

**NORTHWEST IOWA COMMUNITY COLLEGE
SHELDON, IOWA**

**Independent Auditors' Report
Financial Statements and Supplemental Information
Schedule of Findings and Questioned Costs**

For the Fiscal Year Ended June 30, 2013

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NORTHWEST IOWA COMMUNITY COLLEGE

OFFICIALS

NAME	TITLE	TERM EXPIRES
Board of Directors		
Cynthia Porter	Member	2013
Steve Loshman	Member	2013
Dr. Loretta Berkland	Member	2015
Leroy Van Kekerix	President	2015
Jim Kennedy	Member	2015
Larry Hoekstra	Vice-President	2013
Adam Besaw	Member	2015
Community College		
Dr. Alethea Stubbe	President	
Dee Kreykes	Board Secretary	
Mark Brown	Vice President of Operations and Finance and Board Treasurer	



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Northwest Iowa Community College
Sheldon, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Iowa Community College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of Northwest Iowa Community College as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

In 2013, the College adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2012 (none of which are presented herein) and expressed unmodified opinions on these statements. The other supplemental information on pages 34 through 58 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of

Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, other supplemental information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the College's internal control over financial reporting and compliance.

Williams & Company, P. C.
Certified Public Accountants

Le Mars, Iowa
January 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Northwest Iowa Community College provides this Management's Discussion and Analysis of the College's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- ◆ College operating revenues increased 4.1% or \$456,094 from fiscal year 2012 (FY 12). Iowa industrial new jobs training, auxiliary and special events reported an increase while tuition and fees, federal appropriations, donated equipment, gifts and contributions and miscellaneous revenue reported a decrease.
- ◆ College operating expenses increased 15.90% or \$2,554,453 from fiscal year 2012(FY 12). Vocational technical, adult education, cooperative services, administration, learning resources, physical plant, general institution, auxiliary enterprises, depreciation and amortization reported an increase in expenditures, while liberal arts and sciences, student services, and scholarships and grants decreased.
- ◆ The College's net position increased 2.87 %, or approximately \$838,837, from fiscal year 2012 (FY 12).

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 revenues, expenses and changes in net position and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances.

Notes to 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 further explains and supports the financial statements with a comparison of the College's budget for the year.

Other Supplementary Information provides detailed information about the individual funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the College.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

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 will be able to determine the College's financial position by analyzing the increases and decreases in net position. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

Net Position

	June 30	
	2013	2012
Current Assets	\$ 25,603,025	\$ 24,255,011
Noncurrent Assets	24,537,954	27,077,071
Total Assets	50,140,979	51,332,082
Current Liabilities	5,014,885	6,545,333
Noncurrent Liabilities	12,666,788	15,404,415
Total Liabilities	17,681,673	21,949,748
Deferred Inflows of Resources	2,382,464	-
Net Position		
Net Investment in capital assets	15,608,264	15,010,077
Restricted	3,131,927	4,191,858
Unrestricted	11,336,651	10,180,399
Total Net Position	\$ 30,076,842	\$ 29,382,334

Comparison of Net Position

The largest portion of the College's net position (51.89%) is the net investment in capital assets (e.g., land, buildings, and equipment less the related debt). The debt related to the capital assets is liquidated with resources other than capital assets. The next largest portion of the College's net position (37.69%) is the unrestricted assets that can be used to meet to College's obligations as they come due. The restricted portion of the net position (10.42%) includes resources that are subject to external restrictions. The college's restricted portion of the net position shows a decrease of \$1,059,931 compared to FY 12.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

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

Changes in Net Position

	June 30	
	2013	2012
Operating Revenues:		
Tuition and fees	\$ 4,085,623	\$ 4,183,033
Federal appropriations	2,433,014	2,597,620
Iowa Industrial New Jobs Training Program	1,553,644	797,309
Auxiliary	2,568,167	2,146,614
Donated equipment & services	-	100,976
Special events	19,229	13,033
Gifts and contributions	747,108	1,057,729
Miscellaneous	305,848	360,225
Total operating revenues	11,712,633	11,256,539
Total operating expenses	18,618,101	16,063,648
Operating Loss	(6,905,468)	(4,807,109)
Non-operating revenues (expenses)		
State appropriations	5,462,870	4,624,742
Property tax	2,115,657	1,992,406
Interest income on investments	328,226	129,386
Gain on sale of capital assets	27,514	22,152
Rental of college facilities	10,477	11,245
Donated Capital Assets	46,400	-
Interest on indebtedness	(246,839)	(291,366)
Net non-operating revenues	7,744,305	6,488,565
Increase in net position	838,837	1,681,456
Net position beginning of year	29,382,334	27,700,878
Prior Period Adjustment	(144,329)	-
Net position end of year	\$ 30,076,842	\$ 29,382,334

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, with an increase in the net position at the end of the fiscal year.

Total Revenue by Source

In FY 13, operating revenues increased by \$456,094 (4.10%) as a net result of the following changes:

- ◆ Tuition and fees decreased by \$97,410 due to a decrease in credit hours.
- ◆ Federal appropriations decreased by \$164,606 due to the reduction in federal scholarships and grants.
- ◆ The Iowa Industrial New Jobs Training program increased by \$756,335 due to an increase in job training funding requests by area companies.
- ◆ The auxiliary revenues increased by \$421,553. This is a result of increased heavy equipment revenue of \$156,000 and I-AM grant funding of \$260,000.
- ◆ The gifts and contributions decreased by \$310,621. This is primarily the result of reduced annual contributions to the Foundation for the current fiscal year.

Total Expenses

	June 30	
	2013	2012
Education and support:		
Liberal arts and sciences	\$ 1,488,173	\$ 1,501,285
Vocational technical	4,238,572	3,853,512
Adult education	782,434	766,131
Cooperative services	1,553,644	797,309
Administration	1,475,752	797,209
Student services	797,945	807,974
Learning resources	227,707	216,007
Physical plant	1,556,867	1,223,279
General institution	2,252,418	2,186,766
Auxiliary enterprises	2,594,069	2,335,690
Scholarships and grants	297,667	463,350
Depreciation and Amortization	1,352,853	1,115,136
Total Operating Expenses	\$ 18,618,101	\$ 16,063,648

In FY 13, operating expenses increased by \$2,554,453 (15.90%). The following factors explain some of the changes:

- ◆ Vocational technical reported an increase of \$385,060. This was due to increase in wages of \$200,000 and additional inclusion of Foundation expenses of \$137,000 in the current year.
- ◆ Cooperative services reported an increase in expenditures of \$756,335 primarily due to an increase in jobs training funding requests by area companies.
- ◆ Physical Plant reported an increase of \$333,588. This increase was due to an increase in restricted fund expenditures (\$129,000) and unrestricted maintenance expenditures (\$66,000) and plant fund expenditures and adjustments (\$133,000).

- ◆ Administration reported a increase in expenditures of \$678,543. An early retirement package that was offered in the current year accounted for most of this increase.
- ◆ Auxiliary enterprises reported an increase of \$258,379 due to increases in: print room expenditures (\$50,000), trade and industry (\$32,000), bookstore (\$20,000), carpentry (\$19,000), wellness center (\$30,000) and other (\$100,000).

Statement of Cash Flows

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

Cash Flows

	June 30	
	2013	2012
Cash provided (used) by:		
Operating activities	\$ (4,954,052)	\$ (2,485,830)
Non-capital financing activities	7,697,322	11,452,139
Capital and related financing activities	(2,125,372)	(5,053,205)
Investing activities	382,175	128,821
Net increase in cash	1,000,073	4,041,925
Cash, beginning of the year	20,031,451	15,989,526
Cash, end of the year	\$ 21,031,524	\$ 20,031,451

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

CAPITAL ASSETS

At June 30, 2013, the College had approximately \$36.8 million invested in capital assets, net of accumulated depreciation of \$14.8 million. Depreciation charges totaled \$1,352,853 for FY 13. Details of capital assets are shown below.

