

**NORTH IOWA AREA COMMUNITY COLLEGE  
MASON CITY, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013**

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## Officials

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Name	Title	Term Expires
<b>Board of Directors</b>		
Toni Noah	President (October, 2012 - Current)	2013
Karen Knudtson	Vice President (July, 2012 - October, 2012)	2015
	Vice President (October, 2012 - Current)	
David Steffens, Jr.	Member (July, 2012 - October, 2012)	2013
	Member	
James Niemants	Member	2013
Robert Davis (resigned March, 2013)	Member	2015
John Rowe (appointed March, 2013)	Member	2015
Gordon Anderson	Member	2013
Jean Torgeson	Member	2015
Dean Cataldo	Member	2015
John Heilskov	Member (October, 2012 - Current)	2015
	President (July, 2012 - October, 2012)	

### Officials

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

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of North Iowa Area Community College, Mason City, Iowa, and its discretely presented component unit as of and for the year ended June 30, 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 accounting principles generally accepted in the United States of America; 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 did not audit the financial statements of the component unit of the College discussed in Note 1, which represents 100% of the assets and revenue of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College'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.

### **Opinion**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Iowa Area Community College and its discretely presented component unit as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the retiree health plan on pages 4 through 12 and 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 which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Iowa Area Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information on pages 32 through 45, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements by us and other auditors 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014, on our consideration of North Iowa Area Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
January 22, 2014

**North Iowa Area Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

Management of North Iowa Area Community College (College) has prepared a discussion and analysis of the College's financial statements that provides an overview of financial activities for the year beginning July 1, 2012 and ending June 30, 2013. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- College operating revenue decreased 8.18% in FY13 from FY12. There are several reasons for the decrease. During FY13, the College experienced a decrease in funding in Perkins, Adult Basic Education (ABE). Federal dollars are considered operating revenue while State General Aid is considered non-operating revenue. Tuition and fees rates were increased by 2.50% for FY13; however, there was a decrease in total credits of enrollment. Revenue associated with the Iowa Industrial New Jobs Training Program decreased by 21.31% in FY13. This program involves the diversion of state withholding to repay bonds that are issued for workforce training. Revenue for this program can vary from year to year depending on funds needed for annual bond payments.
- College operating expenses in FY13 decreased 0.14% from FY12. Part of this decrease was due to a decrease in early retirement costs compared to FY12. Salary and benefit costs increased 3.47%. The faculty and staff received an average salary increase of 3.00% and there was a 1.50% increase in the cost of the College's health insurance program.
- A company was engaged to perform a feasibility study for a new student housing facility in FY13. With the documentation from this study and the outcomes from the facilities master plan, the project was approved. Funding was put in place and design work, site development and construction began in FY13. Occupancy is anticipated the fall of 2014.

**USING THIS ANNUAL REPORT**

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

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

The basic financial statements consist of a statement of net position; a statement of revenue, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the College as a whole and present an overall view of the College's finances.

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

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

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

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

## **REPORTING THE COLLEGE AS A WHOLE**

### **The Statement of Net 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 non-current assets, current and non-current liabilities and net position (assets less liabilities). Over time, readers of the financial statements are able to determine the College's financial position by analyzing the increases and decreases in net position. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement presents the available assets that can be used to satisfy those liabilities.

	<b>Net Position</b>	
	<b><u>June 30, 2013</u></b>	<b><u>June 30, 2012</u></b>
Current and other assets	\$ 42,549,556	\$ 32,145,004
Non-current assets	1,844,409	1,593,200
Capital assets, net of accumulated depreciation/amortization	<u>22,598,937</u>	<u>21,422,042</u>
Total assets	<u>\$ 66,992,902</u>	<u>\$ 55,160,246</u>
Current liabilities	\$ 9,752,251	\$ 9,158,671
Non-current liabilities	<u>20,948,623</u>	<u>9,347,050</u>
Total liabilities	<u>30,700,874</u>	<u>18,505,721</u>
Net position:		
Net investment in capital assets	19,315,773	20,267,042
Restricted, expendable	4,402,035	4,024,723
Unrestricted	<u>12,574,220</u>	<u>12,362,760</u>
Total net position	<u>36,292,028</u>	<u>36,654,525</u>
Total liabilities and net position	<u>\$ 66,992,902</u>	<u>\$ 55,160,246</u>

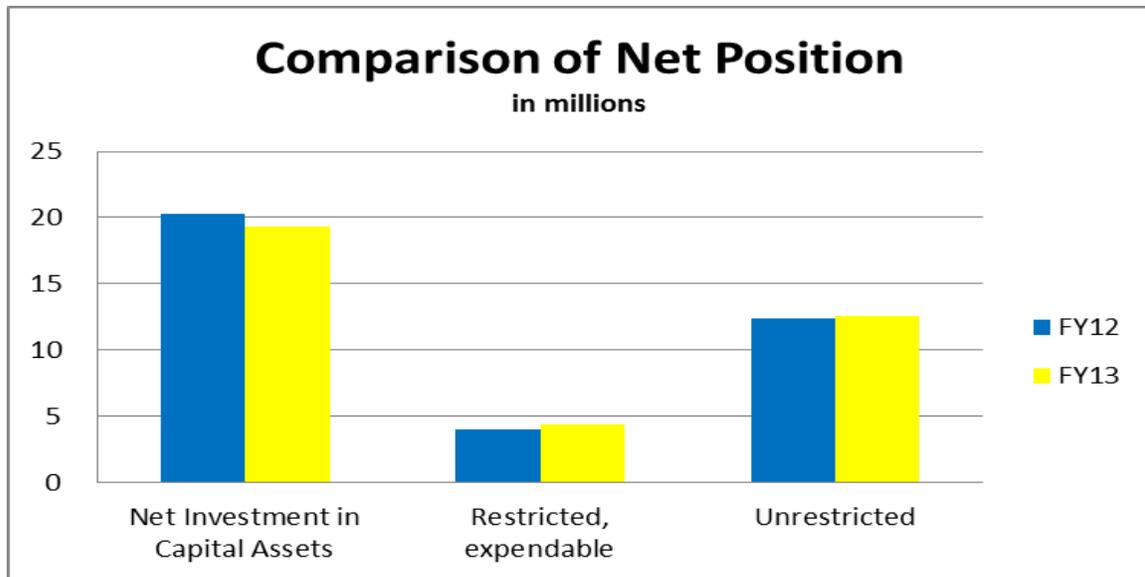
The largest portion of the College’s net position (53.22%) is invested in capital assets (e.g., land, infrastructure, buildings, intangibles and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets. The restricted portion of net position (12.13%) includes resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The remaining net position (34.65%) is unrestricted net position which can be used to meet the College’s obligations as they come due.

Restricted, expendable net position in FY13 increased \$377,312 from FY12 or 9.37%. There were fewer retirements in FY13 compared to FY12. The negative balance that was created from those FY12 early retirements is being collected over the next four to five years. This recapturing of the negative balance would be reflected here.

Unrestricted net position increased \$211,460 or 1.71%. There was a net increase in Plant Fund net position as revenue exceeded expenses for the year. Other increases are the result of borrowing for the construction of student housing, with most of these dollars yet unexpended as of June 30, 2013. Travel restrictions were continued during this year to help keep the cost of travel to a minimum.

**Statement of Revenue, Expenses and Changes in Net Position**

Changes in total net position presented in the statement of net position are based on the activity presented in the statement of revenue, expenses and changes in net position. The purpose of the statement is to present the revenue earned by the College, both operating and non-operating, and the expenses incurred by the College, both operating and non-operating, and any other revenue, expenses, gains and losses received or spent by the College. The graph below reflects FY13 and FY12 amounts.

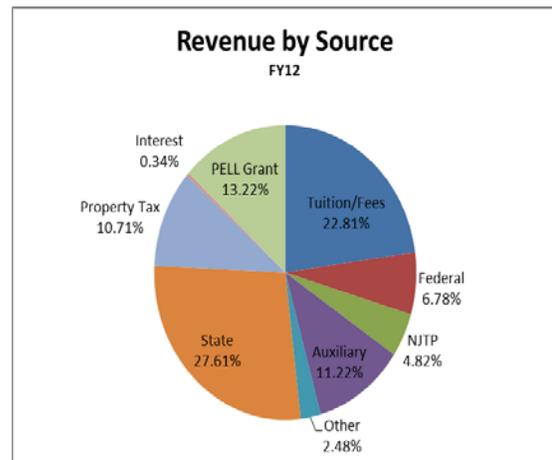
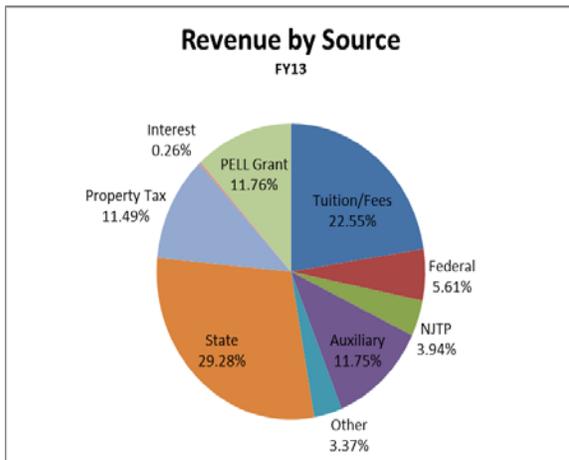


In general, a public college, such as North Iowa Area Community College, will report an operating loss since the financial reporting model classifies state appropriations, Pell grant and property tax as non-operating revenue. Operating revenue is received for providing goods and services to students,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

### Changes in Net Position

	<b><u>Year ended</u></b> <b><u>June 30, 2013</u></b>	<b><u>Year ended</u></b> <b><u>June 30, 2012</u></b>
Operating revenue:		
Tuition and fees	\$ 7,920,419	\$ 8,315,676
Federal appropriations	1,969,533	2,472,940
Sales and services	162,574	204,290
Iowa Industrial New Jobs Training Program	1,382,494	1,756,858
Auxiliary enterprises	4,126,939	4,092,447
Miscellaneous	<u>37,410</u>	<u>146,944</u>
Total operating revenue	15,599,369	16,989,155
Total operating expenses	<u>35,096,303</u>	<u>35,146,286</u>
Operating loss	<u>(19,496,934)</u>	<u>(18,157,131)</u>
Non-operating revenue (expenses):		
State appropriations	10,285,881	10,068,392
Pell grant	4,130,382	4,821,643
Property tax	4,036,768	3,905,020
Gifts	985,467	553,095
Interest income from investments	89,859	123,759
Loss on sale of capital assets	(9,902)	---
Donated capital assets	---	60,161
Bond premium	---	38,913
Interest on indebtedness	<u>(384,018)</u>	<u>(389,071)</u>
Net non-operating revenue	<u>19,134,437</u>	<u>19,181,912</u>
Change in net position	(362,497)	1,024,781
Net position beginning of year	<u>36,654,525</u>	<u>35,629,744</u>
Net position end of year	<u>\$ 36,292,028</u>	<u>\$ 36,654,525</u>

The statement of revenue, expenses and changes in net position reflects a deficit with a decrease (\$362,497 or 0.99%) in the net position at the end of the fiscal year and showed an increase (\$1,339,803 or 7.38%) in the net operating loss. Most of this change in operating loss is attributable to the loss of operating revenue.

