

**NORTHEAST IOWA
COMMUNITY COLLEGE
CALMAR, IOWA**

FINANCIAL REPORT

JUNE 30, 2013

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NORTHEAST IOWA COMMUNITY COLLEGE

BOARD OF TRUSTEES AND COLLEGE OFFICIALS

Name	Title	Term Expires
<u>Board of Trustees</u>		
Kenneth Reimer	President	2015
Jim Anderson	Vice-President	2015
Kathy Gunderson	Member	2013
Ronda Kirkegaard	Member	2013
Larry Blatz	Member	2015
John Rothlisberger	Member	2013
David Schueller	Member	2013
Gene Fuelling	Member	2013
Daniel White	Member	2015

Community College Officials

Liang Chee Wee, President
John Noel, Vice-President, Finance and Administration
Wendy Mihm-Herold, Vice-President, Business and Community Solutions
Kathy Nacos-Burds, Vice-President, Academic Affairs
Linda Peterson, Vice-President, Student Services
Janet Bullerman, Board Secretary
Thomas Ridout, Board Treasurer, Executive Director of Finance

**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS**

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of June 30, 2013, and the respective changes in financial position, and cash flows, thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 4f and schedule of funding progress for the retiree health plan on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, on our consideration of Northeast Iowa Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Northeast Iowa Community College's internal control over financial reporting and compliance.

Hasher, Nelson & Co., P.C.

Decorah, Iowa
December 10, 2013

NORTHEAST IOWA COMMUNITY COLLEGE
CALMAR, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2013

This section of Northeast Iowa Community College's annual financial report presents the College's management discussion and analysis of the College's financial activities during the fiscal year ending June 30, 2013.

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

FINANCIAL HIGHLIGHTS

- College operating revenues increased overall 9.05%, from fiscal year 2012. There was an increase in federal appropriations from fiscal year 2012. Nonoperating revenue increased 2.21% from fiscal year 2012, due to increase in state funding. See page 4b for explanations.
- College operating expenses were 4.02% higher from fiscal year 2012. The College had a 101.56% increase in general institution, 14.74% increase in depreciation, 10.57% increase in physical plant and 10.14% increase in student services expenses. The College had a 35.83% decrease in other expenses, 18.11% decrease in learning resources and 12.15% decrease in scholarships and grants expenses. The College had moderate changes in all the other expenses. See page 4d for explanations.
- The College's financial statement and table below shows that net position increased 18.40% from fiscal year 2012.

CHANGE IN NET POSITION COMPARISON BY FUND

	Unrestricted	Auxiliary	Restricted	Plant	Total Net Position
FY 2013	5,690,773	4,581,679	4,093,546	24,849,816	39,215,814
FY 2012	4,816,039	3,725,015	2,913,357	21,666,909	33,121,320
\$ Change	874,734	856,664	1,180,189	3,182,907	6,094,494
% Change	18.16%	23.00%	40.51%	14.69%	18.40%

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

CHANGE IN NET POSITION COMPARISON BY FUND

	Unrestricted	Auxiliary	Restricted	Scholarship	Plant	Total Net Position
FY 2013	5,690,773	4,581,679	4,093,546		24,849,816	39,215,814
FY 2012	4,816,039	3,725,015	2,913,357		21,666,909	33,121,320
FY 2011	3,963,993	3,148,878	3,221,612		18,346,567	28,681,050
FY 2010	2,763,292	1,973,590	3,824,393	2,626	13,242,568	21,806,469
FY 2009	1,774,518	1,387,102	3,240,855	2,626	9,442,429	15,847,530

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

Statement of Net Position

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

The College's assets and liabilities increased from 2012 to 2013 due to an increase in the asset amounts from construction projects. The largest portion of the College's net position is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net position includes resources that are subject to external restrictions. The remaining net position is the unrestricted net position that can be used to meet the College's obligations as they come due.

	Condensed Statement of Net Position		Percent Change
	(Expressed in Thousands)		
	2013	2012	
Current and other assets	\$ 65,339	\$ 52,966	23.36%
Other noncurrent assets	7,856	16,826	-53.31%
Capital assets	51,030	47,506	7.42%
Total assets	\$ 124,225	\$ 117,298	5.91%
Long-term debt outstanding	\$ 59,739	\$ 59,880	-0.24%
Other liabilities	25,270	24,297	4.00%
Total liabilities	\$ 85,009	\$ 84,177	0.99%
Net position			
Invested in capital assets, net of related debt	\$ 26,771	\$ 22,099	21.14%
Restricted	4,149	2,976	39.42%
Unrestricted	8,296	8,046	3.11%
Total net position	\$ 39,216	\$ 33,121	18.40%

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)

Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

In FY13, operating revenues increased as a net result of the following changes:

- Despite the increase in the tuition and fees revenue decreased due to enrollment decrease.
- State appropriation increased due to an increase in state grants.
- Federal appropriations increased due to increase from applying for more federal grants.
- More miscellaneous receipts were recorded in the New Jobs Training Program.
- Property taxes also decreased with decrease in levies for early retirement.

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REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)

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

	Changes in Net Position (Expressed in Thousands)		Percent Change
	2013	2012	
OPERATING REVENUES			
Tuition and fees	\$ 9,658	\$ 9,962	-3.05%
Federal appropriations	21,579	19,070	13.16%
Iowa Industrial New Jobs Training Program	5,325	5,226	1.89%
Sales and services	2,804	2,772	1.15%
Miscellaneous	1,901	813	133.83%
Total operating revenues	41,267	37,843	9.05%
Total operating expenses	59,814	57,500	4.02%
Operating loss	(18,547)	(19,657)	-5.65%
NONOPERATING REVENUES (EXPENSES)			
State appropriation	10,490	8,976	16.87%
PELL grant	7,148	7,607	-6.03%
Property taxes	9,319	9,722	-4.15%
Investment income	397	465	-14.62%
Loss on sale of capital assets	(76)	(58)	31.03%
Donated plant assets received	29	20	
Interest on indebtedness	(2,665)	(2,635)	1.14%
Net nonoperating revenues (expenses)	24,642	24,097	2.26%
Increase in net position	6,095	4,440	37.27%
Net position Beginning of Year	33,121	28,681	15.48%
Net position End of Year	\$ 39,216	\$ 33,121	18.40%

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)

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

	Operating Expenses		Percent Change
	(Expressed in Thousands)		
	2013	2012	
Education and support			
Liberal arts and sciences	\$ 5,477	\$ 5,880	-6.85%
Vocational technical	8,495	8,308	2.25%
Adult education	3,495	3,293	6.13%
Cooperative services	7,643	7,675	-0.42%
General administration	1,445	1,481	-2.43%
Student services	1,956	1,776	10.14%
Learning resources	877	1,071	-18.11%
Physical plant	3,076	2,782	10.57%
General institution	7,889	3,914	101.56%
Auxiliary enterprises	4,112	4,021	2.26%
Scholarships and grants	11,675	13,290	-12.15%
Depreciation	2,499	2,178	14.74%
Other	1,175	1,831	-35.83%
Total operating expenses	\$ 59,814	\$ 57,500	4.02%

In FY13, operating expenses increased as a net result of the following changes:

- Increase in general institution is due to increase in grant activity throughout the year.
- Decrease in other expenses due less purchases of small equipment and repairs on buildings and equipment.
- Increase in depreciation due to construction projects being completed and starting to depreciate.

Statement of Cash Flows

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

	Cash Flows	
	(Expressed in Thousands)	
	2013	2012
Cash provided by (used in):		
Operating activities	\$ (16,391)	\$ (15,961)
Non-capital financing activities	26,960	26,394
Capital and related financing activities	(9,103)	(12,624)
Investing activities	4,470	125
Net increase (decrease) in cash	5,936	(2,066)
Cash beginning of year	18,419	20,485
Cash end of year	\$ 24,355	\$ 18,419

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)

Statement of Cash Flows (Continued)

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

CAPITAL ASSETS

At June 30, 2013, the College had approximately \$77.7 million invested in capital assets, less accumulated depreciation of \$26.7 million. Depreciation charges totaled \$2,499,095 and \$2,178,173 for FY2013 and FY2012, respectively. Details of capital assets are shown below.

	Capital Assets, Net (Expressed in Thousands)	
	2013	2012
Land	\$ 683	\$ 683
Buildings	44,036	41,011
Construction in progress	1,327	1,257
Other structures and improvements	2,030	2,009
Equipment and vehicles	2,954	2,546
Total	\$ 51,030	\$ 47,506

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

DEBT

At June 30, 2013, the College had \$60.0 million in debt outstanding, a decrease of \$141,000 from 2012. The table below summarizes these amounts by type.

	Long-term Debt (Expressed in Thousands)	
	2013	2012
Notes payable	\$ 3,220	\$ 3,650
Certificates payable	28,849	25,860
Bonds payable	27,670	30,370
Total	\$ 59,739	\$ 59,880

More detailed information about the College's outstanding debt is presented in Note 6 to the financial statements.