Capital Assets, Net, at Year-End

	June 30	
	2013	2012
Land	\$ 338,966	\$ 338,966
Buildings and Other Structures	27,661,201	26,525,523
Equipment	7,845,544	7,460,439
Software Development	412,457	412,457
Construction in Progress	531,003	500,004
Less Accumulated Depreciation	(14,791,666)	(13,555,244)
Total	\$ 21,997,505	\$ 21,682,145

Planned capital expenditures for the fiscal year ending June 30, 2014, are expected to include a boiler replacement that will cost \$275,000 and will be paid out of college reserves. The purchase of equipment is estimated at \$600,000. More detailed information about the College's capital assets is presented in Note 5 to the financial statements.

DEBT

At June 30, 2013, the College had \$12.7 million in debt outstanding, an increase of \$72,000 from 2012. The certificates payable are the 260E New Jobs Training Certificates and bonds payable are the revenue bonds for the Lyon Hall and O'Brien Hall apartment style dormitories. The notes payable reflect the debt obligation for the Lifelong Learning and Recreation Center. The capital leases are for a 2008 Cat dozer and a John Deere motor grader. The table below summarizes these amounts by type.

	June 30	
	2013	2012
Certificates Payable	\$ 6,355,000	\$ 6,000,000
Bonds Payable	3,320,000	3,485,000
Notes Payable	2,980,326	3,039,516
Capital Lease	88,915	147,552
Total	\$ 12,744,241	\$ 12,672,068

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

ECONOMIC FACTORS

Northwest Iowa Community College continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for College officials. Some of the realities that may potentially become challenges for the College to meet are:

- ◆ State Aid support has been relatively strong recently, but future annual funding is difficult to predict due to the high variability of state tax receipts.
- ◆ Expenses will continue to increase and the burden of meeting these obligations have been placed on the students with the continued increases in tuition and fees.
- ◆ Facilities at the College require constant maintenance and upkeep.
- ◆ 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 anticipates the current fiscal year will hold many challenges and we will maintain a close watch over resources to maintain the College's ability to react to unknown issues.

Contacting 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 Northwest Iowa Community College, 603 West Park Street, Sheldon, IA 51201.

NORTHWEST IOWA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government
ASSETS	
Current Assets:	
Cash and Pooled Investments	\$ 21,031,524
Other Investments	79,226
Receivables:	
Accounts	946,374
Property Tax:	
Current Year Delinquent	24,048
Succeeding Year	2,382,464
Notes	90
Due from Other Governments	780,649
Inventories	330,668
Prepaid Expenses	27,982
Total Current Assets	25,603,025
Noncurrent Assets:	
Foundation Promises to Give	319,812
Restricted Foundation Assets	2,220,637
Capital Assets:	
Land	338,966
Construction in Progress	531,003
Buildings	26,643,401
Other Structures and Improvements	1,017,800
Furniture, Machinery and Equipment	7,845,544
Software Development	412,457
Accumulated Depreciation	(14,791,666)
Total Noncurrent Assets	24,537,954
Total Assets	\$ 50,140,979

See Notes to Financial Statements

NORTHWEST IOWA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 671,496
Salaries and Benefits Payable	312,763
Accrued Interest Payable	18,319
Unearned Revenue	998,132
Iowa Industrial New Jobs Training Program	512,234
Early Retirement Payable	484,304
Compensated Absences Payable	33,000
Insurance Reserve	150,000
Deposits Held in Custody for Others	151,722
Certificates Payable	1,355,000
Capital Lease Payable	57,649
Notes Payable	100,266
Bonds Payable	170,000
Total Current Liabilities	5,014,885
Noncurrent Liabilities:	
Compensated Absences Payable	297,004
Early Retirement Payable	733,770
Capital Lease Payable	31,266
Certificates Payable	5,000,000
Notes Payable	2,880,060
Bonds Payable	3,150,000
Net OPEB Obligation	574,688
Total Noncurrent Liabilities	12,666,788
Total Liabilities	17,681,673
DEFERRED INFLOWS OF RESOURCES:	
Unavailale Revenue- Future Property Tax	2,382,464
	2,382,464
NET POSITION	
Net Investment in Capital Assets	15,608,264
Restricted:	
Nonexpendable:	
Cash Reserve	119,016
Permanent Foundation Assets	325,275
Expendable:	
Temporarily Restricted Foundation Assets	1,495,590
Loans	13,118
Board Restricted Foundation Assets	608,261
Other	570,667
Unrestricted	11,336,651
Total Net Position	\$ 30,076,842

See Notes to Financial Statements

**NORTHWEST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Primary Government
Revenues	
Operating Revenues:	
Tuition and Fees, net of scholarship allowances of \$1,862,192	\$ 4,085,623
Federal Appropriations	2,433,014
Iowa Industrial New Jobs Training Program	1,553,644
Auxiliary Enterprises, net of scholarship allowances of \$349,915	2,568,167
Special Events, net of related expenses, \$11,838	19,229
Gifts and Contributions	747,108
Miscellaneous	305,848
Total Operating Revenues	11,712,633
Expenses	
Operating Expenses:	
Education and Support:	
Liberal Arts and Sciences	1,488,173
Vocational Technical	4,238,572
Adult Education	782,434
Cooperative Services	1,553,644
Administration	1,475,752
Student Services	797,945
Learning Resources	227,707
Physical Plant	1,556,867
General Institution	2,252,418
Auxiliary Enterprises	2,594,069
Scholarships and Grants	297,667
Depreciation	1,352,853
Total Operating Expenses	18,618,101
Operating Income (Loss)	(6,905,468)
Non-operating Revenues (Expenses)	
State Appropriations	5,462,870
Property Tax	2,115,657
Interest Income From Investments	328,226
Gain on Disposal of Capital Assets	27,514
Rental of College Facilities	10,477
Donated Capital Assets	46,400
Interest on Indebtedness	(246,839)
Net Non-operating Revenues	7,744,305
Increase in Net Position	838,837
Net Position Beginning of Year	29,382,334
Prior Period Adjustment	(144,329)
Net Assets Beginning of Year, as Restated	29,238,005
Net Position End of Year	\$ 30,076,842

See Notes to Financial Statements

**NORTHWEST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

	Primary Government
Cash Flows from Operating Activities:	
Tuition and Fees	\$ 4,214,576
Grants and Contracts	2,578,149
Iowa Industrial New Jobs Training Program	1,105,824
Payments to Employees	(9,642,041)
Payments to Suppliers	(5,049,611)
Net Receipts of NJTP Issuances and Repayments	(1,198,644)
Payments for Scholarships	(297,667)
Auxiliary Enterprise Charges	2,292,585
Other Receipts	1,042,777
Net Cash (Used) by Operating Activities	(4,954,052)
Cash Flows from Non-Capital Financing Activities:	
State Appropriations	5,570,264
Property Tax	2,114,192
Rental of College Facilities	10,477
Agency receipts	200,347
Agency disbursements	(197,958)
Net Cash Provided From Non-Capital Financing Activities	7,697,322
Cash Flows from Capital and Related Financing Activities:	
Aquisition of Capital Assets	(1,634,949)
Proceeds from the Sale of Fixed Assets	40,650
Principal Paid on Debt	(282,829)
Interest Paid on Debt	(248,244)
Net Cash (Used) by Capital and Related Financing Activities	(2,125,372)
Cash Flows from Investing Activities:	
Interest on Investments	329,441
Proceeds From Investments	331,386
Purchase of Investments	(278,652)
Net Cash Provided by Investing Activities	382,175
Net Increase in Cash	1,000,073
Cash at Beginning of Year	20,031,451
Cash at End of Year	\$ 21,031,524

**NORTHWEST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

	Primary Government
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating (Loss)	\$ (6,905,468)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	1,352,853
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Prepaid Assets	(3,016)
Accounts Receivable	70,795
NJTP Receivable	(452,935)
Pledges Receivable	59,744
Due From Federal Agencies	(116,812)
Inventories	(68,165)
Increase (Decrease) in Liabilities:	
Accounts Payable	237,697
Salaries Payable	22,279
Deferred Revenue	49,638
Compensated Absences	29,842
Early Retirement Payable	340,407
Other Postemployment Benefits	69,844
Deposits in Custody (non-Agency portion)	4,245
Certificates Payable	355,000
Total Adjustments	1,951,416
Net Cash (Used) by Operating Activities	\$ (4,954,052)

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

Northwest Iowa Community College is a publicly supported college, established and operated by Merged Area IV under the provisions of Chapter 260C of the Code of Iowa. Northwest Iowa Community College may offer 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. Northwest Iowa Community 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. Northwest Iowa Community College maintains a campus and has its administrative office in Sheldon, Iowa. The Community College is governed by a Board of Directors whose members are elected from each director district within Merged Area IV.

