	—	—	—	153	43,235
Gifts	8,736	70,047	21,227	—	—	—	225	—	94,099	194,334
Miscellaneous	43,030	139,903	30,067	—	60,066	52,363	129	120,614	1,204	447,376
Total Revenue	**13,597,161**	**5,038,089**	**2,401,454**	**1,768**	**2,010,922**	**54,152**	**875**	**248,052**	**95,456**	**23,447,929**
Expenditures										
Salaries and benefits	6,107,752	2,992,929	1,428,494	22,821	990,370	2,563,360	410,703	814,592	923,464	16,254,485
Services	179,454	380,039	776,102	23,281	219,887	249,532	10,155	1,068,618	1,347,561	4,254,629
Materials and supplies	117,444	143,984	150,769	475	61,326	93,758	147,707	375,805	75,842	1,167,110
Travel	56,637	27,787	42,433	152	51,665	77,920	315	—	51,971	308,880
Plant asset acquisitions	8,026	71,603	2,675	—	17,835	11,593	—	—	—	111,732
Loan cancellations and bad debts	—	—	—	—	617,249	—	—	—	—	617,249
Miscellaneous	—	—	—	—	138,783	365,895	1,159	—	145	505,982
Total Expenditures	**6,469,313**	**3,616,342**	**2,400,473**	**46,729**	**2,097,115**	**3,362,058**	**570,039**	**2,259,015**	**2,398,983**	**23,220,067**
Revenue Over (Under) Expenditures	**7,127,848**	**1,421,747**	**981**	**(44,961)**	**(86,193)**	**(3,307,906)**	**(569,164)**	**(2,010,963)**	**(2,303,527)**	**227,862**
Transfers										
Transfers out	**—**	**(33,578)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(33,578)**
Net	**$ 7,127,848**	**$ 1,388,169**	**$ 981**	**$ (44,961)**	**$ (86,193)**	**$ (3,307,906)**	**$ (569,164)**	**$ (2,010,963)**	**$ (2,303,527)**	**194,284**
Fund Balances - Beginning of Year										6,356,022
Fund Balances - End of Year										**$ 6,550,306**

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

Year Ended June 30, 2012

	Trade and Industry	Farm	Food Services	Auditorium	Dormitories	Athletics	Tech-Prep	BookZone	Miscellaneous	Total
Revenue										
Sales and services	$ 41,134	$ 257,860	$ 1,045,811	$ 416,370	$ 1,698,049	$ 228,190	$ —	$ 1,076,821	$ 15,166	$ 4,779,401
Interest on investments	264	251	3,418	352	10	—	42	—	902	5,239
Gifts	—	24,391	—	5,000	—	158,792	—	—	—	188,183
Miscellaneous	—	2,117	1,100	15,454	4,918	4,611	—	74,052	389	102,641
Total Revenue	**41,398**	**284,619**	**1,050,329**	**437,176**	**1,702,977**	**391,593**	**42**	**1,150,873**	**16,457**	**5,075,464**
Expenditures										
Salaries and benefits	—	18,249	453,037	111,225	180,103	18,983	—	107,465	—	889,062
Services	—	153,686	67,862	357,786	290,214	45,692	—	78,808	—	994,048
Materials and supplies	53,166	136,143	532,091	15,957	73,059	204,444	—	886,682	—	1,901,542
Travel	—	200	6,596	4,349	—	278,231	—	—	—	289,376
Loan cancellations and bad debts	—	—	—	—	56,176	—	—	—	—	56,176
Miscellaneous	—	—	—	—	707,983	206,890	384	3,881	—	919,138
Total Expenditures	**53,166**	**308,278**	**1,059,586**	**489,317**	**1,307,535**	**754,240**	**384**	**1,076,836**	**—**	**5,049,342**
Revenue Over (Under) Expenditures	**(11,768)**	**(23,659)**	**(9,257)**	**(52,141)**	**395,442**	**(362,647)**	**(342)**	**74,037**	**16,457**	**26,122**
Transfers										
Transfers In	—	33,578	66,234	—	—	363,084	—	—	—	462,896
Transfers out	—	—	(66,234)	—	(277,629)	—	—	(70,000)	(15,455)	(429,318)
Total Transfers	**—**	**33,578**	**—**	**—**	**(277,629)**	**363,084**	**—**	**(70,000)**	**(15,455)**	**33,578**
Net	**(11,768)**	**9,919**	**(9,257)**	**(52,141)**	**117,813**	**437**	**(342)**	**4,037**	**1,002**	**59,700**
Fund Balances - Beginning of Year	68,027	(9,919)	559,823	106,106	1,142,839	(77,857)	9,710	196,832	150,950	2,146,511
Fund Balances - End of Year	**$ 56,259**	**$ —**	**$ 550,566**	**$ 53,965**	**$ 1,260,652**	**$ (77,420)**	**$ 9,368**	**$ 200,869**	**$ 151,952**	**$ 2,206,211**