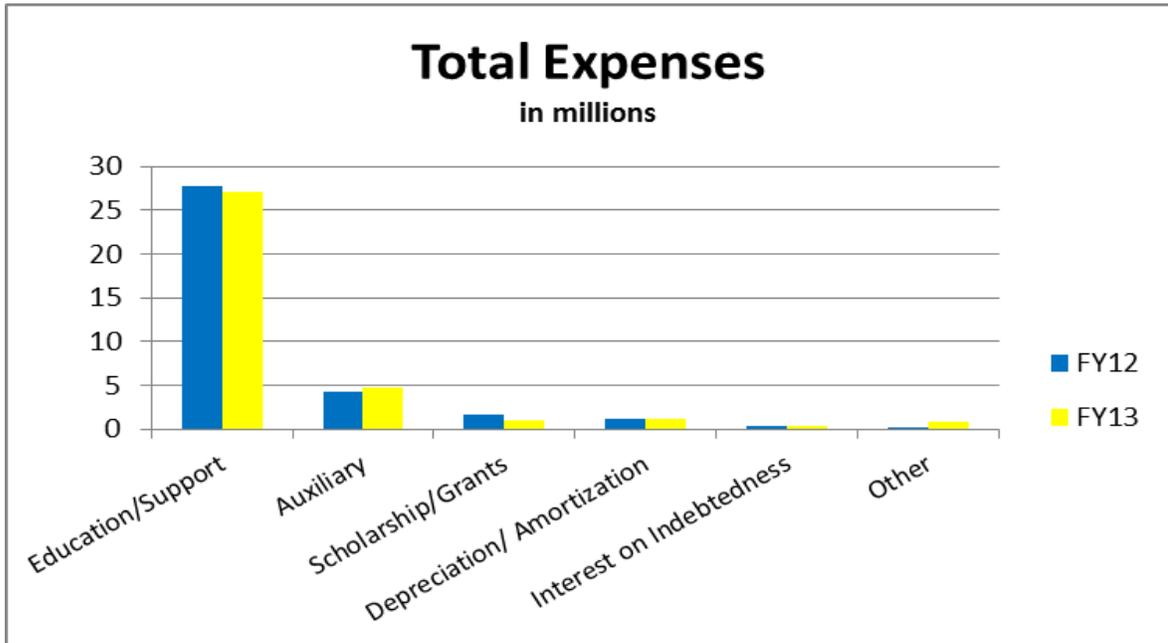


In FY13, operating revenue decreased \$1,389,786 or 8.18%, as a net result of the following changes:

- Even though tuition rates for credit classes increased from \$122.20 per credit hour in FY12 to \$125.25 per credit hour in FY13, there was an overall decrease due to lower enrollment. There was an increase in Continuing Education revenue between the two years indicating a change in the demand for our offerings.
- Federal appropriations revenue decreased \$503,407 or 20.36% in FY13 under operating revenue because of changes in developmental education funding and Iowa Workforce Development funding. Under non-operating revenue, State appropriations increased 2.16%. This is due in part to state support of state general aid being increased over the prior year. Financial aid activity, accounted for under non-operating activities, was less in FY13 because of a decrease in total credit enrollment of eligible students.
- Revenue associated with the Iowa Industrial New Jobs Training Program decreased by \$374,364 in FY13. This program issues bonds used for workforce training by new or expanding companies. The bonds are repaid from employee state withholding revenue that is diverted to this program. Revenue depends on what is needed to make the annual principal and interest payments.

## Operating Expenses

	<u>Year ended</u> <u>June 30, 2013</u>	<u>Year ended</u> <u>June 30, 2012</u>
Education and support:		
Liberal arts and science	\$ 6,465,285	\$ 6,619,974
Vocational technical	3,656,007	3,571,247
Adult education	3,744,239	3,727,513
Cooperative services	1,096,163	2,264,573
Administration	2,238,901	2,179,853
Student services	4,203,265	3,763,149
Learning resources	595,833	577,099
Physical plant	2,189,460	2,306,978
General institution	2,898,828	2,698,920
Auxiliary enterprises	4,802,229	4,329,354
Scholarship and grants	1,065,254	1,632,336
Loan cancellations and bad debt	100	3,079
Administrative and collection costs	909,941	238,545
Depreciation/amortization	<u>1,230,798</u>	<u>1,233,666</u>
 Total	 <u>\$ 35,096,303</u>	 <u>\$ 35,146,286</u>



In FY13, operating expenses decreased by 0.14% mainly due to lower expenses for the Iowa Industrial New Jobs Training Program (cooperative services) and less scholarship and grants expenses due to lower enrollment.

## Statement of Cash Flows

The statement of cash flows is an important tool in helping the users to 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 and related financing and investing activities.

### Cash Flows

	<b><u>Year ended June 30, 2013</u></b>	<b><u>Year ended June 30, 2012</u></b>
Cash provided by (used in):		
Operating activities	\$ (17,654,206)	\$ (17,538,388)
Non-capital financing activities	20,445,834	19,987,490
Capital and related financing activities	7,674,475	(638,423)
Investing activities	<u>89,859</u>	<u>123,759</u>
Net increase in cash	10,555,962	1,934,438
Cash and certificates of deposit beginning of the year	<u>24,926,442</u>	<u>22,992,004</u>
Cash and certificates of deposit end of the year	<u>\$ 35,482,404</u>	<u>\$ 24,926,442</u>

Cash used in operating activities includes tuition, fees, operating grants and contracts net of payments to employees and to suppliers.

Cash provided by non-capital financing activities includes state appropriations, pell grant, local property tax received by the College and the receipt and disbursement of federal direct loan program proceeds. This section also includes New Jobs Training Certificate issuances as well as the repayment of these certificates. The increase in cash flow is directly related to the increase in gift revenue and the amount of New Jobs Training Certificate issuances.

Cash provided by capital and related financing activities represents the principal and interest payments of general obligation debt for the Plant Fund, issuance and repayment of debt related to the housing facility construction and the purchase of capital assets. The College made more capital asset acquisitions in FY13 and issued debt related to the housing facility construction.

Cash provided by investing activities reflect that funds were invested for less in certificates of deposit than a year ago. Investment income decreased in FY13 by \$33,900. This is due to lower interest rates available in FY13 and less opportunities for allowed investing.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **CAPITAL ASSETS**

As of June 30, 2013 the College had \$47,014,733 invested in capital assets, less accumulated depreciation/amortization of \$24,415,796. Depreciation expense/amortization totaled \$1,230,798 for FY13. Details of capital assets are shown below.

#### **Capital Assets, Net, at Year End**

	<b><u>June 30, 2013</u></b>	<b><u>June 30, 2012</u></b>
Land	\$ 340,756	\$ 340,756
Construction in progress	1,792,490	---
Buildings	18,553,369	19,288,657
Other structures and improvements	356,376	417,355
Intangibles	364,824	364,341
Furniture, vehicles and equipment	<u>1,191,122</u>	<u>1,010,933</u>
Total	<u>\$ 22,598,937</u>	<u>\$ 21,422,042</u>

The increase in total assets was primarily due to construction in progress related to the housing facility construction.

Planned capital expenditures for FY14 include the completion of construction of the student housing facility, continuing site development of the Emergency Services Training Facility, continuing to develop space for diesel technology and improving health career spaces to incorporate more simulation into the teaching and learning experience. The College has begun planning the implementation of some of the items included in the completed facilities master plan. The goal was to create a long-term building or repurposing of space for the future. This includes leveraging technology and efficient room usage. More detailed information about the College's capital assets is presented in Note 3 to the financial statements.

### **DEBT**

As of June 30, 2013, the College had \$19,630,000 in debt outstanding, an increase of \$11,235,000 from FY12. The table below summarizes these amounts by type.

#### **Outstanding Debt**

	<b><u>June 30, 2013</u></b>	<b><u>June 30, 2012</u></b>
Certificates payable	\$ 8,700,000	\$ 7,240,000
Notes payable	935,000	1,155,000
Bonds payable	9,995,000	---
	<u>\$ 19,630,000</u>	<u>\$ 8,395,000</u>

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

## **ECONOMIC FACTORS**

North Iowa Area Community College decreased its financial position during the current fiscal year. The College received reduced funding for FY13 through the legislature and there was a decline in enrollment. The continuing decline in the demographics of high school students continues to be a concern for College officials.

- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost. The College is leveraging with a contract with Ellucian to help develop strategies for the faculty and students to meet this demand.
- Demographics of the area continue to be a source of concern. The number of high school graduates will decline over the next five years and the population continues to age. This could impact enrollment at the College, as well as students working and enrolling in less total hours.
- Economic impacts on businesses will have an impact on the student population and demand for retraining of workers. Funding through Iowa Workforce Development to assist in some of this training has a limited period of availability. Changes in State deliveries of developmental education and access to services will continue to increase demand for college services.
- Expenses will continue to increase due to normal increases in salaries and benefits. Higher utility costs will also contribute to increased costs of operation. Though the College has been implementing strategies for efficiencies in usage, utility costs keep rising. The College continues to look for additional upgrades and retrofits that will decrease utility usage, keeping in mind the return on investment.
- State financial concerns and unknown funding from the State and Federal governments are challenging the ways the College practices purchasing and hiring. Additional reporting and data collecting requirements continue to demand more effort.

## **CONTACT THE COLLEGE'S FINANCIAL MANAGEMENT**

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

## Basic Financial Statements

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# Statement of Net Position

As of June 30, 2013

	<b>Primary Institution</b>	<b><u>Component Unit</u> Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and certificates of deposit.....	\$ 35,482,404	\$ 751,312
Receivables		
Accounts (net of allowance for doubtful accounts		
College - \$297,907).....	864,905	—
Due from North Iowa Area Community College Foundation	9,462	—
Accrued interest .....	—	2,418
Property tax - succeeding year.....	4,085,656	—
Notes (net of allowance for doubtful accounts -		
College - \$16,190).....	85,879	—
Iowa Industrial New Jobs Training Program .....	1,145,251	—
Contributions.....	—	136,419
Due from other governments.....	609,147	—
Prepaid expenses.....	30,995	—
Inventories.....	235,857	—
<b>Total Current Assets</b> .....	<b><u>42,549,556</u></b>	<b><u>890,149</u></b>
 <b>Noncurrent Assets</b>		
Investment in marketable securities.....	—	17,278,657
Receivables		
Notes .....	34,241	—
Iowa Industrial New Jobs Training Program .....	1,810,168	—
Contributions (net of allowance for uncollectible		
promises of \$137,038).....	—	1,071,462
Investment in Commonfund Realty Investors, LLC .....	—	35,465
Investments in real estate.....	—	543,656
Beneficial interest in assets held by others .....	—	273,381
Capital assets, net of accumulated depreciation/amortization	22,598,937	—
<b>Total Noncurrent Assets</b> .....	<b><u>24,443,346</u></b>	<b><u>19,202,621</u></b>
 <b>Total Assets</b> .....	 <b><u>\$ 66,992,902</u></b>	 <b><u>\$ 20,092,770</u></b>

See accompanying notes to the financial statements.