The Community College's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Northwest Iowa Community College has included all funds, organizations, agencies, boards, commissions and authorities. The Community 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 Community College are such that exclusion would cause the Community 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 Community 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 Community College. Northwest Iowa Community College has included the Northwest Iowa Community College Foundation as a blended component unit that meets the Governmental Accounting Standards Board criteria. Separate financial statements have not been issued for the Foundation.

Blended Component Unit

Northwest Iowa Community College Foundation is a legally separate non-profit corporation, whose goal is to provide support to the Community College and students, and whose financial activities are included as endowment funds in these financial statements. Northwest Iowa Community College Foundation primarily receives funds through donations to provide scholarships to students. The governing board of this organization has members who are also officers of the Community College. However, these members do not comprise a majority of the Foundation's board. 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 Northwest Iowa Community College and its students. The Foundation has also issued debt to assist in the construction of the LLRC, which is being repaid with lease payments from the College.

B. 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 four net asset categories:

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies – (Continued)

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

Restricted Net Position:

Nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the Community College, including the Community College's permanent endowment funds, and a cash reserve required by Iowa Code.

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

Unrestricted Net Position: Net position that is 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. When an expense is incurred for which both restricted and unrestricted resources are available, the College will first apply restricted resources.

GASB Statement No. 35 also requires that Statements of Net Position, Revenues, 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 Community College. For the most part, the effect of interfund activity has been removed from these statements.

C. Measurement Focus and Basis of Accounting

For financial reporting purposes, Northwest Iowa Community 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. Revenues are 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.

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the balance sheet:

Cash and Pooled Investments – Investments consist of non-negotiable savings and certificates of deposit and are stated at cost which approximates fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, which approximates fair value. The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies – (Continued)

For the 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, they have a maturity date no longer than three months.

Short-Term Interfund Receivables/Payables – During the course of its operations, the Community College had numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received, as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded as “due to other funds” and “due from other funds”, respectively.

Due from Other Governments – This asset represents state aid, grants and reimbursements due from the State of Iowa, grants and reimbursements due from the Federal government, and amounts due from local municipalities.

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

Property Tax Receivable – Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Directors to the appropriate County Auditors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Community College for training projects entered into between the Community 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, plus interest incurred on NJTP certificates, less revenues received to date.

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets are defined by the Community College as assets with initial, individual costs in excess of \$5,000.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies – (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u> <u>(In Years)</u>
Buildings	30
Other structures and improvements	30
Equipment	5-10
Vehicles	5-10

The Community 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. Interest costs incurred during the year were \$246,839 of which none have been capitalized.

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

Unearned Revenue – When assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue. Unearned revenue consists of tuition deposits, tuition paid for portion of summer term after June 30th, unspent grant proceeds and unearned revenue on 260 E and F projects.

Deferred Outflows / Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Accordingly, the item, unavailable revenues from subsequent year property taxes, is reported. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences – Community College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences plus related benefits are recorded as liabilities of the appropriate fund. These liabilities have been computed based on rates of pay in effect at June 30, 2013.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies – (Continued)

Auxiliary Enterprise Revenues – Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, dormitories, parts, printing and reproduction, and trade and industry.

Summer Session – The College operates summer sessions during May, June, and July. Revenues and expenses for the summer sessions are allocated between fiscal years based upon the number of days in the term occurring before and after June 30th.

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

Operating and Non-Operating Activities – Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Position, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Non-operating activities include state appropriations, property tax and interest income.

E. 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) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a total College basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third party aid.

Note 2 - Cash and Pooled Investments

The Community College's deposits in banks at June 30, 2013, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The blended component unit Foundation's deposits exceeded the FDIC coverage in two institutions by a total of \$117,316.

The Community 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.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 2 - Cash and Pooled Investments – (Continued)

All of the College's investments are in savings accounts, certificates of deposit, Iowa Schools Joint Investment Trust (ISJIT) or money-market accounts, thus cost equals fair value for all of the College's investments with the exception of ISJIT as discussed at Note 1.D. The College protects against interest rate risk by dictating all maturities be of one year or less.

As of June 30, 2013, the College's investments were rated at follows:

Investment Type	Standard & Poors Financial Services
Iowa Schools Joint Investment Trust	AAAm
Mutual Funds, equities	Not Rated

Note 3 - Accounts Receivable and Credit Policies

Accounts receivable includes \$129,721 of uncollateralized student obligations stated at the amount billed to the student plus any accrued and unpaid interest. The carrying amount of accounts receivable is reduced by an allowance of \$14,637 that reflects management's best estimate of amounts that will not be collected. Management reviews all accounts receivable balances that are delinquent and estimates the portion, if any, of the balance that will not be collected.

Each student is required to pay the balance on their account by the first day of class. However, students do have the option of enrolling with a third party designated by the college which administers a payment plan. The students are required to pay a \$35 fee to participate in the plan, of which NICC receives \$10. The third party handles all collections of payments and remits them to NICC.

Note 4 - Inventories

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

Parts, Supplies and Materials	\$ 38,832
Merchandise Held for Resale-Bookstore	204,066
Other-Bookstore	<u>87,770</u>
Total	<u>\$ 330,668</u>

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 5 - Capital Assets

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

	Balance Beginning of Year	Additions	Deletions	Balance End Of Year
Capital Assets, not being depreciated:				
Land	\$ 338,966	\$ -	\$ -	\$ 338,966
Construction in Progress	500,004	976,802	945,803	531,003
Total Capital Assets, not being depreciated	<u>838,970</u>	<u>976,802</u>	<u>945,803</u>	<u>869,969</u>
Capital Assets, being depreciated:				
Buildings	25,507,723	1,135,678	-	26,643,401
Other Structures and Improvements	1,017,800	-	-	1,017,800
Furniture, Machinery and Equipment	7,460,439	524,775	139,670	7,845,544
Software Development	412,457	-	-	412,457
Total Capital Assets, being depreciated	<u>34,398,419</u>	<u>1,660,453</u>	<u>139,670</u>	<u>35,919,202</u>
Less Accumulated Depreciation for:				
Buildings and Other Structures and Improvements	9,129,662	764,226	-	9,893,888
Movable Equipment	4,425,582	588,627	116,431	4,897,778
Total Accumulated Depreciation	<u>13,555,244</u>	<u>1,352,853</u>	<u>116,431</u>	<u>14,791,666</u>
Total Capital Assets, Being Depreciated, Net	<u>\$20,843,175</u>	<u>\$ 307,600</u>	<u>\$ (23,239)</u>	<u>\$ 21,127,536</u>

Furniture, machinery and equipment include \$396,295 of assets acquired under capital lease.

Buildings includes \$6,267,847 of assets under capital lease. For further information on this lease, see Note 6.

The College has a lease agreement with the City of Sioux Center for 800 square feet in the Sioux Center Public Library. This agreement originally ran from January 1, 2012 to December 31, 2014 with a commitment of \$600 per month. A new agreement was entered effective August 1, 2013, with monthly rent of \$300, through December 31, 2014. There are also renewal options available to extend the agreement annually.

The College also has a lease agreement with Orange City Area Health System, an Administrative Agency of the City of Orange City for a 1,541 square foot building in Orange City, also used as classroom space. This agreement is from July 1, 2010 to July 1, 2013 with a rent of \$924.60 per month the first year and \$975.97 per month for years two and three. Beginning July 1, 2013 the College entered into an agreement with M.O.C. Floyd Valley School District, with the school district to provide facilities for the College to operate the NCC College and Career Academy. The agreement calls for an annual payment of \$15,000 for use of the school district facilities and is effective for a period of ten years. The agreement can be terminated individually no later than April 1 of each year.