NORTHEAST IOWA COMMUNITY COLLEGE ECONOMIC FACTORS

The long-term economic outlook for Northeast Iowa Community College remains strong and the College is in good financial position to handle economic challenges in the future. We offer the following highlights in support of this statement:

- There continues to be positive indicators for business and workforce growth in Northeast Iowa and good prospects for job growth and interest from new industry with evidence by the College's job training activity. Area manufacturers are looking to hire skilled workers. In June 2013 the College completed a 3 million dollar bond sale for Iowa New Jobs Training Program. This project will produce an estimated 404 jobs in Northeast Iowa. The College's Business and Community Solutions Division continues to successfully work with area employers to take advantage of the Iowa New Jobs Training Program.
- The Revenue Estimating Conference for the State of Iowa has forecasted a 4.5% increase for FY15 revenues over FY14. The property tax base for the College, which is fourth largest amongst the community colleges in Iowa, has exhibited steady growth, most recently with an increase of approximately 3%.
- The College undertook a \$17 million refinancing project in FY13 which lowered interest costs for New Jobs Training Program bonds. This saving to State of Iowa taxpayers will achieve approximately \$1,067,000 in savings which in turn increases revenue stream to the State in future years.
- The College has engaged in its first major gifts campaign. The campaign case for support has been developed to assist Foundation staff, college volunteers and community volunteers for fund-raising campaign. The goal is to provide the College with needed diversification in funding sources. Over 97 percent of NICC staff participated in the internal campaign showing great support toward the College.
- The College has completed the \$35 million bond issue passed in 2007. Overall, over 40% of the College's square footage of facilities has either been constructed new or renovated thanks to the funding from the \$35 million bond issue. This put the College in good position to serve the community with education and training for the future.
- Progress is continuing with the implementation of the College's master technology plan. Improvements have been made in the security, storage, wireless, and operating system capabilities of the College's computer network.
- To counter the decline in enrollment, which peaked in 2009-2010, President Wee has directed the Admissions staff to increase its efforts in recruiting military veterans, alternative high school students, foster children, and under-educated adults who lack a high school diploma or GED.
- The College did not raise tuition in FY14 and has set a goal to not raise it again in FY15 to assist students with affordable costs of education.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
June 30, 2013

	Business-type Activities	Component Unit Foundation		Business-type Activities	Component Unit Foundation
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 24,355,242	\$ 50,399	Liabilities		
Investments	12,643,149		Accounts payable	\$ 1,365,375	\$ 16,216
Receivables			Northeast Iowa Community-Based Dairy Foundation	482,787	
Accounts, less allowance of \$1,518,455	6,308,220		Salaries and benefits payable	2,494,044	
Promises, net discount		55,268	Deposits held in custody for others	140,754	
Accrued interest	47,549		Accrued interest payable	132,816	
Property tax			Affiliate payable	992,954	
Current year delinquent	92,271		Unearned revenue		
Succeeding year	8,885,543		Succeeding year property tax	8,885,543	
Due from other governments	3,099,323		Other	9,462,341	
Due from affiliate	938,261	187,204	Long-term liabilities due within one year		
Inventories	614,031		Compensated absences	129,550	
Prepaid expenses	5,230		Early retirement	174,473	
Lease receivable	158,008		Affiliate payable	132,511	
Due from Iowa Industrial New Jobs Training Program	8,192,328		Notes payable	420,000	
			Bonds payable	2,880,000	
			Certificates payable	4,935,000	
Total current assets	<u>65,339,155</u>	<u>292,871</u>	Total current liabilities	<u>32,628,148</u>	<u>16,216</u>
NONCURRENT ASSETS			Noncurrent liabilities		
Investments		1,737,061	Long-term liabilities due over one year		
Promises, net discount		74,700	Affiliate payable	39,019	
Lease receivable	1,796,992		Net OPEB liability	483,600	
Due from Iowa Industrial New Jobs Training Program	6,058,973		Early retirement	354,652	
Due from affiliate		39,019	Notes payable	2,800,000	
Capital assets, non-depreciable	2,010,026		Bonds payable	24,790,000	
Capital assets, net accumulated depreciation	49,020,087		Certificates payable	23,914,000	
			Total noncurrent liabilities	<u>52,381,271</u>	<u>-</u>
Total noncurrent assets	<u>58,886,078</u>	<u>1,850,780</u>	Total liabilities	<u>85,009,419</u>	<u>16,216</u>
			Net position		
			Invested in capital assets, net of related debt	26,770,968	
			Restricted		
			Restricted for specific purposes	4,148,893	1,670,278
			Unrestricted	8,295,953	457,157
			Total net position	<u>39,215,814</u>	<u>2,127,435</u>
Total assets	<u>\$ 124,225,233</u>	<u>\$ 2,143,651</u>	Total liabilities and net position	<u>\$ 124,225,233</u>	<u>\$ 2,143,651</u>

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

	Business-type Activities	Component Unit Foundation
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$7,863,008	\$ 9,657,526	
Federal appropriations	21,578,865	
Iowa Industrial New Jobs Training Program	5,325,255	
Sales and services, net of scholarship allowances of \$1,414,737	2,803,702	
Miscellaneous	1,901,067	\$ 509,447
Total operating revenues	41,266,415	509,447
OPERATING EXPENSES		
Education and support		
Liberal arts and sciences	5,477,329	
Vocational technical	8,494,614	
Adult education	3,494,836	
Cooperative services	7,643,087	
General administration	1,445,495	25,713
Student services	1,955,567	
Learning resources	877,371	
Physical plant	3,076,247	
General institution	7,889,110	
Auxiliary enterprises	4,111,920	
Scholarships and grants	11,674,618	185,373
Depreciation	2,499,095	
Other	1,175,051	307,537
Total operating expenses	59,814,340	518,623
Operating loss	(18,547,925)	(9,176)
NONOPERATING REVENUES (EXPENSES)		
State appropriation	10,490,504	
Pell grant	7,147,681	
Property taxes	9,319,214	
Investment income	396,890	206,621
Loss on sale of capital assets	(76,291)	
Donated plant assets received	29,000	
Interest on indebtedness	(2,664,579)	
Net nonoperating revenues (expenses)	24,642,419	206,621
Change in net position	6,094,494	197,445
NET POSITION		
Beginning	33,121,320	1,929,990
Ending	\$ 39,215,814	\$ 2,127,435

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES
June 30, 2013

ASSETS	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarship		
Current assets						
Cash	\$ 7,051,165	\$ 4,680,141	\$ 12,623,936		\$ 3,097,071	\$ 24,355,242
Investments			9,546,078			12,643,149
Receivables						
Accounts, less allowance of \$1,518,455	5,804,718	144,401	326,522	\$ 25,388	7,191	6,308,220
Accrued interest		4	44,062		3,483	47,549
Property tax						
Current year delinquent	18,544		18,380		55,347	92,271
Succeeding year	1,935,510		1,380,777		5,569,256	8,885,543
Due from other funds	306,344					306,344
Due from other governments	977,052	1,458	1,854,690	266,123		3,099,323
Due from affiliate	661,881		242,244	16,398	17,738	938,261
Inventories	1,478	612,553				614,031
Prepaid expenses	2,896		2,334			5,230
Lease receivable		158,008				158,008
Due from Iowa Industrial New Jobs Training Program			8,192,328			8,192,328
Total current assets	16,759,588	5,596,565	34,231,351	307,909	8,750,086	65,645,499
Noncurrent assets						
Due from Iowa Industrial New Jobs Training Program			6,058,973			6,058,973
Lease receivable		1,796,992				1,796,992
Capital assets, non-depreciable					2,010,026	2,010,026
Capital assets, net					49,020,087	49,020,087
Total noncurrent assets	-	1,796,992	6,058,973	-	51,030,113	58,886,078
Total assets	\$ 16,759,588	\$ 7,393,557	\$ 40,290,324	\$ 307,909	\$ 59,780,199	\$ 124,531,577
LIABILITIES AND NET POSITION						
Current liabilities						
Accounts payable	\$ 226,131	\$ 118,602	\$ 893,792	\$ 1,565	\$ 125,285	\$ 1,365,375
Northeast Iowa Community-Based Dairy Foundation		482,787				482,787
Salaries and benefits payable	1,984,356		509,688			2,494,044
Deposits held in custody for others	140,754					140,754
Accrued interest payable		14,004			118,812	132,816
Due to other funds				306,344		306,344
Due to affiliate	694,526	229,558	58,370		10,500	992,954
Unearned revenue						
Succeeding year property tax	1,935,510		1,380,777		5,569,256	8,885,543
Other	5,486,315		3,976,026			9,462,341
Long-term liabilities due within one year						
Due to affiliate					132,511	132,511
Compensated absences	117,623	11,927				129,550
Early retirement payable			174,473			174,473
Notes payable					420,000	420,000
Bonds payable		75,000			2,805,000	2,880,000
Certificates payable			4,935,000			4,935,000
Total current liabilities	10,585,215	931,878	11,928,126	307,909	9,181,364	32,934,492
Noncurrent liabilities						
Long-term liabilities due over one year						
Due to affiliate					39,019	39,019
Net OPEB liability	483,600					483,600
Early retirement payable			354,652			354,652
Notes payable					2,800,000	2,800,000
Bonds payable		1,880,000			22,910,000	24,790,000
Certificates payable			23,914,000			23,914,000
Total noncurrent liabilities	483,600	1,880,000	24,268,652	-	25,749,019	52,381,271
Total liabilities	11,068,815	2,811,878	36,196,778	307,909	34,930,383	85,315,763
Net position						
Invested in capital assets, net of related debt					26,770,968	26,770,968
Restricted for specific purposes			4,093,546		55,347	4,148,893
Unrestricted	5,690,773	4,581,679			(1,976,499)	8,295,953
Total net position	5,690,773	4,581,679	4,093,546	-	24,849,816	39,215,814
Total liabilities and net position	\$ 16,759,588	\$ 7,393,557	\$ 40,290,324	\$ 307,909	\$ 59,780,199	\$ 124,531,577