	<b>Primary Institution</b>	<b>Component Unit Foundation</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable .....	\$ 799,399	\$ 620
Due to North Iowa Area Community College .....	—	9,462
Salaries and benefits payable.....	1,085,485	—
Accrued interest payable .....	21,401	—
Compensated absences payable.....	245,010	—
Insurance claims incurred but not reported.....	443,020	—
Deposits held in custody for others.....	645,197	—
Unearned Revenue		
Succeeding year property tax.....	4,085,656	—
Tuition.....	314,380	—
Other.....	469,152	—
Deferred compensation .....	75,000	—
Early retirement payable.....	108,551	—
Certificates payable .....	1,235,000	—
Notes payable .....	225,000	—
<b>Total Current Liabilities</b> .....	<b><u>9,752,251</u></b>	<b><u>10,082</u></b>
<b>Noncurrent Liabilities</b>		
Unearned revenue, other.....	1,888,975	—
Early retirement payable.....	200,650	—
Annuity payable .....	—	43,447
Certificates payable .....	7,465,000	—
Notes payable .....	710,000	—
Bonds payable.....	9,995,000	—
Net OPEB liability .....	656,051	—
Refundable advances on student loans.....	32,947	—
<b>Total Noncurrent Liabilities</b> .....	<b><u>20,948,623</u></b>	<b><u>43,447</u></b>
<b>Total Liabilities</b> .....	<b><u>30,700,874</u></b>	<b><u>53,529</u></b>
<b>Net Position</b>		
Net investment in capital assets .....	19,315,773	—
Restricted		
Nonexpendable.....	—	3,782,490
Expendable		
Loans .....	22,453	—
Cash reserve.....	285,793	—
Other.....	4,093,789	14,131,483
Unrestricted .....	12,574,220	2,125,268
<b>Total Net Position</b> .....	<b><u>36,292,028</u></b>	<b><u>20,039,241</u></b>
<b>Total Liabilities and Net Position</b> .....	<b><u>\$ 66,992,902</u></b>	<b><u>\$ 20,092,770</u></b>

# Statement of Revenue, Expenses and Changes in Net Position

Year Ended June 30, 2013

	<b>Primary Institution</b>	<b>Component Unit Foundation</b>
<b>Operating Revenue</b>		
Tuition and fees, net of scholarship allowances of \$3,290,202	\$ 7,920,419	\$ —
Federal appropriations.....	1,969,533	—
Sales and services .....	162,574	—
Iowa Industrial New Jobs Training Program .....	1,382,494	—
Auxiliary enterprises .....	4,126,939	—
Contributions .....	—	873,759
Miscellaneous.....	37,410	128,971
<b>Total Operating Revenue .....</b>	<b><u>15,599,369</u></b>	<b><u>1,002,730</u></b>
<b>Operating Expenses</b>		
Education and Support		
Liberal arts and sciences .....	6,465,285	—
Vocational technical .....	3,656,007	—
Adult education .....	3,744,239	—
Cooperative services.....	1,096,163	—
Administration .....	2,238,901	—
Student services .....	4,203,265	—
Learning resources .....	595,833	—
Physical plant.....	2,189,460	—
General institution .....	2,898,828	—
Auxiliary enterprises .....	4,802,229	—
Scholarships and grants .....	1,065,254	—
Loan cancellations and bad debts .....	100	—
Administrative and collection costs .....	909,941	—
Program services .....	—	1,318,630
Fundraising expenses .....	—	139,897
Management and general expenses.....	—	37,528
Depreciation/amortization .....	1,230,798	—
<b>Total Operating Expenses .....</b>	<b><u>35,096,303</u></b>	<b><u>1,496,055</u></b>
<b>Operating Loss .....</b>	<b><u>(19,496,934)</u></b>	<b><u>(493,325)</u></b>
<b>Nonoperating Revenue (Expenses)</b>		
State appropriations .....	10,285,881	—
Pell grant.....	4,130,382	—
Property tax.....	4,036,768	—
Gifts.....	985,467	—
Interest on investments, net of investment expense of \$42,819 for the Foundation .....	89,859	1,740,354
Loss on sale of capital assets.....	(9,902)	—
Interest on indebtedness .....	(384,018)	—
<b>Net Nonoperating Revenue .....</b>	<b><u>19,134,437</u></b>	<b><u>1,740,354</u></b>
<b>Change in Net Position .....</b>	<b>(362,497)</b>	<b>1,247,029</b>
Net Position - Beginning of Year.....	36,654,525	18,792,212
<b>Net Position - End of Year .....</b>	<b><u>\$ 36,292,028</u></b>	<b><u>\$ 20,039,241</u></b>

See accompanying notes to the financial statements.

# Statement of Cash Flows

Year Ended June 30, 2013

## Cash Flows From Operating Activities

Tuition and fees.....	\$ 8,276,708
Federal appropriations.....	2,120,325
Iowa Industrial New Jobs Training Program .....	1,530,884
Payments to employees for salaries and benefits.....	(19,806,884)
Payments to suppliers for goods and services.....	(12,778,558)
Payments to New Jobs Training Program recipients.....	(946,804)
Scholarships.....	(242,640)
Loans issued .....	(40,001)
Loan collections.....	22,895
Auxiliary enterprise receipts.....	4,026,145
Other receipts.....	183,724
<b>Net Cash Used in Operating Activities .....</b>	<b><u>(17,654,206)</u></b>

## Cash Flows From Noncapital Financing Activities

State appropriations .....	10,176,680
Pell grant.....	4,130,382
Property tax.....	4,036,768
Gifts.....	985,467
Federal direct lending receipts.....	6,670,330
Federal direct lending disbursements .....	(6,664,730)
Proceeds from issuance of debt .....	2,895,000
Principal paid on debt .....	(1,435,000)
Interest paid on debt.....	(297,037)
Agency fund receipts .....	420,210
Agency fund disbursements .....	(472,236)
<b>Net Cash Provided by Noncapital Financing Activities .....</b>	<b><u>20,445,834</u></b>

## Cash Flows From Capital and Related Financing Activities

Acquisition of capital assets.....	(2,007,430)
Proceeds from issuance of debt .....	9,995,000
Principal paid on debt .....	(220,000)
Interest paid on debt.....	(93,095)
<b>Net Cash Provided by Capital and Related Financing Activities .....</b>	<b><u>7,674,475</u></b>

## Cash Flows From Investing Activities

Interest on investments .....	<b><u>89,859</u></b>
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**Net Increase in Cash and Certificates of Deposit.....** **10,555,962**

Cash and Certificates of Deposit - Beginning of Year .....

	<b><u>24,926,442</u></b>
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**Cash and Certificates of Deposit - End of Year .....** **\$ 35,482,404**

## Statement of Cash Flows

Year Ended June 30, 2013

### Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss .....	\$ (19,496,934)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation/amortization.....	1,230,798
Changes in Assets and Liabilities	
Decrease in accounts receivable, net.....	309,587
Increase in notes receivable, net.....	(17,106)
Increase in Iowa Industrial New Jobs Training Program receivable.....	(202,078)
Decrease in due from other governments .....	150,792
Decrease in prepaid expenses.....	23,124
Decrease in inventories.....	5,198
Increase in accounts payable.....	19,854
Decrease in due to North Iowa Area Community College Foundation .....	(61,925)
Increase in salaries and benefits payable .....	28,404
Decrease in compensated absences .....	(76)
Increase in insurance claims incurred but not reported .....	92,740
Decrease in deposits held in custody for others .....	(100)
Increase in unearned revenue.....	280,215
Increase in deferred compensation .....	15,000
Decrease in early retirement payable.....	(157,413)
Increase in net OPEB liability .....	123,344
Increase in refundable advances on student loans.....	<u>2,370</u>
<b>Net Cash Used in Operating Activities.....</b>	<b><u>\$ (17,654,206)</u></b>

### Supplemental Disclosure

#### Capital and Related Financing Activities

##### As of June 30, 2013

Cost of property and equipment .....	\$ 2,417,595
Accounts Payable	
Current year .....	<u>(410,165)</u>
<b>Cash Paid for Property and Equipment.....</b>	<b><u>\$ 2,007,430</u></b>

# Notes to the Financial Statements

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## **(1) Summary of Significant Accounting Policies and Other Matters**

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

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

### **Reporting Entity**

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

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

### **Discrete Component Unit**

North Iowa Area Community College Foundation (Foundation) is a legally separate not-for-profit foundation. The Foundation was established for the purpose of soliciting gifts and grants to support the activities and services of the College. The Foundation is governed by a Board of Directors who are not appointed by the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the resources that are held are used for the benefit of the College.

The Foundation is a nonprofit organization which reports under accounting standards established by the Financial Accounting Standards Board (FASB). The Foundation's financial statements were prepared in accordance with the provisions of FASB No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting for these differences. The Foundation reports net assets, which is equivalent to net position reported by the College. A copy of the Foundation's financial statements may be obtained from Kathy Grove, Vice President for Administrative Services, Pierce Administration Building, Mason City, Iowa.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies and Other Matters

### **Basis of Presentation**

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

#### ***Net Investment in Capital Assets***

Capital assets, net of accumulated depreciation/amortization 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 that they be maintained permanently by the College.

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.

#### ***Unrestricted Net Position***

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

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

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

### **Measurement Focus and Basis of Accounting**

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

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies and Other Matters

### Assets, Liabilities and Net Position

#### ***Cash and Certificates of Deposit***

Certificates of deposit are stated at cost.

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

#### ***Property Tax Receivable***

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

#### ***Receivable for Iowa Industrial New Jobs Training Program (NJTP)***

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

#### ***Due from Other Governments***

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

#### ***Inventories***

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

#### ***Capital Assets***

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

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

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies and Other Matters

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

Land.....	\$ 5,000
Buildings .....	5,000
Other structures and improvements .....	5,000
Intangibles.....	5,000
Furniture, vehicles and equipment .....	5,000

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

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

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

### ***Salaries and Benefits Payable***

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

### ***Compensated Absences***

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

### ***Unearned Revenue***

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

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

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

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies and Other Matters

### ***Refundable Advances on Student Loans***

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

### ***Tuition and Fees***

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

### ***Summer Session***

The College operates summer sessions during May, June and July. Revenue 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.