The primary government construction in progress at year end related to various campus plant and infrastructure projects.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 5 - Capital Assets – (Continued)

Reconciliation of Net Investment in Capital Assets:

	Primary Government
Land	\$ 338,966
Construction in Progress	531,003
Buildings	26,643,401
Other Structures and Improvements	1,017,800
Furniture, Machinery and Equipment	7,845,544
Software Development	412,457
Accumulated Depreciation	(14,791,666)
Less: Capital Lease Payable	(88,915)
Notes Payable	(2,980,326)
Bonds Payable	(3,320,000)
Net Investment in Capital Assets	\$ 15,608,264

Note 6 – Changes in Long-Term Liabilities

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

	<u>Capital Lease</u>	<u>Notes Payable</u>	<u>Certificates Payable</u>	<u>Bonds Payable</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance Beginning of Year	\$ 147,552	\$ 3,039,516	\$ 6,000,000	\$ 3,485,000	\$ 300,162	\$12,972,230
Additions	-	-	1,560,000	-	272,150	1,832,150
Reductions	58,637	59,190	1,205,000	165,000	242,308	1,730,135
Balance End of Year	88,915	2,980,326	6,355,000	3,320,000	330,004	13,074,245
Portion Due Within One Year	\$ 57,649	\$ 100,266	\$ 1,355,000	\$ 170,000	\$ 33,000	\$ 1,715,915

Capital Lease

The College entered into an agreement to lease a John Deere Motor Grader. The agreement is for a period of five years at an interest rate of 3.95%. The lease expires in 2014.

In February 2011, the College leased a 2008 Cat dozer. The agreement is for a period of four years at an interest rate of .27%. The lease expires in 2014.

In FY 2012 the College also entered into a lease agreement with the Northwest Iowa Community College Foundation, which is a blended component unit of the College. The College is leasing the Wellness Center Facility from the Foundation. The term of the lease is thirty years with interest payable at 4%. At completion of the lease, the College will have the option to purchase the facility for \$500. The facility is capitalized on the College's financial statements at a cost of \$6,267,847, with a net book value of \$6,058,919. The original principal amount of the lease was \$2,800,000 as the remaining amounts were funded directly by the college. Pursuant to instruction from GASB 14, the capital lease activity with a blended component unit was eliminated and the outstanding liability is shown as a notes payable in the College financial statements.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 6 – Changes in Long-Term Liabilities – (Continued)

The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments under the agreement described above in effect at June 30, 2013:

Fiscal Year Ending June 30,	Amount
2014	\$ 60,567
2015	32,474
Total minimum lease payments	93,041
Less amount representing interest	(4,126)
Present value of net minimum lease payments	<u>\$ 88,915</u>

Payments under these agreements for the year ended June 30, 2013 totaled \$60,451.

Certificates Payable

In accordance with agreements dated between December 9, 1985 and June 2013, the Community College issued certificates totaling \$24,210,000, with interest rates ranging from 1.0% to 8.1% per annum. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default from standby property taxes.

The certificates will mature as follows:

Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,355,000	\$ 231,875	\$ 1,586,875
2015	1,610,000	178,715	1,788,715
2016	665,000	103,575	768,575
2017	670,000	81,370	751,370
2018	630,000	56,723	686,723
2019-2023	1,425,000	90,919	1,515,919
Total	<u>\$ 6,355,000</u>	<u>\$ 743,177</u>	<u>\$ 7,098,177</u>

Bonds Payable

On May 10, 2012, the Community College did a current refunding of its 2007 dormitory building construction bonds. The Community College issued \$1,685,000 dormitory refunding revenue bonds with interest rates ranging from .70% to 3.45%. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Plant Fund. This

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 6 – Changes in Long-Term Liabilities - (Continued)

refunding was undertaken to reduce total debt service payments over the next 15 years by \$92,907, with a present value of \$79,870.

On December 1, 2008 the College issued \$1,985,000 of Dormitory Revenue Bonds for the construction of O'Brien Hall Student Housing Complex as allowed by Section 260C.19 of the Code of Iowa. This bond carries a variable interest rate beginning at 3.00%, increasing incrementally each year to a final interest rate of 5.50%.

The Dormitory bonds will mature as follows:

Years Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 170,000	\$ 125,173	\$ 295,173
2015	175,000	121,572	296,572
2016	180,000	117,443	297,443
2017	185,000	112,597	297,597
2018	190,000	107,105	297,105
2019-2023	1,085,000	431,145	1,516,145
2024-2028	1,170,000	198,685	1,368,685
2029	165,000	26,597	191,597
Total	<u>\$3,320,000</u>	<u>\$ 1,240,317</u>	<u>\$ 4,560,317</u>

Notes Payable

The College received the proceeds of two notes in FY 2012 to help finance the construction of the LLRC. One note is from Northwest REC for \$200,000, accruing interest at a variable rate equal to one half of the bank prime rate and payable over six years. The second note is from Sheldon Community Development Corp. for \$50,000, which is interest free and to be repaid over 4 years.

In April 2012, the Northwest Iowa Community College Foundation issued USDA backed notes of \$2,800,000 with local lending institutions. The notes accrue interest at 4.0% and is payable over 30 years. The note was used for construction of the LLRC and payments are made by the College through a capital lease arrangement. Per GASB 14, the capital lease between the College and blended component unit have been eliminated.

The notes will mature as follows:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 100,266	\$ 113,398	\$ 213,664
2015	115,252	110,536	225,788
2016	117,972	107,815	225,787
2017	108,869	104,419	213,288
2018	73,128	101,352	174,480
2019-2023	340,379	467,338	807,717
2024-2028	416,585	391,133	807,718
2029-2033	510,370	297,348	807,718
2034-2038	624,938	182,780	807,718
2039-2042	572,567	46,684	619,251
Total	<u>\$2,980,326</u>	<u>\$ 1,922,803</u>	<u>\$ 4,903,129</u>

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 7 – Iowa Public Employees Retirement System (IPERS)

The Community 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 Community College is required to contribute 8.67% of annual payroll. Contribution requirements are established by State statute. The Community College's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$257,413, \$231,481, and \$192,561 respectively, equal to the required contribution.

Note 8 – Teachers Insurance and Annuity Association – College Retirement Equities (TIAA-CREF)

The Community College contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA administers the retirement plan for the Community College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible Community College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 5.78% and the Community College is required to contribute 8.67%. The Community College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2013, were \$256,495 and \$170,997, respectively.

Note 9 – Other Postemployment Benefits (OPEB)

The College prospectively implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009.

Plan Description – The College operates a single-employer retiree benefit plan which provides medical/dental/prescription drug benefits for retirees and their spouses. There are 103 active and 32 retired members in the plan. Participants must be age 55 or older at retirement and have been actively employed as a full time employee of the College and eligible to participate in the group health plan.

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

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 Community College, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 9 – Other Postemployment Benefits (OPEB) – (Continued)

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

Annual required contribution	\$ 162,383
Interest on net OPEB obligation	19,575
Adjustment to annual required contribution	16,772
Annual OPEB cost	165,186
Contributions made	95,342
Increase in net OPEB obligation	69,844
Net OPEB obligation beginning of year	504,844
Net OPEB obligation end of year	\$ 574,688

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.

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2009 through 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
June 30, 2013	\$ 165,186	57.71%	\$ 574,688
June 30, 2012	165,186	57.71%	504,844
June 30, 2011	194,000	25.26%	435,000
June 30, 2010	194,000	25.26%	290,000
June 30, 2009	194,000	25.26%	145,000

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011, through June 30, 2012, the actuarial accrued liability was \$1.347 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.347 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,593,142 and the ratio of the UAAL to covered payroll was 29.3%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present 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

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 9 – Other Postemployment Benefits (OPEB) – (Continued)

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, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the College's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from Scale T-5 of the Actuary's Pension Handbook.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 10 – New Jobs Training Programs

The Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area IV 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 Community College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the Community College has administered seventy-six projects with thirty-three currently having project funding available. The forty-three remaining projects have been completed, and have been fully repaid. In cases where projects exceed the budgeted amounts, the Community College intends to obtain additional withholding revenue from the companies.