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2013

	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarship		
OPERATING REVENUES						
General						
Tuition and fees	\$ 9,238,670	\$ 61,263	\$ 357,593			\$ 9,657,526
Federal appropriations	1,306,136	1,446,230	6,073,462	\$ 11,561,273	\$ 1,191,764	21,578,865
Iowa Industrial New Jobs Training Program			5,325,255			5,325,255
Sales and services	69,763	2,650,259			83,680	2,803,702
Miscellaneous	131,600	407,776	1,331,153		30,538	1,901,067
Total operating revenues	10,746,169	4,565,528	13,087,463	11,561,273	1,305,982	41,266,415
OPERATING EXPENSES						
Education and support						
Liberal arts and sciences	5,468,940		8,389			5,477,329
Vocational technical	7,698,294		796,320			8,494,614
Adult education	3,270,042		224,794			3,494,836
Cooperative services	2,505,360		5,137,727			7,643,087
General administration	1,445,495					1,445,495
Student services	1,955,567					1,955,567
Learning resources	707,441		169,930			877,371
Physical plant	2,234,671		841,576			3,076,247
General institution	3,504,953		4,384,157			7,889,110
Auxiliary enterprises		4,111,920				4,111,920
Scholarships and grants				11,674,618		11,674,618
Depreciation					2,499,095	2,499,095
Other					1,175,051	1,175,051
Total operating expenses	28,790,763	4,111,920	11,562,893	11,674,618	3,674,146	59,814,340
Operating (loss) income	(18,044,594)	453,608	1,524,570	(113,345)	(2,368,164)	(18,547,925)
NONOPERATING REVENUES (EXPENSES)						
State appropriations	8,864,740	31,685	1,448,452	140,142	5,485	10,490,504
Pell grant	7,147,681					7,147,681
Property taxes	1,867,567		1,851,021		5,600,626	9,319,214
Investment income	91,323	47	186,210		119,310	396,890
Loss on sale of capital assets					(76,291)	(76,291)
Donated plant assets received					29,000	29,000
Interest on indebtedness		(84,023)	(1,291,848)		(1,288,708)	(2,664,579)
Total nonoperating revenues (expenses)	17,971,311	(52,291)	2,193,835	140,142	4,389,422	24,642,419
Change in net position before transfers	(73,283)	401,317	3,718,405	26,797	2,021,258	6,094,494
Transfers	948,017	455,347	(2,538,216)	(26,797)	1,161,649	-
Change in net position	874,734	856,664	1,180,189	-	3,182,907	6,094,494
NET POSITION						
Beginning	4,816,039	3,725,015	2,913,357	-	21,666,909	33,121,320
Ending	\$ 5,690,773	\$ 4,581,679	\$ 4,093,546	\$ -	24,849,816	\$ 39,215,814

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2013

	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarship		
CASH FLOWS FROM OPERATING ACTIVITIES						
Tuition and fees	\$ 8,823,797	\$ 61,263	\$ 637,647		\$ 1,501,397	\$ 9,522,707
Federal appropriations	1,436,283	1,447,694	4,472,378	\$ 4,814,373		13,672,125
Iowa Industrial New Jobs Training Program			5,208,811			5,208,811
Payments to employees for salaries and benefits	(16,001,500)	(810,419)	(1,188,500)			(18,000,419)
Payments to suppliers for goods and services	(4,971,864)	(379,894)	(5,663,306)		(1,189,258)	(12,204,322)
Payments to NJTP recipients			(4,089,224)			(4,089,224)
Cost of goods sold		(2,612,650)				(2,612,650)
Scholarships				(5,078,948)		(5,078,948)
Auxiliary enterprise receipts		2,667,895				2,667,895
Other operating payments paid on employees' behalf	(6,843,129)	(306,814)	(395,899)			(7,545,842)
Other operating receipts	201,363	407,776	1,331,153		128,580	2,068,872
Net cash (used in) provided by operating activities	(17,355,050)	474,851	313,060	(264,575)	440,719	(16,390,995)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
State appropriations	8,864,740	31,685	1,448,452	140,142	5,485	10,490,504
Pell grant	7,147,681					7,147,681
Property tax	1,870,132		1,861,980		5,607,535	9,339,647
(Increase) in due from other funds	(151,230)					(151,230)
Increase in due to other funds				151,230		151,230
(Decrease) increase in due to affiliate	(103,200)	136,970	58,370		(81,417)	10,723
(Increase) decrease in due from affiliate	(71,832)	38,009	(40,632)			(74,455)
Transfers	948,017	455,347	(2,538,216)	(26,797)	1,161,649	-
Federal direct lending receipts	11,489,509	1,414,737	139,142	6,599,119		19,642,507
Federal direct lending disbursements	(11,489,509)	(1,414,737)	(139,142)	(6,599,119)		(19,642,507)
Miscellaneous agency fund receipts	440,867					440,867
Miscellaneous agency fund disbursements	(395,048)					(395,048)
Net cash provided by non-capital financing activities	18,550,127	662,011	789,954	264,575	6,693,252	26,959,919
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from issuance of debt			8,309,000			8,309,000
Acquisition of capital assets					(6,297,573)	(6,297,573)
Principal paid on debt and leases		(70,000)	(5,320,000)		(3,060,000)	(8,450,000)
Interest paid on debt and leases		(84,023)	(1,291,848)		(1,288,708)	(2,664,579)
Net cash provided by (used in) capital and related financing activities	-	(154,023)	1,697,152	-	(10,646,281)	(9,103,152)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments			(9,546,078)		(3,097,071)	(12,643,149)
Payments made on lease receivable		70,000				70,000
Sale of investments			9,752,135		6,490,731	16,242,866
Interest on investments	91,323	47	590,689		118,650	800,709
Net cash provided by investing activities	91,323	70,047	796,746	-	3,512,310	4,470,426
Net increase in cash	1,286,400	1,052,886	3,596,912	-	-	5,936,198
CASH, beginning of year	5,764,765	3,627,255	9,027,024	-	-	18,419,044
CASH, end of year	\$ 7,051,165	\$ 4,680,141	\$ 12,623,936	\$ -	\$ -	\$ 24,355,242

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (Continued)
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2013

	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarship		
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities						
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities	\$ (18,044,594)	\$ 453,608	\$ 1,524,570	\$ (113,345)	\$ (2,368,164)	\$ (18,547,925)
Depreciation						
Changes in assets and liabilities					2,499,095	2,499,095
(Increase) decrease in accounts receivable	(380,850)	17,636	(153,198)	(25,388)	14,362	(527,438)
(Increase) in NJTP receivable			(116,444)			(116,444)
(Increase) decrease in due from other governments	130,147	1,464	(1,601,084)	(122,393)	309,633	(1,282,233)
Decrease in inventories	318	2,541				2,859
(Increase) in prepaid expenses	(381)		(2,334)			(2,715)
Increase (decrease) in accounts payable and accrued liabilities	919,243	8,754	612,123	(3,449)	(14,207)	1,522,464
Increase in postemployment benefits	63,906					63,906
(Decrease) increase in deferred revenue	(34,023)		433,252			399,229
Decrease in compensated absences	(8,816)	(9,152)	(383,825)			(401,793)
Net cash (used in) provided by operating activities	\$ (17,355,050)	\$ 474,851	\$ 313,060	\$ (264,575)	\$ 440,719	\$ (16,390,995)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

The College accepted donated capital assets with a fair value of \$29,000 during the year ended June 30, 2013.

NORTHEAST IOWA COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

The College has one component unit which meets the Governmental Accounting Standards Board (GASB) criteria. The Northeast Iowa Community College Foundation is a nonprofit corporation which is governed by a separate Board of Directors. The Foundation's purpose is to support the College through donations to provide scholarships to students, and for the enhancement and extension of facilities, equipment, and services. The activities of the Foundation are reported using the discrete method. The Foundation issues a separate financial report. The independent auditor's report on the component unit financial statements for year ending June 30, 2013 expresses an unmodified opinion dated November 21, 2013. Audited financial statements of Northeast Iowa Community College Foundation are available at the Northeast Iowa Community College District office located at Hwy 150 South, Calmar, IA 52132.

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

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

b. Significant Accounting Policies (Continued)

Financial Statement Presentation

GASB No. 34 requires the statement of net position (previously referred to as net assets), revenues, expenses, and changes in net position, and cash flows are reported on a consolidated basis.

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

Fund Financial Statements

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

The funds of the financial reporting entity are described below:

Current Funds

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

Unrestricted Fund

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

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

Auxiliary Funds

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

Restricted Funds

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

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Current Funds (Continued)

Scholarship Fund

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

Plant Fund

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

Measurement Focus

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities as defined in GASB No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their statement of net position.

Basis of Accounting

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

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

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

Assets, Liabilities and Net Position

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

Cash and Investments

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position (Continued)

Property Tax Receivable

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

Due from Other Governments

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

Due from Affiliate

The Foundation transferred money from its individual accounts to Northeast Iowa Community College's general checking account. As of June 30, 2013, there was \$54,693 due to the Foundation from Northeast Iowa Community College. The College is also leasing equipment from the Foundation, as of June 30, 2013 the balance was \$171,530.

Inventories

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

Due from Iowa Industrial New Jobs Training Program (NJTP)

This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenses incurred through June 30, 2013 on NJTP projects including interest incurred on NJTP certificates, less revenues received to date.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position (Continued)

Capital Assets

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

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. Interest costs of \$37,110 were capitalized for the year ended June 30, 2013.

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

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

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

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

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

Salaries and Benefits Payable

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

Unearned Revenue

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

Compensated Absences

College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. Amounts representing the cost of compensated absences are recognized as liabilities of the appropriate fund, and have been computed based on rates of pay in effect as of June 30, 2013.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position (Continued)

Net Position

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Position

Nonexpendable

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

Expendable

Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College, pursuant to those stipulations or that expire by the passage of time. Restricted net position is used first when an expense is incurred for purposes for both restricted and unrestricted net position.