### ***Auxiliary Enterprise Revenue***

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

### ***Operating and Nonoperating Activities***

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

## **Scholarship Allowances and Student Aid**

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

## **Income Taxes**

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

## **Estimates and Assumptions**

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

## Notes to the Financial Statements

### (2) Cash, Certificates of Deposit and Investments

The College's deposits in banks as of 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 that there will be no loss of public funds.

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

#### 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.

#### Foundation

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

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

Marketable securities and other investments are stated at fair value. Fair value and unrealized appreciation as of June 30, 2013 are summarized as follows:

	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Mutual Funds (Common Fund)			
Multi-Strategy Equity Fund .....	\$ 7,171,931	\$ 6,906,133	\$ (265,798)
Multi-Strategy Bond Fund.....	4,432,669	4,977,419	544,750
Intermediate Term Fund.....	<u>5,022,003</u>	<u>5,323,456</u>	<u>301,453</u>
Total Mutual Funds (Common Fund)	16,626,603	17,207,008	580,405
Money Market Fund.....	52,955	52,955	—
Corporate stocks .....	<u>23,461</u>	<u>18,694</u>	<u>(4,767)</u>
	<b><u>\$ 16,703,019</u></b>	<b><u>\$ 17,278,657</u></b>	<b><u>\$ 575,638</u></b>

## Notes to the Financial Statements

### (3) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Capital Assets Not Being Depreciated/Amortized</b>				
Land.....	\$ 340,756	\$ —	\$ —	\$ 340,756
Construction in progress .....	—	1,792,490	—	1,792,490
Total Capital Assets Not Being Depreciated/Amortized .....	<u>340,756</u>	<u>1,792,490</u>	<u>—</u>	<u>2,133,246</u>
<b>Capital Assets Being Depreciated/Amortized</b>				
Buildings .....	34,295,037	—	—	34,295,037
Other structures and improvements ...	2,624,671	—	—	2,624,671
Intangibles.....	1,788,799	97,435	—	1,886,234
Furniture, vehicles and equipment .....	5,647,875	527,670	100,000	6,075,545
Total Capital Assets Being Depreciated/Amortized .....	<u>44,356,382</u>	<u>625,105</u>	<u>100,000</u>	<u>44,881,487</u>
<b>Less Accumulated Depreciation/Amortization</b>				
Buildings .....	15,006,380	735,288	—	15,741,668
Other structures and improvements ...	2,207,316	60,979	—	2,268,295
Intangibles.....	1,424,458	96,952	—	1,521,410
Furniture, vehicles and equipment .....	4,636,942	337,579	90,098	4,884,423
Total Accumulated Depreciation/ Amortization .....	<u>23,275,096</u>	<u>1,230,798</u>	<u>90,098</u>	<u>24,415,796</u>
Total Capital Assets Being Depreciated/Amortized, Net .....	<u>21,081,286</u>	<u>(605,693)</u>	<u>9,902</u>	<u>20,465,691</u>
<b>Capital Assets, Net.....</b>	<b><u>\$ 21,422,042</u></b>	<b><u>\$ 1,186,797</u></b>	<b><u>\$ 9,902</u></b>	<b><u>\$ 22,598,937</u></b>

### (4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Current Portion
Deferred revenue, other	\$ 2,022,915	\$ 872,683	\$ 537,471	\$ 2,358,127	\$ 469,152
Deferred compensation	60,000	15,000	—	75,000	75,000
Early retirement payable	466,614	74,737	232,150	309,201	108,551
Certificates payable .....	7,240,000	2,895,000	1,435,000	8,700,000	1,235,000
Notes payable .....	1,155,000	—	220,000	935,000	225,000
Bonds payable.....	—	9,995,000	—	9,995,000	—
Net OPEB liability .....	532,707	123,344	—	656,051	—
Refundable advances on student loans .....	30,577	2,370	—	32,947	—
	<b><u>\$ 11,507,813</u></b>	<b><u>\$ 13,978,134</u></b>	<b><u>\$ 2,424,621</u></b>	<b><u>\$ 23,061,326</u></b>	<b><u>\$ 2,112,703</u></b>

## Notes to the Financial Statements

### (4) Long-Term Liabilities

#### Certificates Payable

In accordance with agreements dated between December 1, 2004 and December 1, 2012, the College issued certificates totaling \$14,730,000 with interest rates ranging from 0.5% to 6.1% per annum. The debt was incurred to fund the development and training costs incurred related to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding tax, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

Year Ending June 30,	Principal	Interest	Total
2014 .....	\$ 1,235,000	\$ 269,352	\$ 1,504,352
2015 .....	1,310,000	230,005	1,540,005
2016 .....	1,325,000	183,188	1,508,188
2017 .....	1,110,000	137,390	1,247,390
2018 .....	1,030,000	101,802	1,131,802
2019-2022 .....	2,690,000	144,148	2,834,148
<b>Total .....</b>	<b><u>\$ 8,700,000</u></b>	<b><u>\$ 1,065,885</u></b>	<b><u>\$ 9,765,885</u></b>

Total interest expenditures were \$290,923 for the certificates payable for the year ended June 30, 2013.

#### Notes Payable

The College has issued notes for the construction of a recreation center as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2013 notes payable indebtedness are as follows:

Year Ending June 30,	Note Issuance of March 5, 2012			Total
	Interest Rates	Principal	Interest	
2014 .....	2.00%	\$ 225,000	\$ 17,550	\$ 242,550
2015 .....	2.00	230,000	13,050	243,050
2016 .....	2.00	240,000	8,400	248,400
2017 .....	2.00	240,000	3,600	243,600
<b>Total .....</b>		<b><u>\$ 935,000</u></b>	<b><u>\$ 42,600</u></b>	<b><u>\$ 977,600</u></b>

Total interest expenditures were \$22,000 for the notes payable for the year ended June 30, 2013.

#### Bonds Payable

The College issued \$9,995,000 of revenue bonds on December 27, 2012 with an interest rate of 1.55% for the construction of a dormitory as allowed by Section 260C.19 of the Code of Iowa. These bonds are due December 15, 2013 at which time the College plans to refinance the bonds using long-term financing. See Note 14. Interest to be paid at maturity is \$77,461. Total interest expenditures were \$71,095 for the bonds payable for the year ended June 30, 2013.

## Notes to the Financial Statements

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### (5) 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 expensed as incurred. The leases expire in 2014 and require various minimum annual rentals. Certain leases are renewable for additional periods. The College also leases several copiers, all with terms of five years which expire in 2015 and 2017, under operating leases. Some of the leases also require the payment of normal maintenance and insurance on the properties or equipment. In most cases, management expects that the leases will be renewed or replaced by other leases.

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

<b>Year Ending June 30,</b>	
2014 .....	\$ 60,258
2015 .....	39,920
2016 .....	37,725
2017 .....	<u>37,725</u>
<b>Total .....</b>	<b><u>\$ 175,628</u></b>

Rents for the year ended June 30, 2013 for all operating leases totaled \$60,258.

### (6) Iowa Public Employees Retirement System

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

Plan members are required to contribute 5.78% of their annual covered salary and the College is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$611,134, \$537,773 and \$436,010, respectively, equal to the required contributions for the year.

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

The College contributes to the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 8.67% and the College is required to contribute 5.78%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2013 were \$562,529 and \$375,020, respectively.

## Notes to the Financial Statements

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### **(8) Termination Benefits**

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

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

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

If a staff member is at least 55 years of age, has completed ten years of service and has accumulated at least 90 days of sick leave on February 1 of the year of retirement, they will receive a payment for their accumulated sick leave as follows: \$4,000 for professional salaried staff and faculty; \$3,800 for office personnel and associate staff members; and \$3,200 for physical plant staff members. Those who meet the age and service criteria will be paid proportionately if they have less than 90 days on February 1 of the retirement year.

As of June 30, 2013, the College has an obligation of \$309,201 to 18 retirees for future health insurance benefits. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2013, 19 retirees received early retirement benefits. The College's early retirement expenditures for the year ended June 30, 2013 were \$232,150.

### **(9) Other Postemployment Benefits (OPEB)**

#### **Plan Description**

The College operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 202 active and 21 retired members in the plan. Retired participants must be age 55 or older at retirement.

## Notes to the Financial Statements

### (9) Other Postemployment Benefits (OPEB)

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

#### Funding Policy

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

#### Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution .....	\$ 204,299
Interest on net OPEB obligation.....	13,318
Adjustment to annual required contribution.....	<u>(42,754)</u>
Annual OPEB Cost .....	174,863
Contributions made .....	<u>(51,519)</u>
Increase in Net OPEB Obligation .....	123,344
Net OPEB Obligation - Beginning of Year.....	<u>532,707</u>
<b>Net OPEB Obligation - End of Year .....</b>	<b><u>\$ 656,051</u></b>

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 fiscal year ended June 30, 2013, the College contributed \$51,519 to the medical plan.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 255,559	22.2%	\$ 398,552
June 30, 2012	195,105	31.2	532,707
June 30, 2013	174,863	29.5	656,051

### **(9) Other Postemployment Benefits (OPEB)**

#### **Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1.277 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.277 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11.5 million, and the ratio of the UAAL to the covered payroll was 11.1%. 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the retiree health plan, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the College's funding policy. The health cost trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

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

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

### **(10) Risk Management**

The College is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The College assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage during the year ended June 30, 2013.

## Notes to the Financial Statements

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### (10) Risk Management

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

Beginning balance .....	\$ 350,280
Claims and changes in estimates .....	177,850
Claims and administrative fees paid .....	<u>(85,110)</u>
<b>Ending Balance .....</b>	<b><u>\$ 443,020</u></b>

### (11) New Jobs Training Programs

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area II in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the case of default, from standby property tax. Since inception, the Community College has administered 142 projects with 29 currently receiving project funding. The remaining 113 projects have been completed, of which 20 are in repayment process and 93 have been fully repaid.

The College has receivables totaling \$232,694 from employers who are making an attempt to pay the balance. However, it appears doubtful that the employers are going to be able to make the payments. The College has not set up an allowance as they intend to levy property taxes for these uncollectible accounts or transfer excess funds from other projects. Tax levies will correspond with the repayment schedule that would have been followed by the employers.

The College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Area II in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses receive loans from the Iowa Workforce Training Fund or the Grow Iowa Values Fund which are State administered funds. Since inception, the College has administered 224 projects, with 23 currently receiving project funding and the remaining 201 having been completed.