The Community College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Area IV 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 Employment Training Fund, a State administered fund. Since inception, the Community College has administered 133 projects, with 7 projects having unspent training dollars at June 30, 2013.

The Community College is also involved in the Iowa Accelerated Career Education (ACE) Program in Area IV in accordance with Chapter 260G of the Code of Iowa. ACE's purpose is to provide financial assistance for business driven training programs. The Community College received state grants for \$291,837 and \$366,666 for the construction of a new facility for the associate degree in nursing program, as well as \$366,666 and \$422,221 for construction involved with a new radiology tech program. In both fiscal years 2007 and 2008 the College was awarded another \$366,666 to be granted as costs for a bio-tech addition are incurred. In fiscal year 2009 the College was allocated \$566,666 through the ACE Program to be used as expenditures are incurred for a heavy equipment program facility and in FY 2010, \$366,666 to be used for future expense for a diesel technology program facility. In FY 2011 the College was awarded \$366,666 to be used for future expense related to a substation technician program facility. In FY 2012, the college was awarded \$366,666 to be used for future expense related to a welding program

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 10 – New Jobs Training Programs (Continued)

expansion. In FY 2013, the College received \$400,000 to be used for an infrastructure project through the state RIF Program. The second aspect of this program provides funding for the operational costs of a program through withholding credits and a 20% employer match. The Community College has five 260G programs, industrial instrumentation, practical nursing, radiology tech, and two associate nursing programs.

Note 11 – Termination Benefits

The College offered a voluntary early retirement plan to its employees during fiscal year 2013. The plan was for retirements effective from May 1, 2013 thru July 31, 2013. Eligible employees must have completed at least ten years of full-time service to the College and must have reached the age of fifty-five on or before the date in which early retirement commences. The application for early retirement is subject to approval by the Board of Directors. This was a one time opportunity. At June 30, 2013, there were five employees with benefits remaining under this program. Currently, there are no plans open for enrollment.

Early retirement benefits are a one-time cash incentive equal to an amount ranging from 2.5% to 3.5%, multiplied by the employee's total number of qualifying years of service, multiplied by the employee's annual base salary at the date of retirement request, with a maximum retirement benefit not to exceed 100% of the employee's annual base salary at the date of request for early retirement. The percentage used is based upon the number of years of service.

The one-time incentives will be paid in two equal installments the first within 60 days of retirement. The second payment will be paid one hundred eighty days thereafter.

Eligible employees of the new plan shall also receive, at no cost to the employee, health/dental coverage for both the employee and spouse for up to 84 months depending upon age.

In fiscal year 2010, the College offered an additional one-time enrollment early retirement plan in which the College offered one-time cash payments, which have all been paid, and no-cost health/dental insurance to the employees and spouses for up to 84 months depending upon age. At June 30, 2013, there were nine employees receiving benefits under this plan.

In fiscal year 2009 the college offered an additional one-time enrollment early retirement plan in which the college offered one-time cash payments, which have all been paid at June 30, 2010, and no cost health/dental coverage to the employees and spouses for up to 84 months. At June 30, 2013 there was one employee with benefits remaining under this plan.

In fiscal year 2006 the college offered another one-time enrollment early retirement plan in which the college offered one-time cash payments, which have been paid, and no cost health/dental coverage to the employees and spouses for up to 84 months. At June 30, 2013 there were two employees receiving benefits under this plan.

In fiscal year 2003 the college also offered a one-time enrollment early retirement plan in which the college offered one-time cash payments, which have subsequently been paid, and no cost health/dental coverage to the employees and spouses until age 65. At June 30, 2013 there were three employees receiving health/dental coverage under this plan.

At June 30, 2013, the college has obligations to 20 participants with a total liability of \$1,218,074. The liability is calculated based on unadjusted premium and incentive amounts to be paid over the term of each employee's involvement in the plan. Early retirement is funded on a pay-as-you-

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 11 – Termination Benefits (Continued)

go basis through property tax levies. Actual early retirement cash basis expenditures for the year ended June 30, 2013 totaled \$243,585.

Note 12 – Risk Management

The Community College carries commercial insurance purchased from other insurers for coverage associated with general liability, workers compensation, automobile liability and physical damage, property and inland marine, errors and omissions, crime insurance, fiduciary bonds, boiler and machinery insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Beginning July 1, 2009 the College began to operate a medical expense reimbursement plan. Under the plan the Community College currently purchases a fully insured high deductible healthcare plan and self-funds the deductible and out of pocket maximum down to a lower deductible and out of pocket maximum for employees. The premium savings between the purchased plan and the employee plan is used to fund the claims for employees who exceed their lower deductible plan. The College risk is limited to the difference between the out of pocket maximums of the two plans. Actual claims have not exceeded 70% of the premium savings.

The claims payable, including claims incurred but not yet reported, have been determined by the College's management and have been recorded in the accompanying financial statements. Changes in the claim's liability amount were as follows:

Year Ended June 30	Beginning Balance Liability	Claims and Changes in Estimates	Claim Payments	Ending Balance
2010	\$ -	\$ 121,663	\$ 111,382	\$ 10,281
2011	10,281	65,642	70,883	5,040
2012	5,040	69,617	69,958	4,699
2013	4,699	65,219	64,861	5,057

Note 13 – Promises to Give

The blended component unit Foundation has held fund-raising campaigns for funding for scholarships and equipment for technical programs. The promises to give as of June 30, 2013 are unconditional and due in 2013 and over the next one to six years. No provision has been made for uncollectible promises to give because the uncollected amount is expected to be insignificant.

Unconditional promises to give at June 30, 2013 are as follows:

Receivable in Fiscal Year Ended	
June 30, 2014	\$ 90,851
June 30, 2015	64,107
June 30, 2016	57,422
June 30, 2017	50,039
June 30, 2018	34,111
June 30, 2019	28,965
Total unconditional promises to give	325,495
Less: discounts to net present value	(5,683)
Net unconditional promises to give at June 30, 2013	<u>\$319,812</u>

Promises to give, which are receivable in more than one year are discounted at 0.95% for 2013.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To The Financial Statements
June 30, 2013

Note 14 – Prior Period Adjustment

In previous years bond issuance costs were deferred and amortized over the term of the bonds. During the year ended June 30, 2013, the College implemented Governmental Accounting Standards Board Statement No. 65 requiring these costs to be recognized in the period the loan was originated. A prior period adjustment was reported on the financial statements to recognize the effect of the removal of the unamortized bond issuance costs. The prior period adjustment decreased the beginning balance of the net position of the College by \$144,329.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHWEST IOWA COMMUNITY COLLEGE
 POST EMPLOYMENT HEALTHCARE BENEFITS
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2013

Year Ended	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
6/30/2009	7/1/2008 *	\$ -	\$ 1,486,000	\$ 1,486,000	0.00%	\$ 5,456,752	27.2%
6/30/2010	7/1/2008	-	1,486,000	1,486,000	0.00%	5,565,468	26.7%
6/30/2011	7/1/2008	-	1,486,000	1,486,000	0.00%	5,281,580	28.1%
6/30/2012	7/1/2011	-	1,346,966	1,346,966	0.00%	4,593,142	29.3%
6/30/2013	7/1/2011	-	1,346,966	1,346,966	0.00%	5,071,648	26.6%

* Fiscal 2009 was the first year for calculating the Post Employment Benefit Obligation so information from previous years in not available.

OTHER SUPPLEMENTARY INFORMATION

NORTHWEST IOWA COMMUNITY COLLEGE
Notes to Other Supplementary Information
June 30, 2013

Supplemental Financial Statements

The supplemental financial information of the Community 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 Community College and consist of the following:

Unrestricted Fund – The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the Community College. All property tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this subgroup. From this subgroup are paid the general operating expenses, the fixed charges and the expenditures for plant assets that are not paid from other funds.

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

Restricted 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 contributions from private citizens.

Northwest Iowa Community College Foundation- The Northwest Iowa Community College Foundation is reported as blended component unit of the college. A significant portion of the Foundation net assets are restricted by donors where the principal is maintained inviolate and only the income from those funds may be used.