Unrestricted Net Position

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

Auxiliary Enterprise Revenues

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

Summer Session

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

Tuition and Fees

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

Operating and Nonoperating Activities

Operating activities, as reported in the statement of revenues, expenses, and changes in net position, 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.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position (Continued)

Use of Estimates

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

Scholarship Allowances and Student Aid

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

2. Cash and Investments

The College's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Interest Rate Risk

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

The College's petty cash and deposit accounts as of June 30, 2013 consist of the following:

Petty cash	\$	2,955
Other deposit accounts		24,352,287
		24,355,242
	\$	24,355,242

NOTES TO FINANCIAL STATEMENTS

2. Cash and Investments (Continued)

The College's investments as of June 30, 2013 consist of the following:

Certificates of deposit	\$ 12,643,149
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The Northeast Iowa Community College Foundation's investments are stated at fair value and are subject to risk categorization and consist of the following:

	Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments in bond fund	\$ 548,523	\$ 548,523	
Investments in common stock	613,375	613,375	
Investments in preferred stock	54,353	54,353	
Investments in mutual funds	282,698	282,698	
Investments in alternative assets	238,112	186,326	\$ 51,786
	\$ 1,737,061	\$ 1,685,275	\$ 51,786

Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 inputs: Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

The following schedule summarizes the Foundation's investment return and its classification in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2013:

Interest and dividend income	\$ 58,547
Net realized and unrealized gains	148,074
Total investment return	\$ 206,621

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

3. Inventories

The College's inventories as of June 30, 2013 are as follows:

Supplies and materials	\$ 197,742
Merchandise held for resale	416,289
Total	\$ 614,031

NOTES TO FINANCIAL STATEMENTS

4. Capital Lease, Financing Obligation-Sale-Leaseback

In August 2011, the College entered into a financing agreement with Northeast Iowa Community-Based Dairy Foundation relating to the Foundation's real property. The transaction has been accounted for as a financing arrangement, wherein the property remains on the Foundation's books and will continue to be depreciated. The lease proceeds of \$2,095,000 were utilized as follows: pay-off existing revenue bonds on the land and buildings in the amount of \$1,561,000, \$289,000 held in reserve for facility/equipment acquisition and/or improvements, \$164,385 reserved to meet debt service requirements (purchase reserve payments) and the balance used for transaction expenses. The Foundation is leasing back the property over the next twenty years, in which the Foundation retains the option to purchase land and buildings from the College for a price of \$1,850,000. The purchase reserve payments made as of the closing date of the purchase will be used as a credit against the purchase price. The purchase option is available starting on April 30, 2018. The Foundation has assigned \$13,000 of their monthly milk sales to make the annual purchase reserve payments and annual rental fee payments per the lease agreement.

Future minimum purchase reserve payments and service fee payments under the agreement with the Foundation are as follows:

	Purchase Reserve Payment	Annual Service Fees	Total
Year ended June 30,			
2014	\$ 105,008	\$ 53,000	\$ 158,008
2015	102,857	53,500	156,357
2016	100,708	54,000	154,708
2017	102,995	54,500	157,495
2018	105,135	55,000	160,135
2019-2023	516,306	284,000	800,306
2024-2028	535,194	299,000	834,194
2029-2031	325,900	186,600	512,500
	\$ 1,894,103	\$ 1,039,600	2,933,703
Minimum lease payments			
Less imputed interest/service fees			(978,703)
			\$ 1,955,000

NOTES TO FINANCIAL STATEMENTS

5. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital non-depreciable assets				
Land	\$ 683,366			\$ 683,366
Construction in progress	1,256,914	\$ 4,924,859	\$ 4,855,113	1,326,660
	1,940,280	4,924,859	4,855,113	2,010,026
Capital assets, being depreciated				
Buildings	61,280,938	4,855,113		66,136,051
Other structures and improvements	3,325,216	125,152		3,450,368
Furniture and equipment	5,812,971	1,048,758	718,817	6,142,912
	70,419,125	6,029,023	718,817	75,729,331
Total capital assets being depreciated				
Less accumulated depreciation				
Buildings	20,269,982	1,830,362		22,100,344
Other structures and improvements	1,316,192	103,714		1,419,906
Furniture and equipment	3,266,501	565,019	642,526	3,188,994
	24,852,675	2,499,095	642,526	26,709,244
Total accumulated depreciation				
Total capital assets being depreciated	45,566,450	3,529,928	76,291	49,020,087
Capital assets, net	\$ 47,506,730	\$ 8,454,787	\$ 4,931,404	\$ 51,030,113

6. Long-term Obligations

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Notes payable	\$ 3,650,000		\$ 430,000	\$ 3,220,000	\$ 420,000
Certificates payable	25,860,000	\$ 8,309,000	5,320,000	28,849,000	4,935,000
Bonds payable	30,370,000		2,700,000	27,670,000	2,880,000
Other liabilities					
Early retirement	912,950		383,825	529,125	174,473
	912,950		383,825	529,125	174,473
Long-term liabilities	\$ 60,792,950	\$ 8,309,000	\$ 8,833,825	\$ 60,268,125	\$ 8,409,473

NOTES TO FINANCIAL STATEMENTS

6. Long-term Obligations (Continued)

a. Certificates Payable

In accordance with agreements dated between July 1, 2004 and June 30, 2013, the College issued certificates totaling \$28,849,000 with interest rates ranging from .55% to 6.40% per annum. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new or are expanding their operations within the State of Iowa. Interest is payable semi-annually, while the principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes collected.

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

	Principal	Interest	Total
Year ending June 30,			
2014	\$ 4,935,000	\$ 1,123,973	\$ 6,058,973
2015	4,545,000	942,862	5,487,862
2016	4,380,000	761,662	5,141,662
2017	3,855,000	570,337	4,425,337
2018	3,485,000	411,555	3,896,555
2019-2023	7,649,000	466,631	8,115,631
	\$ 28,849,000	\$ 4,277,020	\$ 33,126,020

b. Notes Payable

The College has issued notes payable for the purchase and construction of College properties. As of June 30, 2013, the notes payable outstanding consist of the following:

<p>\$445,000 General Obligation Refunding Capital Loan Notes Series 2012, due annually in varying installments June 1, 2014 through June 1, 2016 plus interest semi-annually with interest rate of 1.0%. The capital loan note was issued to refinance the \$720,000 Lease Purchase Certificates of Participation issued to build and maintain buildings.</p>	\$ 445,000
<p>\$2,775,000 Refunding Certificates of Participation Evidencing Undivided Proportionate Interests in Base Lease Payments Pursuant to a Lease Purchase Agreement, due annually in varying installments December 1, 2014 through December 1, 2022 plus interest semi-annually with interest rates of the leases varying from 1.00% to 2.30%. The lease was issued to refund the lease to purchase the Town Clock Center.</p>	2,775,000
	\$ 3,220,000

NOTES TO FINANCIAL STATEMENTS

6. Long-term Obligations (Continued)

b. Notes Payable (Continued)

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

	Principal	Interest	Total
Year ending June 30,			
2014	\$ 420,000	\$ 46,025	\$ 466,025
2015	425,000	41,825	466,825
2016	425,000	37,575	462,575
2017	275,000	33,050	308,050
2018	275,000	29,475	304,475
2019-2023	1,400,000	73,075	1,473,075
	\$ 3,220,000	\$ 261,025	\$ 3,481,025

c. Bonded Indebtedness

\$17,740,000 General Obligation School Bonds Series 2012A, due annually in varying installments June 1, 2014 through June 1, 2021 plus interest semi-annually with interest rates varying from 4.30% to 5.50%. These bonds were issued to renovate, erect and equip the buildings at the Calmar and Peosta campuses.

\$7,975,000 General Obligation School Bonds, Series 2012B, are due annually in varying installments June 1, 2014 through June 1, 2022 plus interest semi-annually with interest rates varying from 3.25% to 3.90%. Bonds are callable after June 1, 2017.

\$1,955,000 Certificates of Participation, Series 2012A, are due annually in varying installments May 1, 2014 through May 1, 2031 plus interest semi-annually with interest rates varying from 2.20% to 5.00%. These bonds were issued to purchase the buildings and equipment of the Northeast Iowa Community-Based Dairy Foundation. Bonds are callable after May 1, 2018.

	Principal	Interest	Total
Year ending June 30,			
2014	\$ 2,880,000	\$ 1,262,097	\$ 4,142,097
2015	3,020,000	1,148,758	4,168,758
2016	3,115,000	1,024,126	4,139,126
2017	3,220,000	886,538	4,106,538
2018	3,280,000	738,828	4,018,828
2019-2023	11,065,000	1,432,515	12,497,515
2024-2028	625,000	209,195	834,195
2029-2031	465,000	47,500	512,500
Total	\$ 27,670,000	\$ 6,749,557	\$ 34,419,557

NOTES TO FINANCIAL STATEMENTS

6. Long-term Obligations (Continued)

d. Operating Leases

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and accordingly, all rents are charged as incurred. These leases expire between 2013 and 2018 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year following June 30, 2013:

Year ending June 30,	
2014	\$ 90,000
2015	90,000
2016	90,000
2017	90,000
2018	<u>45,000</u>
Minimum lease payments for all operating leases	<u>\$ 405,000</u>

Rents for fiscal year 2013 totaled \$93,804 for operating leases, except those with terms of a month or less that were not renewed.

7. Due to/from Other Funds

As of June 30, 2013, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Unrestricted fund	\$ 306,344	
Scholarship fund		\$ 306,344
	<u>\$ 306,344</u>	<u>\$ 306,344</u>

NOTES TO FINANCIAL STATEMENTS

8. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

	Transfers In	Transfers Out
Unrestricted fund		
Restricted fund	\$ 1,566,510	
Scholarship fund	26,797	
Auxiliary fund		\$ 538,748
Plant fund		106,542
	1,593,307	645,290
 Auxiliary fund		
Unrestricted fund	538,748	
Restricted fund	23,189	
Plant fund		106,590
	561,937	106,590
 Restricted fund		
Unrestricted fund		1,566,510
Auxiliary fund		23,189
Plant fund		948,517
	None	2,538,216
 Scholarship fund	None	26,797
 Plant fund		
Unrestricted fund	106,542	
Restricted fund	948,517	
Auxiliary fund	106,590	
	1,161,649	None
 Total	\$ 3,316,893	\$ 3,316,893

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

9. Early Retirement

The College offered a voluntary early retirement plan to its employees for the academic years ending June 30, 2010 and 2011. Employees qualifying for NICC early retirement must have completed at least 10 years of full-time staff, and regular part-time service to the College and must have reached the age of 55 on or before July 1 of the year of their retirement. The application for early retirement was subject to approval by the Board of Trustees during the period the plan was offered.