### (12) Related Party Transactions

The North Iowa Area Community College Foundation (Foundation) provided funding for various projects of the College. The Foundation committed \$851,259 and paid \$841,797 for the year ended June 30, 2013. The Foundation owed \$9,462 to the College as of June 30, 2013, which is reflected in the statement of net position.

## Notes to the Financial Statements

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### **(13) Commitments**

The College has entered into contracts totaling approximately \$20,680,000 for the construction of a new student dormitory. As of June 30, 2013, the remaining commitments on these contracts was approximately \$18,960,000 and will be paid as work on the project progresses.

### **(14) Subsequent Events**

Management has evaluated subsequent events through January 22, 2014, the date which the financial statements were available to be issued.

On September 30, 2013, the Board of Directors approved the sale of dormitory revenue refunding bonds, Series 2013A, in the amount of \$9,995,000 with interest rates of 3% to 5.25% and mature in 2032. Proceeds will be used to pay off the 2012 series.

On September 30, 2013, the Board of Directors also approved the sale of dormitory revenue bonds, Series 2013B, in the amount of \$15,455,000, with interest rates of 5.125% to 5.25% and mature in 2044. Proceeds will be used for the continuing construction of new student dormitories.

**Required Supplementary Information**

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	\$ —	\$ 1,452,000	\$ 1,452,000	0.0%	\$ 11,381,000	12.8%
2010	7-1-08	—	1,452,000	1,452,000	0.0	11,534,000	12.6
2011	7-1-10	—	1,482,000	1,482,000	0.0	10,682,000	13.9
2012	7-1-10	—	1,329,000	1,329,000	0.0	10,682,000	12.4
2013	7-1-12	—	1,277,000	1,277,000	0.0	11,500,000	11.1

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

**Supplementary Information**

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## Supplementary Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Budgetary Comparison Schedule of Expenditures - Budget to Actual —————

Year Ended June 30, 2013

Funds/Levy	Original and Final Budget	Actual	Over (Under) Budget
Unrestricted .....	<u>\$ 25,587,378</u>	<u>\$ 23,580,437</u>	<u>\$ (2,006,941)</u>
Restricted .....	7,539,004	2,969,703	(4,569,301)
Unemployment .....	102,000	119,668	17,668
Insurance .....	309,000	312,249	3,249
Early retirement .....	138,073	112,723	(25,350)
Equipment replacement.....	<u>750,000</u>	<u>564,752</u>	<u>(185,248)</u>
Total Restricted.....	<u>8,838,077</u>	<u>4,079,095</u>	<u>(4,758,982)</u>
Plant.....	<u>2,206,932</u>	<u>1,352,591</u>	<u>(854,341)</u>
<b>Total .....</b>	<b><u>\$ 36,632,387</u></b>	<b><u>\$ 29,012,123</u></b>	<b><u>\$ (7,620,264)</u></b>

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

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

While the College overexpended its budget in the unemployment and insurance functions, for the year ended June 30, 2013, the College's expenditures did not exceed the amount budgeted in total.

## Note 1 - Reconciliation Between Budgetary Basis Statement and GAAP Expenses

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

Total actual expenditures above, budgetary basis .....	\$ 29,012,123
Items Not Required to be Budgeted	
Auxiliary enterprises.....	7,384,651
Scholarships and grants.....	4,220,787
Iowa Workforce Development contract.....	888,674
Loan funds .....	13,871
Investment in plant.....	100,000
Retirement of indebtedness .....	22,000
Combining adjustments .....	<u>(6,151,883)</u>
<b>Total Expenses .....</b>	<b><u>\$ 35,490,223</u></b>

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

Total operating expenses .....	\$ 35,096,303
Loss on sale of capital asset.....	9,902
Interest on indebtedness .....	<u>384,018</u>
<b>Total Expenses .....</b>	<b><u>\$ 35,490,223</u></b>

**Combining Balance Sheet Schedule - All Funds**

As of June 30, 2013

	Current Funds		Loan Funds	Plant Funds		Agency Funds	Adjustments	Total
	Unrestricted	Restricted		Unexpended	Investment in Plant			
<b>Assets</b>								
Cash and certificates of deposit.....	\$ 16,306,817	\$ 13,373,184	\$ 34,319	\$ 5,289,661	\$ —	\$ 478,423	\$ —	\$ 35,482,404
Receivables								
Accounts (net of allowance for doubtful accounts - \$297,907).....	726,980	3,237	—	—	—	134,688	—	864,905
Due from North Iowa Area Community College Foundation.....	9,462	—	—	—	—	—	—	9,462
Property tax - succeeding year.....	1,250,578	1,584,500	—	1,250,578	—	—	—	4,085,656
Notes (net of allowance for doubtful accounts - \$16,190).....	—	86,213	33,907	—	—	—	—	120,120
Iowa Industrial New Jobs Training Program.....	—	2,955,419	—	—	—	—	—	2,955,419
Due from other funds.....	1,582,742	202,801	—	—	—	14,860	(1,800,403)	—
Due from other governments.....	72,354	433,774	—	—	—	103,019	—	609,147
Prepaid expenses.....	28,582	2,413	—	—	—	—	—	30,995
Inventories.....	235,857	—	—	—	—	—	—	235,857
Capital Assets								
Land.....	—	—	—	—	340,756	—	—	340,756
Construction in progress.....	—	—	—	—	1,792,490	—	—	1,792,490
Buildings.....	—	—	—	—	34,295,037	—	—	34,295,037
Other structures and improvements.....	—	—	—	—	2,624,671	—	—	2,624,671
Intangibles.....	—	—	—	—	1,886,234	—	—	1,886,234
Furniture, vehicles and equipment.....	—	—	—	—	6,075,545	—	—	6,075,545
Accumulated depreciation/amortization.....	—	—	—	—	—	—	(24,415,796)	(24,415,796)
<b>Total Assets</b> .....	<b>\$ 20,213,372</b>	<b>\$ 18,641,541</b>	<b>\$ 68,226</b>	<b>\$ 6,540,239</b>	<b>\$ 47,014,733</b>	<b>\$ 730,990</b>	<b>\$ (26,216,199)</b>	<b>\$ 66,992,902</b>
<b>Liabilities and Fund Balance</b>								
<b>Liabilities</b>								
Accounts payable.....	\$ 606,003	\$ 127,467	\$ 11,401	\$ 376	\$ —	\$ 54,152	\$ —	\$ 799,399
Salaries and benefits payable.....	1,124,664	7,964	—	—	—	—	(47,143)	1,085,485
Accrued interest payable.....	—	21,401	—	—	—	—	—	21,401
Due to other funds.....	14,860	1,104,723	1,425	621,433	—	57,962	(1,800,403)	—
Compensated absences payable.....	195,114	49,896	—	—	—	—	—	245,010
Insurance claims incurred but not reported.....	443,020	—	—	—	—	—	—	443,020
Deposits held in custody for others.....	26,738	125	—	—	—	618,334	—	645,197
Unearned Revenue								
Succeeding year property tax.....	1,250,578	1,584,500	—	1,250,578	—	—	—	4,085,656
Tuition.....	71,689	—	—	—	—	—	242,691	314,380
Other.....	903	2,356,682	—	—	—	542	—	2,358,127
Deferred compensation.....	75,000	—	—	—	—	—	—	75,000
Early retirement payable.....	—	309,201	—	—	—	—	—	309,201
Certificates payable.....	—	8,700,000	—	—	—	—	—	8,700,000
Notes payable.....	—	—	—	935,000	—	—	—	935,000
Bonds payable.....	9,995,000	—	—	—	—	—	—	9,995,000
Net OPEB liability.....	—	—	—	—	—	—	656,051	656,051
Refundable advances on student loans.....	—	—	32,947	—	—	—	—	32,947
<b>Total Liabilities</b> .....	<b>13,803,569</b>	<b>14,261,959</b>	<b>45,773</b>	<b>2,807,387</b>	<b>—</b>	<b>730,990</b>	<b>(948,804)</b>	<b>30,700,874</b>
<b>Fund Balance</b>								
Net investment in capital assets.....	—	—	—	—	47,014,733	—	(27,698,960)	19,315,773
Restricted								
Expendable								
Loans.....	—	—	22,453	—	—	—	—	22,453
Cash reserve.....	—	285,793	—	—	—	—	—	285,793
Other.....	—	4,093,789	—	—	—	—	—	4,093,789
Unrestricted.....	6,181,167	—	—	3,732,852	—	—	2,431,565	12,345,584
Auxiliary enterprises.....	228,636	—	—	—	—	—	—	228,636
<b>Total Fund Balance</b> .....	<b>6,409,803</b>	<b>4,379,582</b>	<b>22,453</b>	<b>3,732,852</b>	<b>47,014,733</b>	<b>—</b>	<b>(25,267,395)</b>	<b>36,292,028</b>
<b>Total Liabilities and Fund Balance</b> .....	<b>\$ 20,213,372</b>	<b>\$ 18,641,541</b>	<b>\$ 68,226</b>	<b>\$ 6,540,239</b>	<b>\$ 47,014,733</b>	<b>\$ 730,990</b>	<b>\$ (26,216,199)</b>	<b>\$ 66,992,902</b>