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

Year Ended June 30, 2012

	Scholarships and Grants	Equipment Replace-ment	Insurance	Early Retirement	Unemploy-ment Compen-sation	Cash Reserve	Iowa Workforce Development Contract: Workforce Invest-ment Act	Iowa Workforce Development Contract: Temporary Assist-ance for Needy Families	Iowa Workforce Development Contract: Other	Iowa Industrial New Jobs Training Program Adminis-tration	Iowa Industrial New Jobs Training Program	Miscel-laneous	Total
Revenue													
State appropriations	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 29,296	$ 936,510	$ —	$ —	$ 965,806
Property tax	—	530,461	300,419	525,166	54,947	—	—	—	—	—	106,943	—	1,517,936
Federal appropriations	4,909,328	—	—	—	—	—	936,681	228,116	105,264	—	—	685,683	6,865,072
Sales and services	—	—	—	—	—	—	—	—	—	—	—	4,826	4,826
Interest on investments	—	5,149	1,193	—	—	—	—	—	116	16,289	25,766	7,351	55,864
Iowa Industrial New Jobs Training Program	—	—	—	—	—	—	—	—	—	—	1,756,858	—	1,756,858
Gifts	—	—	—	—	—	—	—	—	—	—	—	170,428	170,428
Miscellaneous	9	—	13,815	—	—	—	—	—	—	379,292	—	93,908	487,024
Total Revenue	**4,909,337**	**535,610**	**315,427**	**525,166**	**54,947**	**—**	**936,681**	**228,116**	**134,676**	**1,332,091**	**1,889,567**	**962,196**	**11,823,814**
Expenditures													
Salaries and benefits	—	—	—	58,726	125,198	—	436,741	185,902	74,286	240,835	—	868,158	1,989,846
Services	—	55,750	248,995	—	—	—	468,150	38,687	53,981	943,044	1,084,876	199,844	3,093,327
Materials and supplies	—	184,321	—	—	—	—	14,326	2,836	10,026	769	—	37,388	249,666
Travel	—	—	—	—	—	—	15,339	691	2,958	4,270	—	34,228	57,486
Plant asset acquisitions	—	121,590	—	—	—	—	—	—	—	—	—	6,250	127,840
Interest on indebtedness	—	—	—	—	—	—	—	—	—	—	332,690	—	332,690
Federal Pell Grant Program	4,821,643	—	—	—	—	—	—	—	—	—	—	—	4,821,643
Federal Supplemental Educational Opportunity Grants	87,685	—	—	—	—	—	—	—	—	—	—	—	87,685
Loan cancellations and bad debts	—	—	—	—	—	—	—	—	—	—	—	1,588	1,588
Private scholarships	—	—	—	—	—	—	—	—	—	—	—	30,000	30,000
Miscellaneous	—	—	—	—	—	—	2,124	—	—	—	—	—	2,124
Total Expenditures	**4,909,328**	**361,661**	**248,995**	**58,726**	**125,198**	**—**	**936,680**	**228,116**	**141,251**	**1,188,918**	**1,417,566**	**1,177,456**	**10,793,895**
Revenue Over (Under) Expenditures	**9**	**173,949**	**66,432**	**466,440**	**(70,251)**	**—**	**1**	**—**	**(6,575)**	**143,173**	**472,001**	**(215,260)**	**1,029,919**
Transfers													
Transfers in	—	—	—	—	—	—	—	—	—	472,001	—	—	472,001
Transfers out	—	—	—	—	—	—	—	—	—	—	(472,001)	—	(472,001)
Total Transfers	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**472,001**	**(472,001)**	**—**	**—**
Net	**9**	**173,949**	**66,432**	**466,440**	**(70,251)**	**—**	**1**	**—**	**(6,575)**	**615,174**	**—**	**(215,260)**	**1,029,919**
Fund Balances - Beginning 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
Fund Balances - End of Year	**$ 2,016**	**$ 1,287,437**	**$ 170,052**	**$ (948,162)**	**$ (108,200)**	**$ 285,793**	**$ (6,429)**	**$ —**	**$ 21,156**	**$ 2,804,052**	**$ —**	**$ 498,853**	**$ 4,006,568**