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

9. Early Retirement (Continued)

A staff member accepting early retirement has three options to choose from as to when the cash benefits would be received. The College also contributes a set amount toward single plan health insurance for the retiree, if the retiree chooses to remain in the employer's health insurance plan. This contribution continues until the day the retiree is eligible under another group plan or until the end of the month prior to the month in which the retirees become eligible for Medicare. The plan is funded on a pay-as-you-go basis through property tax levies. At June 30, 2013, the College has obligations to twenty participants with a total early retirement liability of \$529,125. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$383,825.

10. 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 5.78%, 5.38% and 4.50% of their annual covered salary and the College is required to contribute 8.67%, 8.07% and 6.95% of annual covered payroll for the years ended June 30, 2013, 2012, and 2011, respectively. Contribution requirements are established by state statute. Employee's required and actual contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$486,481, \$423,444 and \$352,477, respectively. The College's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$729,721, \$635,122, and \$543,705, respectively, equal to the required contributions for each year.

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

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

As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 5.78%, 5.38%, and 4.50% and the College is required to contribute 8.67%, 8.07%, and 6.95% for the years ended June 30, 2013, 2012, and 2011, respectively.

The employee's required and actual contributions to TIAA-CREF for the years ended June 30, 2013, 2012, and 2011 were \$475,714, \$427,491, and \$357,461, respectively. The College's required and actual contributions to TIAA-CREF for the years ended June 30, 2013, 2012, and 2011 were \$713,577, \$633,740 and \$552,107, respectively.

12. Other Postemployment Benefits (OPEB)

Plan Description

The College operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 308 active and no retired members in the plan. Participants must be age 55 or older at retirement.

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

NOTES TO FINANCIAL STATEMENTS

12. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the College's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	\$	70,223
Interest on net OPEB obligation		20,985
Adjustment to annual required contribution		(27,302)
Annual OPEB cost		63,906
Contributions made		None
Increase in net OPEB obligation		63,906
Net OPEB obligation beginning of year		419,694
Net OPEB obligation end of year	\$	483,600

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the College didn't contribute to the OPEB obligation. Plan members eligible for benefits didn't contribute to the premium costs.

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 71,129	0.0%	\$ 339,060
2012	80,634	0.0%	419,694
2013	63,906	0.0%	483,600

12. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$481,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$481,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11,660,688 and the ratio of the UAAL to covered payroll was 4.1%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions

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

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

As of July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the College's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 6.5%. The medical trend rate is reduced 0.5% each year until reaching the 6.5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009. Turnover rates are based on T-6 of the actuary's pension handbook.

Projected claim costs of the medical plan are \$10,285 per month for retirees less than age 65 and for retirees who have attained age 65 there isn't a monthly cost. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

13. Related Organizations

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

NOTES TO FINANCIAL STATEMENTS

13. Related Organizations (Continued)

Significant financial data for the year ended June 30, 2013, which is audited, is as follows:

Total assets	\$ 4,428,411
Total liabilities	2,351,742
Total equity	2,076,669
Total revenue	1,868,907
Total expenses	1,966,504

14. New Jobs Training Program

Northeast Iowa Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area I in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the College has administered 264 projects. There are 171 projects that have been completed and 93 are currently open.

Northeast Iowa Community College also administers the Iowa Jobs Training Program (IJTP) in Area I in accordance with the Code of Iowa. IJTP's purpose is to provide tax-aided training or retraining for existing employees of businesses. Approved businesses receive forgivable loans from the Workforce Development Fund, a state administered fund. Since inception, the College has administered 340 projects with 92 currently receiving project funding.

15. Commitments

The College is a member of ACCES, Inc. (Alliance for Community Colleges for Electronic Sharing), a computer consortium of eleven (11) Iowa community colleges. The College will continue to be a member of ACCES, Inc. for the foreseeable future. ACCES, Inc. has changed its mission from a consortium for providing administrative software services to a buying consortium for the acquisition and maintenance of Datatel Colleague and other administrative software. The ongoing expenditures for the Datatel Colleague software and maintenance will be paid through ACCES Consortium. The College is committed to paying ACCES, Inc. consortium \$77,127 for software, licensing and maintenance for FY14.

The College is also a member of CAST, Inc. (College Alliance Sharing Technology), a computer consortium composed of four (4) Iowa community colleges. Its purpose is to provide administrative support and sharing of computer services. The College is committed to be a member of CAST until July 1, 2014. The percentage of the total annual expenditures of CAST, Inc. is to be paid based on the percentage of unrestricted general fund expenditures of the preceding fiscal year compared to the total of all participating colleges' general fund expenditures for the preceding fiscal year. The College's payments to CAST, Inc. for fiscal year 2013 are estimated to be \$262,108 for the consortium, which represents approximately 46% of the budget for CAST, Inc.

The total outstanding construction projects of the College at June 30, 2013 amount to \$974,130.

16. Contingent Liabilities

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenses are disallowed by the grantor government due to noncompliance with grant program regulations, the College may be required to reimburse the grantor government. As of June 30, 2013 significant amounts of grant expenses have not been audited by granting authorities but the College believes that disallowed expenses, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the College.

17. Risk Management Policies

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

The changes in the aggregate liabilities for claims included in salaries and benefits payable for the years ended June 30, 2013 and 2012 are as follows:

	2013	2012
Claims payable, beginning of year	\$ 644,661	\$ 509,688
Claims recognized	4,825,657	4,696,878
Claim payments	(3,841,903)	(4,561,905)
Claims payable, end of year	\$ 1,628,415	\$ 644,661

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

18. Net Position

The statement of net position reports \$4,148,893 of restricted net position, of which \$4,093,546 is restricted by enabling legislation.

19. Subsequent Events

Management has evaluated subsequent events through December 10, 2013, the date on which the financial statements were available to be issued.

20. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued three statements not yet implemented by the College. The statements which might impact the College are as follows:

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflow of resources, and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement 66, *Technical Corrections – 2012*, an amendment of GASB Statements 10 and 62, issued March 2012, effective for the fiscal year ending June 30, 2014. The objective of this statement is to improve accounting and financial reporting for governmental entities by resolving conflicting guidance in GASB Statements 54 and 62, on risk financing activities and operating leases.

GASB Statement 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ended June 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions which are provided by other entities.

The College's management has not yet determined the effect these statements will have on the College's financial statements.

21. Accounting Change

Governmental Accounting Standards Board Statements No. 61 *The Financial Reporting Entity: Omnibus— an amendment of GASB Statements No. 14 and No. 3*; No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* were implemented during fiscal year 2013.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$ 1,018	\$ 1,018	0.0%	\$ 13,453	7.6%
2011	July 1, 2010	-	\$ 517	\$ 517	0.0%	\$ 11,506	4.5%
2012	July 1, 2010	-	\$ 517	\$ 517	0.0%	\$ 12,725	4.1%
2013	July 1, 2012	-	\$ 481	\$ 481	0.0%	\$ 11,661	4.1%

See Note 12 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Northeast Iowa Community College as of and for the year ended June 30, 2013, and our report thereon dated December 10, 2013, which expressed an unmodified opinion on the financial statements, appear on pages 2 through 3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northeast Iowa Community College basic financial statements. The accompanying additional balance sheet and schedule of revenues, expenditures, and other changes in fund balance and agency fund information on pages 33 through 43 and the budgetary comparison schedule on page 44 are presented for purposes of additional analysis using regulatory basis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The adjustments made in preparing the supplemental presentations were subjected to audit procedures as part of the audit of the financial statements. The accompanying regulatory financial statements are not intended to present Northeast Iowa Community College's financial position or results of operations. The 2013 information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the 2013 information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Northeast Iowa Community College as of and for the nine years ended June 30, 2004 to June 30, 2012 (none of which is presented herein), and we expressed unmodified opinions on those basic financial statements. Those audits were conducted for purposes of forming opinions on the financial statements that collectively comprise the College's basic financial statements as a whole. The information set forth in the supplementary information for each of the nine years in the period ended June 30, 2012, appearing on pages 41 through 42 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 basic financial statements for the nine years ending June 30, 2012. The information has been subjected to the auditing procedures applied in the audits of those 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the supplementary information for each of the nine years in the period ended June 30, 2012, appearing on pages 41 through 42 is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Hacker, Nelson & Co., P.C.