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

Year Ended June 30, 2013

Revenue	Current Funds		Loan Funds	Plant Funds			Adjustments	Total
	Unrestricted	Restricted		Unexpended	Retirement of Indebtedness	Investment in Plant		
<b>General</b>								
State appropriations .....	\$ 9,569,857	\$ 81,318	\$ —	\$ 634,706	\$ —	\$ —	\$ —	\$ 10,285,881
Tuition and fees .....	11,179,621	—	—	—	—	—	(3,259,202)	7,920,419
Property tax .....	1,232,275	1,561,729	—	1,220,764	22,000	—	—	4,036,768
Federal appropriations .....	253,408	5,846,507	—	—	—	—	—	6,099,915
Sales and services .....	147,894	14,680	—	—	—	—	—	162,574
Interest on investments .....	20,852	38,195	859	14,399	—	—	—	74,305
Iowa Industrial New Jobs Training Program .....	—	1,382,494	—	—	—	—	—	1,382,494
Increase in plant investment due to plant expenditures (including \$1,961,174 in current fund expenditures) .....	—	—	—	—	—	2,417,595	(2,417,595)	—
Gifts .....	308,652	222,579	50	—	—	—	—	531,281
Miscellaneous .....	415,414	499,068	18,685	874	—	—	(896,631)	37,410
<b>Total General .....</b>	<b>23,127,973</b>	<b>9,646,570</b>	<b>19,594</b>	<b>1,870,743</b>	<b>22,000</b>	<b>2,417,595</b>	<b>(6,573,428)</b>	<b>30,531,047</b>
<b>Auxiliary Enterprises</b>								
Sales and services .....	4,783,354	—	—	—	—	—	(807,297)	3,976,057
Interest on investments .....	15,554	—	—	—	—	—	—	15,554
Gifts .....	454,186	—	—	—	—	—	—	454,186
Miscellaneous .....	150,882	—	—	—	—	—	—	150,882
<b>Total Auxiliary Enterprises .....</b>	<b>5,403,976</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(807,297)</b>	<b>4,596,679</b>
<b>Total Revenue .....</b>	<b>28,531,949</b>	<b>9,646,570</b>	<b>19,594</b>	<b>1,870,743</b>	<b>22,000</b>	<b>2,417,595</b>	<b>(7,380,725)</b>	<b>35,127,726</b>
<b>Expenditures</b>								
<b>Education and Support</b>								
Liberal arts and sciences .....	6,406,422	109,490	—	—	—	—	(50,627)	6,465,285
Vocational technical .....	3,691,780	193,753	—	—	—	—	(229,526)	3,656,007
Adult education .....	2,597,795	1,155,591	—	—	—	—	(9,147)	3,744,239
Cooperative services .....	57,097	1,881,608	—	—	—	—	(842,542)	1,096,163
Administration .....	2,014,888	222,870	—	—	—	—	1,143	2,238,901
Student services .....	3,738,718	473,192	—	—	—	—	(8,645)	4,203,265
Learning resources .....	520,030	73,768	—	—	—	—	2,035	595,833
Physical plant .....	2,058,789	123,577	—	—	—	—	7,094	2,189,460
General institution .....	2,494,918	442,997	—	—	—	—	(39,087)	2,898,828
<b>Total Education and Support .....</b>	<b>23,580,437</b>	<b>4,676,846</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,169,302)</b>	<b>27,087,981</b>
Auxiliary enterprises .....	7,313,556	—	—	—	—	—	(2,511,327)	4,802,229
Scholarships and grants .....	—	4,220,787	—	—	—	—	(3,155,533)	1,065,254
Loan cancellations and bad debts .....	—	—	100	—	—	—	—	100
Administrative and collection costs .....	—	—	13,771	896,170	—	—	—	909,941
Plant asset acquisitions .....	—	—	—	456,421	—	—	(456,421)	—
Disposal of plant assets .....	—	—	—	—	—	100,000	(100,000)	—
Interest on indebtedness .....	71,095	290,923	—	—	22,000	—	—	384,018
Depreciation/amortization .....	—	—	—	—	—	—	1,230,798	1,230,798
Loss on sale of capital assets .....	—	—	—	—	—	—	9,902	9,902
<b>Total Expenditures .....</b>	<b>30,965,088</b>	<b>9,188,556</b>	<b>13,871</b>	<b>1,352,591</b>	<b>22,000</b>	<b>100,000</b>	<b>(6,151,883)</b>	<b>35,490,223</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures .....</b>	<b>(2,433,139)</b>	<b>458,014</b>	<b>5,723</b>	<b>518,152</b>	<b>—</b>	<b>2,317,595</b>	<b>(1,228,842)</b>	<b>(362,497)</b>
<b>Transfers</b>								
Nonmandatory transfers in .....	200,277	79,924	—	—	—	—	(280,201)	—
Nonmandatory transfers out .....	(113,852)	(164,924)	(1,425)	—	—	—	280,201	—
<b>Total Transfers .....</b>	<b>86,425</b>	<b>(85,000)</b>	<b>(1,425)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net .....</b>	<b>(2,346,714)</b>	<b>373,014</b>	<b>4,298</b>	<b>518,152</b>	<b>—</b>	<b>2,317,595</b>	<b>(1,228,842)</b>	<b>(362,497)</b>
Fund Balances - Beginning of Year .....	8,756,517	4,006,568	18,155	3,214,700	—	44,697,138	(24,038,553)	36,654,525
<b>Fund Balances - End of Year .....</b>	<b>\$ 6,409,803</b>	<b>\$ 4,379,582</b>	<b>\$ 22,453</b>	<b>\$ 3,732,852</b>	<b>\$ —</b>	<b>\$ 47,014,733</b>	<b>\$ (25,267,395)</b>	<b>\$ 36,292,028</b>

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

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	
<b>Revenue</b>										
State appropriations .....	\$ 6,132,353	\$ 2,323,849	\$ 1,113,278	\$ —	\$ —	\$ —	\$ 169	\$ 208	\$ —	\$ 9,569,857
Tuition and fees.....	6,867,052	2,363,280	1,318,099	—	630,840	350	—	—	—	11,179,621
Property tax.....	—	—	—	—	1,232,275	—	—	—	—	1,232,275
Federal appropriations.....	—	123,400	105,437	—	6,220	1,548	—	16,803	—	253,408
Sales and services .....	5,965	25,672	63,619	1,821	—	—	264	50,553	—	147,894
Interest on investments .....	—	—	—	—	20,723	—	—	—	129	20,852
Gifts.....	16,511	13,798	33,116	—	—	134,129	26	1,800	109,272	308,652
Miscellaneous.....	35,968	185,662	28,905	—	49,987	7,861	47	103,683	3,301	415,414
<b>Total Revenue.....</b>	<b>13,057,849</b>	<b>5,035,661</b>	<b>2,662,454</b>	<b>1,821</b>	<b>1,940,045</b>	<b>143,888</b>	<b>506</b>	<b>173,047</b>	<b>112,702</b>	<b>23,127,973</b>
<b>Expenditures</b>										
Salaries and benefits .....	6,043,131	3,134,213	1,645,368	24,178	1,104,597	2,711,191	363,510	878,422	978,611	16,883,221
Services .....	200,216	338,587	750,079	32,771	199,947	236,687	23,631	926,161	1,442,252	4,150,331
Materials and supplies.....	90,651	190,786	158,152	—	69,924	271,666	131,790	254,206	34,508	1,201,683
Travel .....	72,424	28,194	44,196	148	58,335	94,095	1,099	—	39,287	337,778
Loan cancellations and bad debts .....	—	—	—	—	498,699	—	—	—	—	498,699
Miscellaneous.....	—	—	—	—	83,386	425,079	—	—	260	508,725
<b>Total Expenditures.....</b>	<b>6,406,422</b>	<b>3,691,780</b>	<b>2,597,795</b>	<b>57,097</b>	<b>2,014,888</b>	<b>3,738,718</b>	<b>520,030</b>	<b>2,058,789</b>	<b>2,494,918</b>	<b>23,580,437</b>
<b>Excess (Deficiency) of Revenue Over (Under)</b>										
<b>Expenditures .....</b>	<b>6,651,427</b>	<b>1,343,881</b>	<b>64,659</b>	<b>(55,276)</b>	<b>(74,843)</b>	<b>(3,594,830)</b>	<b>(519,524)</b>	<b>(1,885,742)</b>	<b>(2,382,216)</b>	<b>(452,464)</b>
<b>Transfers</b>										
Nonmandatory transfers in .....	—	—	85,000	—	—	1,425	—	—	—	86,425
Nonmandatory transfers out .....	—	(3,100)	—	—	—	—	—	—	—	(3,100)
<b>Total Transfers .....</b>	<b>—</b>	<b>(3,100)</b>	<b>85,000</b>	<b>—</b>	<b>—</b>	<b>1,425</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>83,325</b>
<b>Net .....</b>	<b>\$ 6,651,427</b>	<b>\$ 1,340,781</b>	<b>\$ 149,659</b>	<b>\$ (55,276)</b>	<b>\$ (74,843)</b>	<b>\$ (3,593,405)</b>	<b>\$ (519,524)</b>	<b>\$ (1,885,742)</b>	<b>\$ (2,382,216)</b>	(369,139)
Fund Balances - Beginning of Year .....										6,550,306
<b>Fund Balances - End of Year .....</b>										<b>\$ 6,181,167</b>

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

Year Ended June 30, 2013

	Trade and Industry	Farm	Food Services	Auditorium	Dormitories	Athletics	Tech-Prep	BookZone	Miscellaneous	Total
<b>Revenue</b>										
Sales and services .....	\$ 37,394	\$ 211,537	\$ 1,061,603	\$ 493,898	\$ 1,585,211	\$ 237,509	\$ —	\$ 1,141,288	\$ 14,914	\$ 4,783,354
Interest on investments .....	109	115	1,321	—	12,331	—	—	—	1,678	15,554
Gifts.....	—	—	—	285,372	—	168,814	—	—	—	454,186
Miscellaneous.....	149	2,299	14,422	21,784	8,028	1,591	—	101,562	1,047	150,882
<b>Total Revenue.....</b>	<b><u>37,652</u></b>	<b><u>213,951</u></b>	<b><u>1,077,346</u></b>	<b><u>801,054</u></b>	<b><u>1,605,570</u></b>	<b><u>407,914</u></b>	<b><u>—</u></b>	<b><u>1,242,850</u></b>	<b><u>17,639</u></b>	<b><u>5,403,976</u></b>
<b>Expenditures</b>										
Salaries and benefits .....	—	18,828	451,518	121,837	125,275	14,692	—	108,528	—	840,678
Services .....	—	128,452	28,539	656,411	1,597,854	50,149	—	31,329	—	2,492,734
Materials and supplies.....	34,422	69,881	568,945	20,021	24,442	230,356	—	1,031,186	—	1,979,253
Travel .....	—	3,200	7,347	3,469	—	355,476	—	1,440	—	370,932
Plant asset acquisitions .....	—	—	—	—	578,601	—	—	—	—	578,601
Loan cancellations and bad debts .....	—	—	—	—	88,377	—	—	—	—	88,377
Interest on indebtedness .....	—	—	—	—	71,095	—	—	—	—	71,095
Miscellaneous.....	—	—	—	—	696,410	261,844	—	4,727	—	962,981
<b>Total Expenditures .....</b>	<b><u>34,422</u></b>	<b><u>220,361</u></b>	<b><u>1,056,349</u></b>	<b><u>801,738</u></b>	<b><u>3,182,054</u></b>	<b><u>912,517</u></b>	<b><u>—</u></b>	<b><u>1,177,210</u></b>	<b><u>—</u></b>	<b><u>7,384,651</u></b>
<b>Excess (Deficiency) of Revenue Over (Under)</b>										
<b>Expenditures .....</b>	<b><u>3,230</u></b>	<b><u>(6,410)</u></b>	<b><u>20,997</u></b>	<b><u>(684)</u></b>	<b><u>(1,576,484)</u></b>	<b><u>(504,603)</u></b>	<b><u>—</u></b>	<b><u>65,640</u></b>	<b><u>17,639</u></b>	<b><u>(1,980,675)</u></b>
<b>Transfers</b>										
Nonmandatory transfers In .....	—	3,100	29,693	—	—	81,059	—	—	—	113,852
Nonmandatory transfers out .....	—	—	(29,693)	—	—	—	—	(65,000)	(16,059)	(110,752)
<b>Total Transfers .....</b>	<b><u>—</u></b>	<b><u>3,100</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>81,059</u></b>	<b><u>—</u></b>	<b><u>(65,000)</u></b>	<b><u>(16,059)</u></b>	<b><u>3,100</u></b>
<b>Net .....</b>	<b><u>3,230</u></b>	<b><u>(3,310)</u></b>	<b><u>20,997</u></b>	<b><u>(684)</u></b>	<b><u>(1,576,484)</u></b>	<b><u>(423,544)</u></b>	<b><u>—</u></b>	<b><u>640</u></b>	<b><u>1,580</u></b>	<b><u>(1,977,575)</u></b>
Fund Balances - Beginning of Year .....	56,259	—	550,566	53,965	1,260,652	(77,420)	9,368	200,869	151,952	2,206,211
<b>Fund Balances - End of Year .....</b>	<b><u>\$ 59,489</u></b>	<b><u>\$ (3,310)</u></b>	<b><u>\$ 571,563</u></b>	<b><u>\$ 53,281</u></b>	<b><u>\$ (315,832)</u></b>	<b><u>\$ (500,964)</u></b>	<b><u>\$ 9,368</u></b>	<b><u>\$ 201,509</u></b>	<b><u>\$ 153,532</u></b>	<b><u>\$ 228,636</u></b>