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

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

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

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

NORTHWEST IOWA COMMUNITY COLLEGE
Notes to Other Supplementary Information
June 30, 2013

Agency Funds – The Agency Funds are used to account for assets held by the Community College in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities. Transactions of the Agency Funds represent charges or credits to the individual asset and liability accounts and do not involve measurement of revenues or expenditures.

Schedules presented in the supplemental 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 schedule of revenues, expenditures and changes in fund balance is a schedule of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

NORTHWEST IOWA COMMUNITY COLLEGE
Budgetary Comparison Schedule of Expenditures –
Budget and Actual
June 30, 2013

Funds/Levy	Original/Final Budget	Actual	Variance Between Actual and Budget
Unrestricted	\$ 11,258,526	\$10,551,022	\$ 707,504
Restricted	3,930,000	4,701,719	(771,719)
Unemployment	10,000	17,046	(7,046)
Insurance	217,281	216,299	982
Early Retirement	-	583,993	(583,993)
Equipment Replacement	300,000	-	300,000
Total Restricted	4,457,281	5,519,057	(1,061,776)
Plant	3,690,000	2,724,829	965,171
Total	\$ 19,405,807	\$18,794,908	\$ 610,899

NORTHWEST IOWA COMMUNITY COLLEGE
Note to Supplementary Information –
Budgetary Reporting
June 30, 2013

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the Community College on a basis consistent with U.S. generally accepted accounting principles. Following required public notice and hearing and in accordance with Chapter 260C of the Code of Iowa, the Board of Directors 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, Job Training Partnership Act Accounts, Loan Funds, Endowment Funds, the blended component unit and Agency Funds.

**NORTHWEST IOWA COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2013**

	Current Funds					
	Unrestricted	Restricted			Loan Funds	NWICC Foundation
New Jobs Training		Other Restricted				
Assets						
Cash and Pooled Investments	\$ 8,722,144	\$ 6,867,234	\$ 1,479,573	\$ 13,028	\$ 458,513	
Other Investments					79,226	
Receivables:						
Accounts	513,489		432,885			
Property Tax:						
Current Year Delinquent	7,564		8,920			
Succeeding Year	698,503		985,458			
Notes				90		
Pledges to Give					319,812	
Due from Other Governmental Agencies	305,419		110,230			
Due From Northwest Iowa Community College Foundation	58,664					
Accrued Interest Receivable					5,486	
Inventories	330,668					
Prepaid Expenses	27,982					
Capital Lease Receivable						2,742,826
Capital Assets						
Land						
Buildings						
Construction in Progress						
Software Development						
Other Structures and Improvements						
Furniture, Machinery and Equipment						
Accumulated Depreciation						
Endowment Investments						2,220,637
Total Assets	\$ 10,664,433	\$ 6,867,234	\$ 3,017,066	\$ 13,118	\$ 5,826,500	

Plant Funds					
Unexpended	Retirement of Indebtedness	Investment in Plant	Agency Funds	Adjustments	Total
\$ 3,381,920			\$ 109,112		\$ 21,031,524
					79,226
					946,374
7,564					24,048
698,503					2,382,464
					90
				\$ -	319,812
365,000					780,649
28,758				(87,422)	-
				(5,486)	-
					330,668
					27,982
				(2,742,826)	-
		\$ 338,966			338,966
		26,643,401			26,643,401
		531,003			531,003
		412,457			412,457
		1,017,800			1,017,800
		7,845,544			7,845,544
				(14,791,666)	(14,791,666)
					2,220,637
<u>\$ 4,481,745</u>	<u>\$ -</u>	<u>\$ 36,789,171</u>	<u>\$ 109,112</u>	<u>\$ (17,627,400)</u>	<u>\$ 50,140,979</u>

**NORTHWEST IOWA COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2013**

	Current Funds				
	Unrestricted	Restricted		Loan Funds	NWICC Foundation
		New Jobs Training	Other Restricted		
Liabilities and Equity					
Liabilities:					
Accounts Payable	\$ 606,609		\$ 440		
Salaries and Benefits Payable	293,572		19,191		
Interest Payable					\$ 5,486
Due to Northwest Iowa Community College					87,422
Unearned Revenue	512,231		85,901		
Iowa Industrial New Jobs Training Program		\$ 512,234			
Early Retirement Payable			1,218,074		
Compensated Absences	323,743				
Insurance Reserve	150,000				
Deposits Held in Custody for Others	49,618				
Certificates Payable		6,355,000			
Capital Lease Payable					
Notes Payable					2,742,826
Bonds Payable					
Net OPEB Obligation					
Total Liabilities	1,935,773	6,867,234	1,323,606	-	2,835,734
Deferred Inflows of Resources:					
Unavailale Revenue- Future Property Tax	698,503		985,458		
Total Deferred Inflows of Resources	698,503	-	985,458	-	-
Fund Balance:					
Net Investment in Capital Assets					
Fund Balances:					
Restricted					
Nonexpendable:					
Cash Reserve			119,016		
Permanent Foundation Net Assets					325,275
Expendable:					
Loans				\$ 13,118	
Board Restricted Foundation Net Assets					608,261
Temporarily Restricted Foundation Net Assets					1,495,590
Other			588,986		
Unrestricted	8,030,157				561,640
Total Fund Balances	8,030,157	-	708,002	13,118	2,990,766
Total Liabilities, Deferred Inflows and Equity	\$ 10,664,433	\$ 6,867,234	\$ 3,017,066	\$ 13,118	\$ 5,826,500

Plant Funds					
Unexpended	Retirement of Indebtedness	Investment in Plant	Agency Funds	Adjustments	Total
\$ 63,700			\$ 747		\$ 671,496
	\$ 18,319			(5,486)	312,763
				(87,422)	18,319
400,000					-
					998,132
					512,234
					1,218,074
			6,261		330,004
					150,000
			102,104		151,722
					6,355,000
		\$ 2,831,741		(2,742,826)	88,915
		237,500			2,980,326
		3,320,000			3,320,000
				574,688	574,688
463,700	18,319	6,389,241	109,112	(2,261,046)	17,681,673
698,503					2,382,464
698,503	-	-	-	-	2,382,464
		30,399,930		(14,791,666)	15,608,264
					119,016
					325,275
					13,118
					608,261
					1,495,590
	(18,319)				570,667
3,319,542				(574,688)	11,336,651
3,319,542	(18,319)	30,399,930	-	(15,366,354)	30,076,842
\$4,481,745	\$ -	\$36,789,171	\$ 109,112	\$ (17,627,400)	\$ 50,140,979

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES
AND OTHER CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	Current Funds		
	Unrestricted	Restricted	
		Jobs Training	Other Restricted
Revenues and other additions:			
General:			
State Appropriations	\$ 4,477,973		\$ 473,743
Tuition and Fees	5,947,815		
Property tax	665,467		784,723
Federal Appropriations	90,139		2,342,875
Interest on Investments	129,719		10,117
Rental of College Facilities	10,477		
Gifts and Contributions			255,220
Iowa Industrial New Jobs Training Program		\$ 1,553,644	
Special Events, net of related expenses, \$11,838			
Increase in Plant Investment Due to Donated Plant Asset			
Increase in Plant Investment Due to Plant Expenditures			
Increase in Plant Investment Due to Retirement of Debt			
Increase in Plant Investment Due to Traded Assets			
Gain on sale of Capital Assets			
Miscellaneous	47,557		253,756
Total General	<u>11,369,147</u>	<u>1,553,644</u>	<u>4,120,434</u>
Auxiliary Enterprises:			
State Appropriations	193,670		
Tuition and Fees	68,417		
Sales and Services	2,252,032		
Interest on Investments	12,974		
Federal Appropriations	264,445		
Miscellaneous	270,788		
Total Auxiliary Enterprises	<u>3,062,326</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Additions	<u>\$ 14,431,473</u>	<u>\$ 1,553,644</u>	<u>\$ 4,120,434</u>