NORTHEAST IOWA COMMUNITY COLLEGE
BALANCE SHEET
June 30, 2013

	Current Funds				Plant Funds		GAAP Adjustments	GAAP Basis	
	Unrestricted	Auxiliary	Restricted	Scholarship	Unexpended	Retirement of Indebtedness			Investment in Plant
ASSETS									
Cash	\$ 7,051,165	\$ 4,680,141	\$ 12,623,936					\$ 24,355,242	
Investments			9,546,078		\$ 3,097,071			12,643,149	
Receivables									
Accounts, less allowance of \$1,518,455	5,804,718	144,401	326,522	\$ 25,388	7,191			6,308,220	
Accrued interest		4	44,062		3,483			47,549	
Property tax									
Current year delinquent	18,544		18,380			\$ 55,347		92,271	
Succeeding year	1,935,510		1,380,777			5,569,256		8,885,543	
Due from other funds	306,344							306,344	
Due from other governments	977,052	1,458	1,854,690	266,123				3,099,323	
Due from affiliate	661,881		242,244	16,398	17,738			938,261	
Inventories	1,478	612,553						614,031	
Due from Iowa Industrial New Jobs Training Program			14,251,301					14,251,301	
Prepaid expenses	2,896		2,334					5,230	
Lease receivable		1,955,000						1,955,000	
Capital assets									
Land						\$ 683,366		683,366	
Construction in progress						1,326,660		1,326,660	
Buildings						66,136,050		66,136,050	
Other structures and improvements						3,450,367		3,450,367	
Furniture and equipment, including assets acquired under capital leases of \$213,104						6,142,912		6,142,912	
Accumulated depreciation						(26,709,242)		(26,709,242)	
Total assets	\$ 16,759,588	\$ 7,393,557	\$ 40,290,324	\$ 307,909	\$ 3,125,483	\$ 5,624,603	\$ 51,030,113	\$ -	\$ 124,531,577

NORTHEAST IOWA COMMUNITY COLLEGE
BALANCE SHEET
June 30, 2013

	Current Funds				Plant Funds			GAAP Adjustments	GAAP Basis
	Unrestricted	Auxiliary	Restricted	Scholarship	Unexpended	Retirement of Indebtedness	Investment in Plant		
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable	\$ 226,131	\$ 132,606	\$ 893,792	\$ 1,565	\$ 244,097				\$ 1,498,191
Northeast Iowa Community-Based Dairy Foundation		482,787							482,787
Salaries and benefits payable	1,984,356		509,688						2,494,044
Deposits held in custody for others	140,754								140,754
Due to other funds				306,344					306,344
Due to affiliate	694,526	229,558	58,370		10,500		\$ 171,530		1,164,484
Deferred revenue									
Succeeding year property tax	1,935,510		1,380,777			\$ 5,569,256			8,885,543
Other	5,486,315		3,976,026						9,462,341
Compensated absences	117,623	11,927							129,550
Early retirement payable			529,125						529,125
Net OPEB liability							\$ 483,600		483,600
Notes payable							3,220,000		3,220,000
Bonds payable		1,955,000			4,847,385		20,867,615		27,670,000
Certificates payable			28,849,000						28,849,000
Total liabilities	10,585,215	2,811,878	36,196,778	307,909	5,101,982	5,569,256	24,259,145	483,600	85,315,763
Fund balance									
Invested in capital assets, net of related debt							26,770,968		26,770,968
Fund balances									
Restricted for specific purposes			4,093,546			55,347			4,148,893
Unrestricted	6,174,373	4,581,679			(1,976,499)			(483,600)	8,295,953
Total fund equity	6,174,373	4,581,679	4,093,546	-	(1,976,499)	55,347	26,770,968	(483,600)	39,215,814
Total liabilities and fund equity	\$ 16,759,588	\$ 7,393,557	\$ 40,290,324	\$ 307,909	\$ 3,125,483	\$ 5,624,603	\$ 51,030,113	\$ -	\$ 124,531,577

NORTHEAST IOWA COMMUNITY COLLEGE
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE
 For the Year Ended June 30, 2013

	Current Funds				Plant Funds			GAAP Adjustments	GAAP Basis
	Unrestricted	Auxiliary	Restricted	Scholarship	Unexpended	Retirement of Indebtedness	Investment in Plant		
REVENUES AND OTHER ADDITIONS									
General									
State appropriations	\$ 8,864,740	\$ 31,685	\$ 1,448,452	\$ 480,839	\$ 5,485			\$ (340,697)	\$ 10,490,504
Tuition and fees	17,101,678	61,263	357,593					(7,863,008)	9,657,526
Property taxes	1,867,567		1,851,021		1,258,827	\$ 4,341,799			9,319,214
Federal appropriations	590,809	31,493	6,073,462	20,388,965	1,191,764			450,053	28,726,546
Investment income	91,323	47	186,210		119,310				396,890
Iowa Industrial New Jobs Training Program			5,325,255						5,325,255
Sales and services	69,763				83,680				153,443
Miscellaneous	131,600		1,331,153	109,356	30,538			(109,356)	1,493,291
	28,717,480	124,488	16,573,146	20,979,160	2,689,604	4,341,799	\$ -	(7,863,008)	65,562,669
Auxiliary enterprises									
Sales and services		4,064,996						(1,414,737)	2,650,259
Miscellaneous		407,776							407,776
	-	4,472,772	-	-	-	-	-	(1,414,737)	3,058,035
Total revenues and other additions	28,717,480	4,597,260	16,573,146	20,979,160	2,689,604	4,341,799	-	(9,277,745)	68,620,704
EXPENDITURES AND OTHER DEDUCTIONS									
Education and support									
Liberal arts and sciences	5,468,940		8,389						5,477,329
Vocational technical	7,698,294		1,304,163					(507,843)	8,494,614
Adult education	3,270,042		232,753					(7,959)	3,494,836
Cooperative services	2,598,252		6,429,575					(1,384,740)	7,643,087
General administration	1,445,495								1,445,495
Student services	1,955,567								1,955,567
Learning resources	707,441		169,930						877,371
Physical plant	2,234,671		1,063,790					(222,214)	3,076,247
General institution	3,454,697		4,544,822					(110,409)	7,889,110
	28,833,399	-	13,753,422	-	-	-	-	(2,233,165)	40,353,656
Auxiliary enterprises									
Scholarships and grants		4,302,533		20,952,363				(190,613)	4,111,920
Plant asset acquisitions					4,888,631			(9,277,745)	11,674,618
Interest on indebtedness						1,288,708		(4,888,286)	345
Other					1,207,264			1,375,871	2,664,579
Expended for plant assets							(4,369,706)	(32,558)	1,174,706
Bond payable for plant assets							(1,662,951)	4,369,706	-
Retirement of indebtedness					(1,874,648)	3,060,000	(1,185,352)	1,662,951	-
Disposal of plant assets							76,291		76,291
Depreciation							2,499,095		2,499,095
Donated plant assets received							(29,000)		(29,000)
	-	4,302,533	-	20,952,363	4,221,247	4,348,708	(4,671,623)	(6,980,674)	22,172,554
Total expenditures and other deductions	28,833,399	4,302,533	13,753,422	20,952,363	4,221,247	4,348,708	(4,671,623)	(9,213,839)	62,526,210

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE (Continued)
For the Year Ended June 30, 2013

	Current Funds				Plant Funds			GAAP Adjustments	GAAP Basis
	Unrestricted	Auxiliary	Restricted	Scholarship	Unexpended	Retirement of Indebtedness	Investment in Plant		
Excess (deficiency) of revenues and other additions over expenditures and other deductions	\$ (115,919)	\$ 294,727	\$ 2,819,724	\$ 26,797	\$ (1,531,643)	\$ (6,909)	\$ 4,671,623	\$ (63,906)	\$ 6,094,494
TRANSFERS									
Mandatory	1,060,403		(1,033,606)	(26,797)					-
Nonmandatory	(5,844)	561,937	(605,929)		49,836				-
Total transfers	1,054,559	561,937	(1,639,535)	(26,797)	49,836	-	-	-	-
Net increase (decrease) in fund balance	938,640	856,664	1,180,189	-	(1,481,807)	(6,909)	4,671,623	(63,906)	6,094,494
FUND BALANCE									
Beginning	5,235,733	3,725,015	2,913,357	-	(494,692)	62,256	22,099,345	(419,694)	33,121,320
Ending	\$ 6,174,373	\$ 4,581,679	\$ 4,093,546	\$ -	\$ (1,976,499)	\$ 55,347	\$ 26,770,968	\$ (483,600)	\$ 39,215,814

NORTHEAST IOWA COMMUNITY COLLEGE
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE
 EDUCATION AND SUPPORT UNRESTRICTED CURRENT FUNDS
 For the Year Ended June 30, 2013

	Education			Support						Total
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	
REVENUES AND OTHER ADDITIONS										
State appropriations	\$ 3,779,158	\$ 3,914,482	\$ 1,160,747				\$ 413	\$ 9,940		\$ 8,864,740
Tuition and fees	5,138,027	7,668,706	2,480,514	\$ 1,814,116		\$ 315				17,101,678
Property taxes					\$ 1,867,567					1,867,567
Federal appropriations		116,245	189,733	284,831						590,809
Investment income					91,323					91,323
Sales and services			26,067	2,950	500		12,000		\$ 28,246	69,763
Miscellaneous	13,382	14,893	4,223	36,437	1,701	30	31,355	2,695	26,884	131,600
Total revenues and other additions	8,930,567	11,714,326	3,861,284	2,138,334	1,961,091	345	43,768	12,635	55,130	28,717,480
EXPENDITURES AND OTHER DEDUCTIONS										
Salaries and wages	3,953,416	5,369,126	1,769,831	1,654,600	704,255	1,242,470	426,154	579,566	1,324,078	17,023,496
Employee fringe benefits	1,415,345	1,943,122	527,003	644,986	358,553	610,253	223,354	350,148	770,366	6,843,130
Services	42,290	203,525	853,242	74,906	286,770	49,573	6,317	1,085,942	1,086,582	3,689,147
Materials and supplies	47,016	140,731	44,028	86,513	9,171	38,663	50,041	218,020	186,082	820,265
Travel	10,873	41,790	48,335	44,355	39,846	14,608	1,575	995	41,331	243,708
Loan cancellations and bad debts			27,603		6,134					33,737
Plant asset acquisitions				92,892					13,650	106,542
Miscellaneous					40,766				32,608	73,374
Total expenditures and other deductions	5,468,940	7,698,294	3,270,042	2,598,252	1,445,495	1,955,567	707,441	2,234,671	3,454,697	28,833,399
Excess (deficiency) of revenues and other additions over expenditures and other deductions	3,461,627	4,016,032	591,242	(459,918)	515,596	(1,955,222)	(663,673)	(2,222,036)	(3,399,567)	(115,919)
TRANSFERS										
Mandatory		26,797		985,076	48,530					1,060,403
Nonmandatory		132,000	316,688	(10,832)	66,721	100			(510,521)	(5,844)
Total transfers	-	158,797	316,688	974,244	115,251	100	-	-	(510,521)	1,054,559
Net increase (decrease) in fund balance	\$ 3,461,627	\$ 4,174,829	\$ 907,930	\$ 514,326	\$ 630,847	\$ (1,955,122)	\$ (663,673)	\$ (2,222,036)	\$ (3,910,088)	938,640
FUND BALANCE										
Beginning										5,235,733
Ending										<u>\$ 6,174,373</u>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE
 AUXILIARY ENTERPRISE UNRESTRICTED CURRENT FUNDS
 Year Ended June 30, 2013