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

Year Ended June 30, 2013

	Scholarships and Grants	Equipment Replace- ment	Insurance	Early Retirement	Unemploy- ment Compen- sation	Cash Reserve	Iowa Workforce Development Contract			Iowa Industrial New Jobs Training Program Adminis- tration	Iowa Industrial New Jobs Training Program	Miscel- laneous	Total
							Workforce Invest- ment Act	Tempo- rary Assist- ance for Needy Families	Other				
<b>Revenue</b>													
State appropriations .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 25,945	\$ 27,860	\$ —	\$ 27,513	\$ 81,318
Property tax .....	—	547,677	306,316	565,293	134,213	—	—	—	—	—	8,230	—	1,561,729
Federal appropriations .....	4,220,787	—	—	—	—	—	815,081	248,310	53,253	—	—	509,076	5,846,507
Sales and services .....	—	—	—	—	—	—	—	—	—	—	—	14,680	14,680
Interest on investments .....	3	2,835	592	—	—	—	—	—	56	14,208	15,543	4,958	38,195
Iowa Industrial New Jobs Training Program .....	—	—	—	—	—	—	—	—	—	—	1,382,494	—	1,382,494
Gifts .....	—	1,503	—	—	—	—	—	—	—	—	—	221,076	222,579
Miscellaneous .....	—	—	5,483	—	—	—	—	—	—	377,803	—	115,782	499,068
<b>Total Revenue .....</b>	<b>4,220,790</b>	<b>552,015</b>	<b>312,391</b>	<b>565,293</b>	<b>134,213</b>	<b>—</b>	<b>815,081</b>	<b>248,310</b>	<b>79,254</b>	<b>419,871</b>	<b>1,406,267</b>	<b>893,085</b>	<b>9,646,570</b>
<b>Expenditures</b>													
Salaries and benefits .....	—	—	—	112,723	119,668	—	464,833	189,029	67,315	363,556	—	738,105	2,055,229
Services .....	—	—	312,249	—	—	—	322,024	46,797	1,141	154,000	1,035,420	62,119	1,933,750
Materials and supplies .....	—	412,371	—	—	—	—	17,377	10,946	86	234	—	22,673	463,687
Travel .....	—	—	—	—	—	—	11,147	1,538	4,155	3,637	—	20,726	41,203
Plant asset acquisitions .....	—	152,381	—	—	—	—	—	—	—	—	—	—	152,381
Interest on indebtedness .....	—	—	—	—	—	—	—	—	—	—	290,923	—	290,923
Federal Pell Grant Program .....	4,130,382	—	—	—	—	—	—	—	—	—	—	—	4,130,382
Federal Supplemental Educational Opportunity Grants .....	90,405	—	—	—	—	—	—	—	—	—	—	—	90,405
Private scholarships .....	—	—	—	—	—	—	—	—	—	—	—	30,000	30,000
Miscellaneous .....	—	—	—	—	—	—	596	—	—	—	—	—	596
<b>Total Expenditures .....</b>	<b>4,220,787</b>	<b>564,752</b>	<b>312,249</b>	<b>112,723</b>	<b>119,668</b>	<b>—</b>	<b>815,977</b>	<b>248,310</b>	<b>72,697</b>	<b>521,427</b>	<b>1,326,343</b>	<b>873,623</b>	<b>9,188,556</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures .....</b>	<b>3</b>	<b>(12,737)</b>	<b>142</b>	<b>452,570</b>	<b>14,545</b>	<b>—</b>	<b>(896)</b>	<b>—</b>	<b>6,557</b>	<b>(101,556)</b>	<b>79,924</b>	<b>19,462</b>	<b>458,014</b>
<b>Transfers</b>													
Nonmandatory transfers in .....	—	—	—	—	—	—	—	—	—	79,924	—	—	79,924
Nonmandatory transfers out .....	—	—	—	—	—	—	—	—	—	(85,000)	(79,924)	—	(164,924)
<b>Total Transfers .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(5,076)</b>	<b>(79,924)</b>	<b>—</b>	<b>(85,000)</b>
<b>Net .....</b>	<b>3</b>	<b>(12,737)</b>	<b>142</b>	<b>452,570</b>	<b>14,545</b>	<b>—</b>	<b>(896)</b>	<b>—</b>	<b>6,557</b>	<b>(106,632)</b>	<b>—</b>	<b>19,462</b>	<b>373,014</b>
Fund Balances - Beginning of Year .....	2,016	1,287,437	170,052	(948,162)	(108,200)	285,793	(6,429)	—	21,156	2,804,052	—	498,853	4,006,568
<b>Fund Balances - End of Year .....</b>	<b>\$ 2,019</b>	<b>\$ 1,274,700</b>	<b>\$ 170,194</b>	<b>\$ (495,592)</b>	<b>\$ (93,655)</b>	<b>\$ 285,793</b>	<b>\$ (7,325)</b>	<b>\$ —</b>	<b>\$ 27,713</b>	<b>\$ 2,697,420</b>	<b>\$ —</b>	<b>\$ 518,315</b>	<b>\$ 4,379,582</b>

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

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Year Ended June 30, 2013

	Fine Arts	Student Organi- zations	Iowa Small Business New Jobs Training Program	Federal Direct Student Loan Program	Miscel- laneous	Total
<b>Balances - Beginning of Year.....</b>	<b><u>\$ 43,528</u></b>	<b><u>\$ 169,815</u></b>	<b><u>\$ 304,874</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 99,409</u></b>	<b><u>\$ 617,626</u></b>
<b>Additions</b>						
State appropriations ...	—	—	200,861	—	105,623	306,484
Tuition and fees.....	13,500	76,800	—	—	—	90,300
Federal appropriations	—	—	—	6,664,730	—	6,664,730
Sales and services .....	29,782	26,494	—	—	4,265	60,541
Interest on investments	88	506	562	—	1,029	2,185
Gifts.....	—	560	—	—	5,000	5,560
Miscellaneous.....	1,540	520	—	—	46,668	48,728
<b>Total Additions.....</b>	<b><u>44,910</u></b>	<b><u>104,880</u></b>	<b><u>201,423</u></b>	<b><u>6,664,730</u></b>	<b><u>162,585</u></b>	<b><u>7,178,528</u></b>
<b>Deductions</b>						
Salaries and benefits ..	—	8,936	—	—	28,078	37,014
Services .....	11,272	50,975	262,115	6,664,730	24,888	7,013,980
Materials and supplies	10,230	38,500	—	—	3,072	51,802
Travel .....	22,735	46,407	—	—	199	69,341
Miscellaneous.....	680	5,003	—	—	—	5,683
<b>Total Deductions ..</b>	<b><u>44,917</u></b>	<b><u>149,821</u></b>	<b><u>262,115</u></b>	<b><u>6,664,730</u></b>	<b><u>56,237</u></b>	<b><u>7,177,820</u></b>
<b>Balances - End of Year .....</b>	<b><u>\$ 43,521</u></b>	<b><u>\$ 124,874</u></b>	<b><u>\$ 244,182</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 205,757</u></b>	<b><u>\$ 618,334</u></b>

## Schedule of Credit and Contact Hours

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 .....	51,373	—	51,373	—	—	—
Vocational education ....	15,677	—	15,677	—	—	—
Adult education/ continuing education	—	—	—	<u>162,007</u>	<u>38,355</u>	<u>200,362</u>
<b>Total .....</b>	<b><u>67,050</u></b>	<b><u>—</u></b>	<b><u>67,050</u></b>	<b><u>162,007</u></b>	<b><u>38,355</u></b>	<b><u>200,362</u></b>

## Schedule of Tax and Intergovernmental Revenue

For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Local (property tax).....	\$ 4,036,768	\$ 3,905,020	\$ 3,690,404	\$ 3,346,110	\$ 3,379,636	\$ 3,209,007	\$ 2,962,592	\$ 2,810,438	\$ 2,757,931	\$ 2,903,480
State.....	10,285,881	10,068,392	10,397,623	8,880,845	10,554,683	10,782,145	9,789,440	9,244,435	8,674,524	7,862,838
Federal.....	<u>6,099,915</u>	<u>7,294,583</u>	<u>9,040,763</u>	<u>9,659,983</u>	<u>6,657,951</u>	<u>5,548,711</u>	<u>4,534,172</u>	<u>4,094,963</u>	<u>4,377,657</u>	<u>4,277,760</u>
<b>Total .....</b>	<b><u>\$ 20,422,564</u></b>	<b><u>\$ 21,267,995</u></b>	<b><u>\$ 23,128,790</u></b>	<b><u>\$ 21,886,938</u></b>	<b><u>\$ 20,592,270</u></b>	<b><u>\$ 19,539,863</u></b>	<b><u>\$ 17,286,204</u></b>	<b><u>\$ 16,149,836</u></b>	<b><u>\$ 15,810,112</u></b>	<b><u>\$ 15,044,078</u></b>