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

Year Ended June 30, 2012

	Fine Arts	Student Organi-zations	Iowa Small Business New Jobs Training Program	Federal Direct Student Loan Program	Miscel-laneous	Total
Balances - Beginning of Year	**$ 56,389**	**$ 168,808**	**$ 207,458**	**$ —**	**$ 102,458**	**$ 535,113**
Additions						
State appropriations	—	—	546,111	—	—	546,111
Tuition and fees	14,900	84,474	—	—	—	99,374
Federal appropriations	—	—	—	7,488,599	—	7,488,599
Sales and services	53,146	17,562	—	—	13,109	83,817
Interest on investments	168	856	702	—	1,404	3,130
Gifts	—	—	—	—	5,000	5,000
Miscellaneous	1,060	—	—	—	100,195	101,255
Total Additions	**69,274**	**102,892**	**546,813**	**7,488,599**	**119,708**	**8,327,286**
Deductions						
Salaries and benefits	255	8,715	—	—	8,320	17,290
Services	37,380	19,726	449,397	7,488,599	111,322	8,106,424
Materials and supplies	9,006	32,171	—	—	3,115	44,292
Travel	34,096	36,404	—	—	—	70,500
Miscellaneous	1,398	4,869	—	—	—	6,267
Total Deductions	**82,135**	**101,885**	**449,397**	**7,488,599**	**122,757**	**8,244,773**
Balances - End of Year	**$ 43,528**	**$ 169,815**	**$ 304,874**	**$ —**	**$ 99,409**	**$ 617,626**

Schedule of Credit and Contact Hours

Year Ended June 30, 2012

	Credit Hours			Contact Hours		
Category	**Eligible for Aid**	**Not Eligible for Aid**	**Total**	**Eligible for Aid**	**Not Eligible for Aid**	**Total**
Arts and sciences	57,613	—	57,613	—	—	—
Vocational education	16,488	—	16,488	—	—	—
Adult education/ continuing education	—	—	—	163,581	38,982	202,563
Total	**74,101**	**—**	**74,101**	**163,581**	**38,982**	**202,563**

Schedule of Tax and Intergovernmental Revenue

Years Ended June 30, 2003 Through 2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Local (property tax)	$ 3,905,020	$ 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
State	10,068,392	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
Federal	7,294,583	9,040,763	9,659,983	6,657,951	5,548,711	4,534,172	4,094,963	4,377,657	4,277,760	3,920,410
Total	**$ 21,267,995**	**$ 23,128,790**	**$ 21,886,938**	**$ 20,592,270**	**$ 19,539,863**	**$ 17,286,204**	**$ 16,149,836**	**$ 15,810,112**	**$ 15,044,078**	**$ 14,655,615**