	Bookstore	Food Services	Child Care	Farm	Trade and Industry	Professional Development	Miscellaneous	Total
Revenues and other additions								
State appropriations			\$ 31,685					\$ 31,685
Tuition and fees						\$ 54,373	\$ 6,890	61,263
Federal appropriations			31,493					31,493
Sales and services	\$ 2,996,744	\$ 225,875	682,509	\$ 53,040	\$ 71,754		35,074	4,064,996
Investment income				47				47
Miscellaneous	77,740		52,918			3,992	273,126	407,776
Total revenues and other additions	3,074,484	225,875	798,605	53,087	71,754	58,365	315,090	4,597,260
Expenditures and other deductions								
Salaries and wages	124,720	76,106	600,441					801,267
Employee fringe benefits	56,364	30,389	220,061					306,814
Services	6,405	38,860	8,152	2,500	5,157	14,215	50,406	125,695
Materials and supplies	2,414	22,531	76,374		10,047	739	37,654	149,759
Travel	3,106				589	34,460	2,608	40,763
Cost of goods sold	2,436,678	111,724		5,400	45,144		13,704	2,612,650
Plant asset acquisitions							106,590	106,590
Interest on indebtedness				84,023				84,023
Miscellaneous	71,222						3,750	74,972
Total expenditures and other deductions	2,700,909	279,610	905,028	91,923	60,937	49,414	214,712	4,302,533
Excess (deficiency) of revenues and other additions over expenditures and other deductions	373,575	(53,735)	(106,423)	(38,836)	10,817	8,951	100,378	294,727
Transfers								
Nonmandatory	14,886	43,060	225,819		44		278,128	561,937
	14,886	43,060	225,819	-	44	-	278,128	561,937
Net increase (decrease) in fund balance	388,461	(10,675)	119,396	(38,836)	10,861	8,951	378,506	856,664
Fund balance (deficit)								
Beginning	2,606,661	66,103	27,049	(66,587)	169,018	95,110	827,661	3,725,015
Ending	\$ 2,995,122	\$ 55,428	\$ 146,445	\$ (105,423)	\$ 179,879	\$ 104,061	\$ 1,206,167	\$ 4,581,679

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE
RESTRICTED CURRENT FUNDS
Year Ended June 30, 2013

	Restricted Property Tax Levies	Iowa New Jobs Training	Other Federal Programs	Miscellaneous	Total
Revenues and other additions					
State appropriations	\$ 4,913		\$ 531,539	\$ 912,000	\$ 1,448,452
Tuition and fees				357,593	357,593
Property taxes	1,851,021				1,851,021
Federal appropriations			6,073,462		6,073,462
Investment income	186,210				186,210
Iowa Industrial New Jobs Training Program		\$ 5,325,255			5,325,255
Miscellaneous	28,749	1,105,004	66,474	130,926	1,331,153
Total revenues and other additions	2,070,893	6,430,259	6,671,475	1,400,519	16,573,146
Expenditures and other deductions					
Salaries and wages			792,624	12,051	804,675
Employee fringe benefits	69,451		325,516	932	395,899
Services	536,477	4,089,224	543,780	324,234	5,493,715
Materials and supplies	434,942		361,920	194,145	991,007
Travel			76,980	4,349	81,329
Plant asset acquisitions	217,751		201,346	479,584	898,681
Interest on indebtedness		1,291,848	2,905		1,294,753
Miscellaneous		82,153	3,710,543	667	3,793,363
Total expenditures and other deductions	1,258,621	5,463,225	6,015,614	1,015,962	13,753,422
Excess of revenues and other additions over expenditures and other deductions	812,272	967,034	655,861	384,557	2,819,724
Transfers					
Mandatory		(988,560)	(45,046)		(1,033,606)
Nonmandatory	5	21,526	(560,828)	(66,632)	(605,929)
Total transfers	5	(967,034)	(605,874)	(66,632)	(1,639,535)
Net increase in fund balance	812,277	-	49,987	317,925	1,180,189
Fund balance					
Beginning	2,369,405		228,507	315,445	2,913,357
Ending	\$ 3,181,682	\$ -	\$ 278,494	\$ 633,370	\$ 4,093,546

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS
AGENCY FUNDS
Year Ended June 30, 2013

	Student Organizations Federal	Federal and Other Programs	Retraining	Dairy Center	Total
Balance, beginning of year	\$ 2,172	\$ 7,947	\$ 85,488	\$ (672)	\$ 94,935
Additions					
State appropriations			77,410		77,410
Tuition and fees	114,855				114,855
Federal appropriations	1,836	1,175			3,011
Miscellaneous	290,449	961			291,410
Total additions	407,140	2,136	77,410	-	486,686
Deductions					
Salaries and wages	92,296	2,263			94,559
Employee fringe benefits	43,949	1,346			45,295
Services	91,902	2,131	44,495		138,528
Materials and supplies	44,202	1,771			45,973
Travel	53,168	630			53,798
Cost of goods sold	10,024				10,024
Miscellaneous	52,690				52,690
Total deductions	388,231	8,141	44,495	-	440,867
Balance, end of year	\$ 21,081	\$ 1,942	\$ 118,403	\$ (672)	\$ 140,754

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Local (property tax)	\$ 9,319,214	\$ 9,722,498	\$ 9,168,987	\$ 8,338,873	\$ 4,437,962	\$ 4,710,263	\$ 4,617,926	\$ 4,434,120	\$ 4,264,427	\$ 4,175,583
State appropriations	10,490,504	8,976,053	10,590,494	8,561,576	9,926,999	9,582,594	9,318,872	9,225,795	7,264,588	7,301,681
Federal appropriations	28,726,546	26,677,663	28,950,131	26,409,295	18,342,004	15,164,519	13,211,473	13,808,778	14,292,929	13,283,108
Total	\$ 48,536,264	\$ 45,376,214	\$ 48,709,612	\$ 43,309,744	\$ 32,706,965	\$ 29,457,376	\$ 27,148,271	\$ 27,468,693	\$ 25,821,944	\$ 24,760,372

See Independent Auditor's Report on the Supplementary Information.

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
State appropriations	\$ 10,825,716	\$ 8,922,833	\$ 8,901,805	\$ 8,630,563	\$ 10,045,748	\$ 9,646,510	\$ 8,585,540	\$ 8,273,314	\$ 7,168,615	\$ 7,166,690
Tuition and fees	17,520,534	17,846,943	17,610,746	17,311,196	14,012,003	12,617,952	12,627,379	11,542,638	12,445,632	11,606,023
Property taxes	3,718,588	4,284,334	3,752,235	3,232,287	2,823,374	3,154,039	3,087,576	2,950,677	2,820,385	2,712,602
Federal appropriations	27,084,729	25,762,439	28,249,100	25,972,051	18,087,030	14,421,197	13,210,561	13,662,743	14,061,236	12,873,853
Investment income	277,580	327,185	390,036	433,017	735,656	781,538	770,894	372,952	185,491	179,649
Iowa Industrial New Jobs Training Program	5,325,255	5,226,224	4,939,286	3,064,989	3,255,689	2,942,389	2,681,762	2,022,297	2,273,725	2,216,877
Auxiliary enterprises	4,472,772	4,331,066	4,457,057	4,383,682	3,615,807	3,364,701	3,165,052	3,019,488	3,001,282	2,801,656
Miscellaneous	1,641,872	770,406	4,092,595	6,289,740	1,199,579	1,605,837	3,998,906	2,288,211	295,227	262,409
	<u>\$ 70,867,046</u>	<u>\$ 67,471,430</u>	<u>\$ 72,392,860</u>	<u>\$ 69,317,525</u>	<u>\$ 53,774,886</u>	<u>\$ 48,534,163</u>	<u>\$ 48,127,670</u>	<u>\$ 44,132,320</u>	<u>\$ 42,251,593</u>	<u>\$ 39,819,759</u>
Expenditures										
Liberal arts and sciences	\$ 5,477,329	\$ 5,879,893	\$ 5,348,064	\$ 5,701,752	\$ 5,644,522	\$ 3,132,660	\$ 4,291,171	\$ 4,551,128	\$ 4,490,667	\$ 3,531,504
Vocational technical	9,002,457	8,845,338	9,098,625	7,530,248	7,332,631	9,028,181	7,406,780	8,270,645	7,739,181	7,634,475
Adult education	3,502,795	3,293,160	3,083,158	2,662,436	2,502,973	2,435,011	2,445,756	2,562,093	2,377,622	2,291,969
Cooperative services	9,027,827	9,102,551	10,946,821	11,532,077	6,866,050	6,318,846	7,611,483	4,633,475	4,548,362	4,103,043
General administration	1,445,495	1,480,985	2,507,767	1,676,056	1,912,926	1,788,637	1,229,762	750,693	523,381	842,823
Student services	1,955,567	1,776,000	1,701,656	1,734,854	1,775,038	1,653,107	1,514,565	1,572,779	1,476,424	1,665,225
Learning resources	877,371	1,070,725	696,452	929,461	886,356	742,207	776,377	756,579	841,086	814,478
Physical plant	3,298,461	2,781,858	2,554,179	2,774,210	2,219,838	1,910,678	1,650,778	1,604,176	1,576,922	1,446,945
General institution	7,999,519	3,845,296	4,842,903	3,845,175	3,503,043	3,377,247	3,526,426	3,363,388	2,792,226	2,771,600
Auxiliary enterprises	4,302,533	4,220,714	4,020,013	4,478,723	4,337,177	3,558,057	3,406,178	3,188,290	3,019,160	3,081,176
Scholarships and grants	20,952,363	22,680,816	24,988,186	23,560,574	16,485,045	13,315,714	12,730,287	12,890,231	12,332,748	11,503,712
Loan cancellations and bad debts							(234)	8,445	14,405	9,247
	<u>\$ 67,841,717</u>	<u>\$ 64,977,336</u>	<u>\$ 69,787,824</u>	<u>\$ 66,425,566</u>	<u>\$ 53,465,599</u>	<u>\$ 47,260,345</u>	<u>\$ 46,589,329</u>	<u>\$ 44,151,922</u>	<u>\$ 41,732,184</u>	<u>\$ 39,696,197</u>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT
Year Ended June 30, 2013