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

For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenue</b>										
State appropriations .....	\$ 9,651,175	\$ 10,068,392	\$ 9,665,130	\$ 8,773,001	\$ 10,531,191	\$ 10,100,971	\$ 9,678,544	\$ 8,711,014	\$ 8,380,523	\$ 7,862,838
Tuition and fees .....	11,179,621	11,837,881	11,626,515	10,705,794	9,650,246	9,359,960	8,563,029	8,371,061	7,999,703	7,542,650
Property tax .....	2,794,004	2,711,478	2,552,252	2,254,691	2,338,744	2,224,032	2,001,291	1,897,426	1,865,506	1,944,177
Federal appropriations.....	6,099,915	7,294,583	9,040,763	9,659,983	6,609,386	5,092,587	4,446,171	4,094,963	4,377,657	4,277,760
Sales and services .....	162,574	204,290	236,640	221,024	220,654	239,945	251,662	364,703	321,134	451,282
Interest on investments .....	59,047	99,099	141,571	204,398	409,282	750,316	763,926	489,162	263,177	143,427
Iowa Industrial New Jobs Training Program .....	1,382,494	1,756,858	1,801,669	1,493,439	1,076,200	1,110,306	1,067,167	1,536,809	1,833,748	1,293,308
Auxiliary enterprises .....	5,403,976	5,075,464	4,788,016	4,602,336	4,389,782	3,806,512	3,589,113	3,048,076	1,566,038	836,274
Miscellaneous.....	<u>1,445,713</u>	<u>1,299,162</u>	<u>1,247,548</u>	<u>1,170,835</u>	<u>1,397,021</u>	<u>1,926,115</u>	<u>2,046,803</u>	<u>1,784,495</u>	<u>2,045,179</u>	<u>1,638,369</u>
<b>Total Revenue .....</b>	<b><u>\$ 38,178,519</u></b>	<b><u>\$ 40,347,207</u></b>	<b><u>\$ 41,100,104</u></b>	<b><u>\$ 39,085,501</u></b>	<b><u>\$ 36,622,506</u></b>	<b><u>\$ 34,610,744</u></b>	<b><u>\$ 32,407,706</u></b>	<b><u>\$ 30,297,709</u></b>	<b><u>\$ 28,652,665</u></b>	<b><u>\$ 25,990,085</u></b>
<b>Expenditures</b>										
Liberal arts and sciences.....	\$ 6,515,912	\$ 6,684,906	\$ 6,504,556	\$ 6,960,855	\$ 6,330,635	\$ 6,288,908	\$ 5,943,033	\$ 5,588,990	\$ 5,676,475	\$ 5,368,917
Vocational technical.....	3,885,533	3,821,361	4,318,171	3,973,228	3,991,555	3,904,936	3,085,462	3,267,663	3,266,549	3,075,553
Adult education.....	3,753,386	3,733,844	3,780,519	4,984,857	2,307,549	3,558,893	3,531,714	3,533,602	3,053,689	3,267,796
Cooperative services .....	1,938,705	3,002,051	3,004,098	2,213,919	1,926,100	2,291,350	1,786,208	2,077,615	2,153,615	1,456,014
Administration.....	2,237,758	2,184,365	1,676,134	1,582,055	1,601,812	1,742,303	1,570,535	1,407,399	1,189,597	1,126,724
Student services.....	4,211,910	3,779,194	3,331,451	3,754,950	3,625,311	3,500,896	3,105,053	3,078,987	2,715,377	2,441,405
Learning resources.....	593,798	574,818	577,133	534,090	561,378	569,277	529,873	540,632	582,289	467,132
Physical plant .....	2,182,366	2,298,525	2,328,908	2,614,665	1,957,665	1,840,561	1,980,149	2,067,471	2,006,982	1,923,055
General institution .....	2,937,915	2,692,880	2,986,403	2,108,574	2,083,980	2,051,474	2,202,957	1,680,644	1,561,915	1,361,546
Auxiliary enterprises .....	7,313,556	5,049,342	4,505,032	4,394,703	4,473,241	3,621,093	3,202,981	2,758,600	1,508,483	870,523
Scholarships and grants .....	4,220,787	4,909,328	5,811,200	4,662,335	3,060,557	2,461,990	2,272,500	2,111,449	2,431,863	2,382,837
Iowa Workforce Development contract ...	—	—	—	—	2,202,003	1,189,384	999,964	975,731	1,126,671	1,049,312
Interest on indebtedness .....	<u>362,018</u>	<u>332,690</u>	<u>378,464</u>	<u>416,447</u>	<u>461,414</u>	<u>480,212</u>	<u>517,985</u>	<u>457,792</u>	<u>468,070</u>	<u>466,249</u>
<b>Total Expenditures .....</b>	<b><u>\$ 40,153,644</u></b>	<b><u>\$ 39,063,304</u></b>	<b><u>\$ 39,202,069</u></b>	<b><u>\$ 38,200,678</u></b>	<b><u>\$ 34,583,200</u></b>	<b><u>\$ 33,501,277</u></b>	<b><u>\$ 30,728,414</u></b>	<b><u>\$ 29,546,575</u></b>	<b><u>\$ 27,741,575</u></b>	<b><u>\$ 25,257,063</u></b>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number(s)	Federal Expenditures
<b>U.S. Department of Labor</b>			
Indirect			
Pass-Through Iowa Workforce Development			
Employment Service/Wagner-Peyser Funded			
Activities.....	17.207		\$ <u>36,387</u>
Trade Adjustment Assistance .....	17.245		<u>1,210</u>
Workforce Investment Act (WIA) Cluster			
WIA Adult Program .....	17.258	13-W-02-FR-0	200,996
WIA Youth Activities.....	17.259	13-W-02-FR-0	347,248
WIA Dislocated Worker Formula Grants.....	17.278	13-W-02-FR-0	<u>264,898</u>
Total Workforce Investment Act (WIA) Cluster .....			<u>813,142</u>
Incentive Grants - WIA Section 503.....	17.267	13-W-02-FR-0	<u>2,836</u>
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants.....	17.282		<u>8,907</u>
<b>Total U.S. Department of Labor .....</b>			<b><u>862,482</u></b>
<b>Small Business Administration</b>			
Indirect			
Pass-Through Iowa State University			
Small Business Development Centers.....	59.037		<u>51,865</u>
<b>U.S. Department of Veterans Affairs</b>			
Direct			
Vocational Rehabilitation for Disabled Veterans.....	64.116		<u>1,548</u>
<b>U.S. Department of Energy</b>			
Indirect			
Pass-Through Iowa Economic Development Authority			
State Energy Program .....	81.041		<u>16,803</u>
<b>U.S. Department of Education</b>			
Direct			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity			
Grants .....	84.007		90,405
Federal Work-Study Program .....	84.033		86,304
Federal Pell Grant Program.....	84.063		4,136,602
Federal Direct Student Loans .....	84.268		<u>6,664,730</u>
Total Student Financial Assistance Cluster .....			<u>10,978,041*</u>
TRIO Student Support Services .....	84.042		<u>290,522</u>
Total Direct .....			<u>11,268,563</u>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number(s)	Federal Expenditures
<b>U.S. Department of Education</b>			
Indirect			
Pass-Through Iowa Department of Education Adult Education - Basic Grants to States .....	84.002	10-3-15-51140/ 57570/49370	\$ <u>105,437</u>
Career and Technical Education - Basic Grants to States.....	84.048	10-2-14-29600 & 20-2-14-29671	<u>130,813</u>
Total Indirect.....			<u>236,250</u>
<b>Total U.S. Department of Education .....</b>			<b><u>11,504,813</u></b>
<b>U.S. Department of Health and Human Services</b>			
Indirect			
Pass-Through Iowa Department of Education Student Financial Assistance Cluster Nursing Student Loans.....	93.364		<u>47,796*</u>
Pass-Through Iowa Workforce Development Temporary Assistance for Needy Families.....	93.558	13-02-PF-H3-01 & 09-10-02-FN-0	<u>248,310</u>
<b>Total U.S. Department of Health and Human Services .....</b>			<b><u>296,106</u></b>
<b>Corporation for National and Community Service</b>			
Direct			
Retired and Senior Volunteer Program .....	94.002		<u>63,019</u>
<b>Social Security Administration</b>			
Indirect			
Pass-Through Iowa Workforce Development Social Security - Work Incentives Planning and Assistance Program .....	96.008		<u>9,155</u>
<b>Total Federal Financial Assistance .....</b>			<b><u>\$ 12,805,791</u></b>

\* Total Student Financial Assistance Cluster - \$11,025,837

## Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2013

### **Note 1. Basis of Presentation**

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

### **Note 2. Loans Outstanding**

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

The amount presented for Nursing Student Loans represents the balance of loans outstanding as of June 30, 2013.

**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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Iowa Area Community College, Mason City, Iowa, and the discretely presented component unit as of and for the year ended June 30, 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, and have issued our report thereon dated January 22, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered North Iowa Area 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 North Iowa Area Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of North Iowa Area 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 a material misstatement of North Iowa Area Community College's financial statements will not be prevented or detected and corrected on a timely basis.

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

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**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 on 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.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
January 22, 2014

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# HOGAN • HANSEN

*A Professional Corporation*

Certified Public Accountants and Consultants

## **Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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

### **Report on Compliance for Each Major Federal Program**

We have audited North Iowa Area Community College's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of North Iowa Area Community College's major federal programs for the year ended June 30, 2013. North Iowa Area Community College's major federal programs are identified in Part I 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 North Iowa Area 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 auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Iowa Area Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on North Iowa Area Community College's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, North Iowa Area 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**

The management of North Iowa Area 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 North Iowa Area Community College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 North Iowa Area Community College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
January 22, 2014

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?  yes  no

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

Noncompliance material to financial statements noted?  yes  no

### Federal Awards

Internal control over major programs:

Material weakness identified?  yes  no

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

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

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

Identification of major programs:

### **CFDA Numbers**

### **Name of Federal Program or Cluster**

84.007

Student Financial Assistance Cluster  
Federal Supplemental Educational Opportunity Grants  
Federal Work-Study Program  
Federal Pell Grant Program  
Federal Direct Student Loans  
Nursing Student Loans

84.033

84.063

84.268

93.364

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes  no

# Schedule of Findings and Questioned Costs

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Year Ended June 30, 2013

## Part II: Findings Related to the Financial Statements

### **Instances of Noncompliance**

There were no reported instances of noncompliance.

### **Internal Control Deficiencies**

There were no matters reported.

## Part III: Findings and Questioned Costs for Federal Awards

### **Instances of Noncompliance**

There were no reported instances of noncompliance.

### **Internal Control Deficiencies**

There were no matters reported.

## Part IV: Findings Related to Statutory Reporting

- 13-IV-A Certified Budget** - While two categories of the budget were overexpended, in total, expenditures for the year ended June 30, 2013 did not exceed the amount budgeted.
- 13-IV-B Questionable Disbursements** - No expenditures we believe did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 13-IV-C Travel Expense** - No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.
- 13-IV-D Business Transactions** - No business transactions between the College and College officials or employees were noted.
- 13-IV-E Bond Coverage** - Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 13-IV-F Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 13-IV-G Publication** - The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

## Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2013

- 13-IV-H Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.
  
- 13-IV-I Credit and Contact Hours** - Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.