Loan Funds	NWICC Foundation	Plant Funds			Adjustments	Total
		Unex- pended	Retirement of Indebtedness	Investment in Plant		
		\$ 511,154			\$	5,462,870
		665,467			\$ (1,862,192)	4,085,623
						2,115,657
	\$ 269,762	30,865			(112,237)	2,433,014
	442,702	49,186				328,226
						10,477
	19,229					747,108
						1,553,644
				\$ 46,400	-	19,229
				1,634,947	(1,634,947)	46,400
				282,829	(282,829)	-
				10,103	(10,103)	-
		40,650			(13,136)	-
		4,535				27,514
\$ -	731,693	1,301,857	\$ -	1,974,279	(3,915,444)	305,848
						193,670
						68,417
					(494,159)	1,757,873
						12,974
						264,445
						270,788
					(494,159)	2,568,167
\$ -	\$ 731,693	\$ 1,301,857	\$ -	\$ 1,974,279	\$ (4,409,603)	\$ 19,703,777

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES
AND OTHER CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	Current Funds		
	Unrestricted	Restricted	
		Jobs Training	Other Restricted
Expenditures and other deductions:			
Education and Support:			
Liberal Arts and Sciences	\$ 1,526,692		
Vocational Technical	3,936,996		\$ 209,221
Adult Education	759,540		40,546
Cooperative Services	-	\$ 1,553,644	
Administration	854,727		602,871
Student Services	792,754		
Learning Resources	191,338		5,400
Physical Plant	797,156		324,080
General Institution	1,663,821		580,183
Total Education and Support	10,523,024	1,553,644	1,762,301
Auxiliary Enterprises	2,588,991		
Scholarships and Grants			2,231,111
Plant Asset Acquisitions			
Retirement of Indebtedness			
Disposal of Plant Assets			
Interest on Indebtedness			
Depreciation			
Foundation Program & Supporting Services			
Total Expenditures	13,112,015	1,553,644	3,993,412
Excess (Deficiency) of Revenues and Other Additions			
Over (Under) Expenditures and Other Deductions	1,319,458	-	127,022
Transfers:			
Non-mandatory Transfers	(935,951)		(769,375)
Total Transfers	(935,951)	-	(769,375)
Net	383,507	-	(642,353)
Fund Balances Beginning of Year	7,646,650	-	1,350,355
Prior Period Adjustment	-	-	-
Fund Balances Beginning of Year, as Restated	7,646,650	-	1,350,355
Fund Balances End of Year	\$ 8,030,157	\$ -	\$ 708,002

Loan Funds	NWICC Foundation	Plant Funds			Adjustments	Total
		Unex-pended	Retirement of Indebtedness	Investment in Plant		
					\$ (38,519)	\$ 1,488,173
	\$ 137,302				(44,947)	4,238,572
					(17,652)	782,434
						1,553,644
					5,007	1,462,605
					5,191	797,945
					30,969	227,707
	47,686	\$ 272,182			115,763	1,556,867
					8,414	2,252,418
-	184,988	272,182	-	-	64,226	14,360,365
					5,078	2,594,069
	278,664				(2,212,108)	297,667
		1,778,650			(1,778,650)	-
			\$ 282,829		(282,829)	-
				\$ 139,670	(139,670)	-
	112,237		246,839		(112,237)	246,839
					1,352,853	1,352,853
	13,147					13,147
-	589,036	2,050,832	529,668	139,670	(3,103,337)	18,864,940
-	142,657	(748,975)	(529,668)	1,834,609	(1,306,266)	838,837
		1,174,253	531,073			-
-	-	1,174,253	531,073	-	-	-
-	142,657	425,278	1,405	1,834,609	(1,306,266)	838,837
\$ 13,118	2,848,109	3,038,593	(19,724)	28,565,321	(14,060,088)	29,382,334
-	-	(144,329)	-	-	-	(144,329)
13,118	2,848,109	2,894,264	(19,724)	28,565,321	(14,060,088)	29,238,005
\$ 13,118	\$ 2,990,766	\$ 3,319,542	\$ (18,319)	\$ 30,399,930	\$ (15,366,354)	\$ 30,076,842

**NORTHWEST IOWA COMMUNITY COLLEGE
UNRESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
EDUCATION AND SUPPORT
FOR THE YEAR ENDED JUNE 30, 2013**

	Education		
	Liberal Arts and Science	Vocational Technical	Adult Education
REVENUES			
State Appropriations	\$ 1,499,099	\$ 2,143,494	\$ 833,082
Tuition and Fees	1,913,152	3,594,199	407,499
Property Tax			
Federal Appropriations	2,024		71,401
Rental of College Facilities			
Interest on Investments	-		
Miscellaneous	9,408	7,338	1,294
	<u>3,423,683</u>	<u>5,745,031</u>	<u>1,313,276</u>
Allocation of Support Services	304,117	448,369	134,670
Total Revenues	<u>3,727,800</u>	<u>6,193,400</u>	<u>1,447,946</u>
EXPENDITURES			
Salaries and Benefits	1,478,690	3,495,162	574,229
Services	30,200	179,150	116,654
Materials and Supplies	16,717	236,738	22,408
Travel	1,085	20,608	46,249
Miscellaneous		5,338	
	<u>1,526,692</u>	<u>3,936,996</u>	<u>759,540</u>
Allocation of Support Services	1,313,158	2,236,324	750,314
Total Expenditures	<u>2,839,850</u>	<u>6,173,320</u>	<u>1,509,854</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	887,951	20,080	(61,908)
TRANSFERS			
Non-Mandatory Transfers In		148,200	
Non-Mandatory Transfers Out		(37,303)	(38,181)
Net	<u>\$ 887,951</u>	<u>\$ 130,977</u>	<u>\$ (100,089)</u>

Fund Balances Beginning of Year

Fund Balances End of Year

Note: The support services allocations are based on the percentage of contact hours reported.

Support Services					Total Education and Support Services
General Administration	Student Services	Learning Resources	Physical Plant	General Institution	
	\$ 200	\$ 37	\$ 2,061		\$ 4,477,973
	32,965				5,947,815
\$ 665,467					665,467
16,714					90,139
			10,477		10,477
125,657				\$ 4,062	129,719
14,000	258	64		15,195	47,557
821,838	33,423	101	12,538	19,257	11,369,147
(821,838)	(33,423)	(101)	(12,538)	(19,257)	-
-	-	-	-	-	11,369,147
677,442	702,390	148,318	520,738	705,775	8,302,744
143,111	57,475	10,608	132,452	659,595	1,329,245
13,049	25,574	31,502	142,963	255,931	744,882
21,099	7,315	910	1,003	32,494	130,763
26				10,026	15,390
854,727	792,754	191,338	797,156	1,663,821	10,523,024
(854,727)	(792,754)	(191,338)	(797,156)	(1,663,821)	-
-	-	-	-	-	10,523,024
-	-	-	-	-	846,123
		(10,555)	-	18,533	166,733
		(10,555)	-	(926,432)	(1,012,471)
\$ -	\$ -	\$ (10,555)	\$ -	\$ (907,899)	385
					1,339,999
					\$ 1,340,384

NORTHWEST IOWA COMMUNITY COLLEGE
UNRESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND OTHER CHANGES IN FUND BALANCE
AUXILIARY ENTERPRISES
FOR THE YEAR ENDED JUNE 30, 2013

	Campus Store	Dormitories	Carpentry	Farm
REVENUES				
State Appropriations				
Tuition and Fees				
Sales and Services (Net of Returns)	\$ 827,809	\$ 320,968	\$ 115,500	
Interest on Investments	499		1,225	\$ 937
Federal Appropriations	3,264			
Miscellaneous		46,064	1,500	500
Total Revenues	831,572	367,032	118,225	1,437
EXPENDITURES				
Salaries and Benefits	112,810			
Services	18,565	67,153	9,367	
Materials and Supplies	3,546	9,473	143	
Travel	2,424			
Cost of Goods Sold	614,110		106,029	
Miscellaneous	85			
Total Expenditures	751,540	76,626	115,539	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,032	290,406	2,686	1,437
TRANSFERS				
Non-Mandatory Transfers In				
Non-Mandatory Transfers Out	(454,298)	(295,483)		-
Net	(374,266)	(5,077)	2,686	1,437
Fund Balance Beginning of Year	812,719	381,125	207,173	125,713
Prior Period Adjustment	-	-	-	-
Fund Balance Beginning of Year, restated	812,719	381,125	207,173	125,713
Fund Balance End of Year	\$ 438,453	\$ 376,048	\$ 209,859	\$ 127,150