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	50,171		50,171			
Vocational Education	50,775		50,775			
Adult/Continuing Education				338,384	88,565	426,949
Related Services and Activities					24,300	24,300
Total	100,946		100,946	338,384	112,865	451,249

NORTHEAST IOWA COMMUNITY COLLEGE
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2013

Funds/Levy	Original Budget	Actual	Variance Actual and Budget
Unrestricted	\$ 29,056,060	\$ 28,833,399	\$ 222,661
Restricted	21,975,000	12,494,801	9,480,199
Unemployment	15,000	15,144	(144)
Insurance	462,318	522,888	(60,570)
Early retirement	542,775	(45,278)	588,053
Equipment replacement	832,550	765,867	66,683
Total restricted	23,827,643	13,753,422	10,074,221
Plant			
Plant	5,873,239	6,095,895	(222,656)
Bonds and interest	3,725,495	4,348,708	(623,213)
Total plant	9,598,734	10,444,603	(845,869)
Total	\$ 62,482,437	\$ 53,031,424	\$ 9,451,013

Note to Budgetary Reporting:

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

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

For the year ended June 30, 2013, the College's expenditures for restricted fund - unemployment, insurance and plant fund - bonds and interest subgroups exceeded the amount budgeted.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 17.268 – H-1B Job Training Grants
 - CFDA Number 17.282 - Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants
 - CFDA Number 84.031 - Higher Education-Institutional Aid
 - Clustered programs:
 - Student Financial Assistance Cluster
 - CFDA Number 84.007 - Federal Supplemental Educational Opportunity Grants
 - CFDA Number 84.033 - Federal Work-Study Program
 - CFDA Number 84.063 - Federal Pell Grant Program
 - CFDA Number 84.268 - Federal Direct Student Loans-Subsidized/Unsubsidized, Plus Loans
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$439,120.
- (i) Northeast Iowa Community College did qualify as a low-risk auditee.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Part II: Findings Related to the Financial Statements:

No matters were noted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated December 10, 2013

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

N/A

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
U.S. Department of Agriculture			
Direct			
New ERA Rural Technology Competitive Grants Program	10.314	\$ 73,189	
Rural Business Enterprise Grants	10.769	21,529	
Passed through Iowa Department of Education			
Child and Adult Care Food Program	10.558	31,493	
Summer Food Service Program for Children	10.559	5,381	
		<u>36,874</u>	
Subtotal U.S. Department of Agriculture		<u>131,592</u>	
U.S. Department of Commerce			
Direct			
Investments for Public Works and Economic Development Facilities	11.300	866,374	
U.S. Department of Labor			
Direct			
H-1B Job Training Grants	17.268	747,306	
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	4,097,781	
Passed through East Central Intergovernmental Agency			
Program of Competitive for Workers Training and Placement in High Growth and Emerging Industry Sectors, Recovery Act	17.275	185,660	
Subtotal U.S. Department of Labor		<u>5,030,747</u>	
National Endowment for the Humanities			
Passed through Humanities Iowa			
Promotion of the Humanities Federal/State Partnership	45.129	992	
National Science Foundation			
Passed through Iowa State University			
Education and Human Resources	47.076	77,783	
Small Business Development Center			
Passed through Iowa State University			
Small Business Development	59.037	58,578	
U.S. Department of Veteran Affairs			
Direct			
Post 9/11 Veterans Educational Assistance	64.027	184,728	
U.S. Department of Health and Human Services			
Passed through University of Iowa			
Occupational Safety and Health Program	93.262	9,550	

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
U.S. Department of Education			
Direct			
Adult Education - State Grant Program	84.002	\$ 190,908	
Higher Education - Institutional Aid	84.031	374,001	
TRIO Cluster			
TRIO - Student Support Services	84.042	231,843	
TRIO - Upward Bound	84.047	176,856	
		<u>408,699</u>	
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007	109,054	
Federal Work-Study Program	84.033	105,016	
Federal Pell Grant Program	84.063	7,160,746	
Federal Direct Student Loans - Plus Loans	84.268		\$ 51,072
Federal Direct Student Loans - Subsidized Loans	84.268		6,297,311
Federal Direct Student Loans - Unsubsidized Loans	84.268		6,599,119
		<u>7,374,816</u>	<u>12,947,502</u>
Vocational Education-Basic Grants to States			
Vocational Education - Basic Grants to States	84.048	297,844	
Subtotal U.S. Department of Education			
		<u>8,646,268</u>	<u>12,947,502</u>
		<u>\$ 15,006,612</u>	<u>\$ 12,947,502</u>

NORTHEAST IOWA COMMUNITY COLLEGE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Northeast Iowa Community College under programs of the federal government for the year ended June 30, 2013. 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*. Because the schedule presents only a selected portion of the operations of Northeast Iowa Community College, it is not intend to and does not present the financial position, changes in net position, or cash flows of Northeast Iowa Community College.

Note 2. Summary of Significant Accounting Policies

- a. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Pass-through entity identifying numbers are presented where available.

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

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

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Northeast Iowa Community College's basic financial statements, and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Iowa Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Iowa Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast Iowa Community College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Iowa Community College's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
December 10, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Northeast Iowa Community College compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northeast Iowa Community College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northeast Iowa Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Iowa Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northeast Iowa Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Northeast Iowa Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Northeast Iowa Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northeast Iowa Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hasher, Nelson & Co., P.C.

Decorah, Iowa
December 10, 2013

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the Northeast Iowa Community College for the year ended June 30, 2013, we considered the College's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the College's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 thru 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated December 10, 2013 contains our report on the College's internal control. This letter does not affect our report dated December 10, 2013, on the financial statements of the Northeast Iowa Community College. Comment numbers 8 and 10 are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the College's responses and, accordingly, we express no opinion on them.

1. **Certified Budget**

Expenditures for the year ended June 30, 2013 did not exceed the amounts budgeted in total.

2. **Questionable Disbursements**

We didn't note any expenditures which we believe did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

3. **Travel Expense**

No expenditures of College money for travel expenses of spouses of College officials and/or employees were noted. No travel advances to College officials or employees were noted.

4. **Business Transactions**

No business transactions between the College and College officials and/or employees were noted, except for the following:

During the year ended June 30, 2013, the College entered into business transactions with a College official. Details are as follows:

Name, Title and Business Connection: Larry Blatz, Board of Trustee member, owner of Key West True Value.

Transaction Description: Supply purchases

Amount: \$10,131.

College officials and employees should continue to notify management of possible related party transactions and to continue to abstain from approving such transactions.

5. **Bond Coverage**

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

6. **Trustee Minutes**

We noted no transactions requiring Trustee approval, which had not been approved by the Trustees.

7. **Publication**

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

8. **Deposits and Investments**

The flex plan bank account has not been reconciled to the book balance of the participant's balances during the year ended June 30, 2013. During our audit, we became aware checks were not being deposited in the bank account in a timely manner. A resolution naming official depository banks has been approved by the Trustees. The maximum deposit amounts stated in the resolution for the accounts help by the College at Community Savings Bank were exceeded during the year ended June 30, 2013.

Recommendation

All bank accounts should be reconciled monthly to the book balance. All money received should be deposited in a timely manner to avoid any misplacing of funds. We recommend depository amounts be monitored to prevent exceeding the resolution. The Trustees should reconsider the amount that is necessary to be set for the depository resolution.

Response

The College agrees with recommendation and has taken steps to implement policies to comply with the recommendation. Management was aware of the balance being over the depository resolution. The amount was the interest earned during the month and there was a check issued the next day to resolve the issue. We will monitor the account closer in the future.

Conclusion

Response accepted.

9. **Credit and Contact Hours**

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

10. **Fund Balance Deficits**

As of June 30, 2013, there are several subgroup accounts reporting fund balance deficits.

Recommendation

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

10. Fund Balance Deficits (Continued)

Response

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

Conclusion

Response accepted.

11. New Jobs Training Program

During our audit, we noted the College did not return unused funds to the Iowa Department of Economic Agency within 45 days of project completion per Iowa Administration Code.

Recommendation

We recommend the College return all unused funds within the time period required by the Iowa Administration Code.

Response

The College is aware of the timing and will monitor the activity for compliance.

Conclusion

Response accepted.

12. Construction Contracts

The College does not appear to be following their capitalization policy regarding construction contracts and repairs. The College did not publish a public hearing notification for a project in accordance with the Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation

We recommend management to follow their capitalization policy consistently among the various construction contracts. The College also publishes all public hearing notifications in accordance with the Chapters 26.12 and 362.3 of the Code of Iowa.

Response

The College will review its processes for consistency and controls to ensure safeguard of assets.

Conclusion

Response accepted.

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

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

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

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

Hasher, Nelson & Co., P.C.

Decorah, Iowa
December 10, 2013