Schedule of Current Funds Revenue by Source and Expenditures by Function

Years Ended June 30, 2003 Through 2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenue										
State appropriations	$ 10,068,392	$ 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
Tuition and fees	11,837,881	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
Property tax	2,711,478	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
Federal appropriations	7,294,583	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
Sales and services	204,290	236,640	221,024	220,654	239,945	251,662	364,703	321,134	451,282	543,487
Interest on investments	99,099	141,571	204,398	409,282	750,316	763,926	489,162	263,177	143,427	195,887
Iowa Industrial New Jobs Training Program	1,756,858	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
Auxiliary enterprises	5,075,464	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
Miscellaneous	1,299,162	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
Total Revenue	**$ 40,347,207**	**$ 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**
Expenditures										
Liberal arts and sciences	$ 6,684,906	$ 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
Vocational technical	3,821,361	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
Adult education	3,733,844	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
Cooperative services	3,002,051	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
Administration	2,184,365	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
Student services	3,779,194	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
Learning resources	574,818	577,133	534,090	561,378	569,277	529,873	540,632	582,289	467,132	476,031
Physical plant	2,298,525	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
General institution	2,692,880	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
Auxiliary enterprises	5,049,342	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
Scholarships and grants	4,909,328	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
Iowa Workforce Development contract	—	—	—	2,202,003	1,189,384	999,964	975,731	1,126,671	1,049,312	1,013,050
Interest on indebtedness	332,690	378,464	416,447	461,414	480,212	517,985	457,792	468,070	466,249	467,138
Total Expenditures	**$ 39,063,304**	**$ 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**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Direct		
Rural Microentrepreneur Assistance Program	10.870	**$ 53,040**
U.S. Department of Labor		
Indirect		
Pass-Through Iowa Workforce Development		
Employment Service Cluster		
Employment Service/Wagner-Peyser Funded Activities	17.207	28,256
Disabled Veterans' Outreach Program (DVOP)	17.801	3,291
Local Veterans' Employment Representative Program	17.804	5,208
Total Employment Service Cluster		36,755
Unemployment Insurance	17.225	49,966
Trade Adjustment Assistance	17.245	1,859
Workforce Investment Act (WIA) Cluster		
WIA Adult Program	17.258	220,833
WIA Youth Activities	17.259	316,365
ARRA - WIA National Emergency Grants	17.277	76,043
WIA Dislocated Worker Formula Grants	17.278	296,436
Total Workforce Investment Act (WIA) Cluster		909,677
Incentive Grants - WIA Section 503	17.267	27,158
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	132,594
Total U.S. Department of Labor		**1,158,009**
U.S. Small Business Administration		
Indirect		
Pass-Through Iowa State University		
Small Business Development Centers	59.037	**79,632**
U.S. Department of Veterans Affairs		
Direct		
Vocational Rehabilitation for Disabled Veterans	64.116	**539**
U.S. Department of Energy		
Indirect		
Pass-Through Iowa Economic Development Authority		
State Energy Program	81.041	**15,885**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Direct		
Student Financial Assistance Cluster		
Federal Supplemental Educational Opportunity Grants	84.007	$ 87,554
Federal Work-Study Program	84.033	79,259
Federal Pell Grant Program	84.063	4,829,398
Federal Direct Student Loans	84.268	7,488,599
Academic Competitiveness Grants	84.375	131
Total Student Financial Assistance Cluster		12,484,941*
TRIO Student Support Services	84.042	330,532
Total Direct		12,815,473
Indirect		
Pass-Through Iowa Department of Education		
Adult Education - Basic Grants to States	84.002	116,532
Higher Education - Institutional Aid	84.031	88,926
Career and Technical Education - Basic Grants to States	84.048	172,959
Total Indirect		378,417
Total U.S. Department of Education		**13,193,890**
U.S. Department of Health and Human Services		
Indirect		
Pass-Through Iowa Department of Education		
Student Financial Assistance Cluster		
Nursing Student Loans	93.364	51,823*
Pass-Through Iowa Workforce Development		
Temporary Assistance for Needy Families	93.558	228,116
Medicaid Infrastructure Grants to Support the Competitive Employment of People With Disabilities	93.768	11,858
Total U.S. Department of Health and Human Services		**291,797**
Corporation for National and Community Service		
Direct		
Retired and Senior Volunteer Program	94.002	**38,585**
Social Security Administration		
Indirect		
Pass-Through Iowa Workforce Development		
Social Security - Work Incentives Planning and Assistance Program	96.008	**8,987**
Total Federal Financial Assistance		**$ 14,840,364**

* Total Student Financial Assistance Cluster - $12,536,764

Year Ended June 30, 2012

Note 1. Basis of Presentation

The accompanying 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.

Note 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, 2012 of $51,823.

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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, and the discretely presented component unit as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 29, 2013. 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
The management of North Iowa Area Community College is responsible for establishing and maintaining effective 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. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that that there is a reasonable possibility a material misstatement of North Iowa Area Community College's financial statements will not be prevented or detected and corrected on a timely basis.

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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 an immaterial instance of noncompliance or other matter which is 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, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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Mason City, Iowa
January 29, 2013

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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 each of North Iowa Area Community College's major federal programs for the year ended June 30, 2012. 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 each of its major federal programs for the year ended June 30, 2012.

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Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses.

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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of North Iowa Area Community College's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on North Iowa Area Community College's compliance but not to provide an opinion on the effectiveness of North Iowa Area Community College's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Iowa Area Community College's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

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Mason City, Iowa
January 29, 2013

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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	X no
Significant deficiencies identified not considered to be material weaknesses?	__ yes	X none reported
Noncompliance material to financial statements noted?	__ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness identified?	__ yes	X no
Significant deficiencies identified not considered to be material weaknesses?	__ yes	X 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	X no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
	Workforce Investment Act (WIA) Cluster
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.277	ARRA - WIA National Emergency Grants
17.278	WIA Dislocated Worker Formula Grants
	Student Financial Assistance Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grants
93.364	Nursing Student Loans
84.042	TRIO Student Support Services

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	__ yes	X no

Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements

Instances of Noncompliance
There were no reported instances of noncompliance.

Internal Control Deficiencies
There were no matters reported.

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

12-IV-A **Certified Budget** - While one category of the budget was overexpended, in total, expenditures for the year ended June 30, 2012 did not exceed the amounts budgeted.

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

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

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

12-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.

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

12-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.

12-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, with the following exception:

Finding - The College held deposits at one institution in excess of the maximum amount authorized by the Board of Directors.

Recommendation - The College should review its procedures to ensure it is in compliance with all Board policies.

Response - The College will monitor procedures to ensure that deposits made with qualified depositories are within the limits authorized by the Board.

Conclusion - Response accepted.

12-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.