Parts	Printing and Reproduction	Trade and Industry	Wellness Center	Heavy Equipment	Other	Total
		\$131,228			\$ 62,442	\$ 193,670
			\$ 7,035	\$ 10,163	51,219	68,417
\$ 277,044	\$ 98,786		200,423	337,857	73,645	2,252,032
531	528	4,054			5,200	12,974
					261,181	264,445
	644	129,521	10,495		82,064	270,788
277,575	99,958	264,803	217,953	348,020	535,751	3,062,326
-	32,826	268,168	201,083	2,252	69,969	687,108
1,246	46,190	210,114	29,747	84,600	80,860	547,842
446	4,390	4,418	23,935	87,001	141,902	275,254
		10,646	149	433	4,591	18,243
250,406	144		47		13,225	983,961
	61,376				15,122	76,583
252,098	144,926	493,346	254,961	174,286	325,669	2,588,991
25,477	(44,968)	(228,543)	(37,008)	173,734	210,082	473,335
		285,295			913,309	1,198,604
(8,000)	(18,595)			(41,239)	(471,202)	(1,288,817)
17,477	(63,563)	56,752	(37,008)	132,495	652,189	383,122
265,307	258,416	244,029	(90,387)	(26,382)	4,128,938	6,306,651
	-	-	-	-	-	-
265,307	258,416	244,029	(90,387)	(26,382)	4,128,938	6,306,651
<u>\$ 282,784</u>	<u>\$ 194,853</u>	<u>\$ 300,781</u>	<u>\$ (127,395)</u>	<u>\$ 106,113</u>	<u>\$ 4,781,127</u>	<u>\$ 6,689,773</u>

**NORTHWEST IOWA COMMUNITY COLLEGE
RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013**

	Scholarships and Grants	Equipment Replacement	Insurance
REVENUES			
State Appropriations	\$ 273,708		
Property Tax		\$ 295,763	\$ 208,412
Federal Appropriations	1,686,967		
Investment Income			
Iowa Industrial New Jobs Training Program			
Gifts and Grants	255,220		
Miscellaneous			
Total Revenues	<u>2,215,895</u>	<u>295,763</u>	<u>208,412</u>
EXPENDITURES			
Salaries and Benefits			
Services			216,299
Material and Supplies	12	120,259	
Travel			
Interest in Indebtedness			
Federal Pell Grant Program	1,666,880		
Federal Supplemental Educational Opportunity Grant	16,300		
Federal TRIO and Title 3 Grant Program			
Federal College Work Study	3,787		
Iowa College Student Aid Commission	68,837		
Other Misc. State Grants	204,871		
Private Scholarships	270,424		
Total Expenditures	<u>2,231,111</u>	<u>120,259</u>	<u>216,299</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,216)	175,504	(7,887)
TRANSFERS			
Non-Mandatory Transfers In			
Non-Mandatory Transfers Out		(89,267)	
Net	<u>(15,216)</u>	<u>86,237</u>	<u>(7,887)</u>
Fund Balances Beginning of Year	<u>(12,329)</u>	<u>467,829</u>	<u>81,150</u>
Fund Balances (Deficit) End of Year	<u>\$ (27,545)</u>	<u>\$ 554,066</u>	<u>\$ 73,263</u>

Unemployment Compensation	Early Retirement	Cash Reserve	Iowa Industrial New Jobs Training Program	Other	Total
	\$ 280,548			\$ 200,035	\$ 473,743
				655,908	784,723
				10,117	2,342,875
			\$ 1,553,644		10,117
					1,553,644
				253,756	255,220
<u>-</u>	<u>280,548</u>	<u>-</u>	<u>1,553,644</u>	<u>1,119,816</u>	<u>5,674,078</u>
\$ 17,046	583,993			443,679	1,044,718
			1,291,770	220,591	1,728,660
				103,956	224,227
				26,478	26,478
			261,874		261,874
					1,666,880
					16,300
				30,000	30,000
					3,787
					68,837
					204,871
					270,424
<u>17,046</u>	<u>583,993</u>	<u>-</u>	<u>1,553,644</u>	<u>824,704</u>	<u>5,547,056</u>
(17,046)	(303,445)	-	-	295,112	127,022
				49,988	49,988
				(730,096)	(819,363)
<u>(17,046)</u>	<u>(303,445)</u>	<u>-</u>	<u>-</u>	<u>(384,996)</u>	<u>(642,353)</u>
44,754	(745,700)	\$ 119,016	-	1,395,635	1,350,355
<u>\$ 27,708</u>	<u>\$(1,049,145)</u>	<u>\$ 119,016</u>	<u>\$ -</u>	<u>\$ 1,010,639</u>	<u>\$ 708,002</u>

NORTHWEST IOWA COMMUNITY COLLEGE
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Student Clubs and Organizations</u>	<u>NWICC Foundation</u>	<u>Municipal Coordinator</u>	<u>Northwest Iowa Developers</u>	<u>Total</u>
Balance Beginning of Year	\$ 1,539	\$ 91,470	\$ (3,259)	\$ 9,965	\$ 99,715
<u>ADDITIONS</u>					
State Appropriations				25,000	25,000
Tuition and Fees	52,059				52,059
Interest on Investments		238		19	257
Transfers from Governmental Funds	1,636				1,636
Miscellaneous	21,113		100,282		121,395
Total Additions	74,808	238	100,282	25,019	200,347
<u>DEDUCTIONS</u>					
Salaries and Benefits	29,739	1,479	71,046		102,264
Services and Workshops	22,433	6,184	8,171	26,446	63,234
Material and Supplies	8,377		3,641		12,018
Travel	15,912		1,137	11	17,060
Miscellaneous	3,382				3,382
Total Deductions	79,843	7,663	83,995	26,457	197,958
Balance End of Year	<u>\$ (3,496)</u>	<u>\$ 84,045</u>	<u>\$ 13,028</u>	<u>\$ 8,527</u>	<u>\$ 102,104</u>

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>	<u>New Loans and New Loan Guarantees</u>
Direct:			
U.S. Department of Education:			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	\$ 16,300	
Federal Direct Student Loans	84.268		\$ 3,053,261
Federal Work-Study Program	84.033	21,077	
Federal Pell Grant Program	84.063	1,666,880	
Total for Student Financial Aid Cluster - Note 2		<u>1,704,257</u>	<u>3,053,261</u>
Higher Education - Institutional Aid	84.031	324,388	
TRIO Student Support Services	84.042	241,001	
Total Direct		<u>2,269,646</u>	<u>3,053,261</u>
Indirect:			
U.S. Department of Education:			
Indirect Through Iowa Department of Education:			
Adult Education - Basic Grants to States	84.002	71,401	
Vocational Education - Basic Grants to States	84.048	74,460	
U.S. Department of Labor:			
Indirect Through Des Moines Area Community College:			
Trade Adjustment Assistance Community College and Career Training Grants	17.282	261,182	
Total Indirect		407,043	-
Total		<u>\$ 2,676,689</u>	<u>\$ 3,053,261</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - BASIS OF PRESENTATION - The above Schedule of Expenditures of Federal Awards includes the federal grant activity of Northwest Iowa Community College and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the 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 - MAJOR PROGRAMS - Total expenditures from the Student Financial Aid Cluster and the Higher Education-Institutional Aid Grant are considered major programs.

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Category</u>	<u>Credit Hours</u>			<u>Contact Hours</u>		
	<u>Eligible for Aid</u>	<u>Not Eligible for Aid</u>	<u>Total</u>	<u>Eligible for Aid</u>	<u>Not Eligible for Aid</u>	<u>Total</u>
Arts and Sciences	16,844	-	16,844	-	-	-
Vocational Education	18,375	-	18,375	-	-	-
Adult and Continuing Education	-	-	-	128,127	17,168	145,295
Cooperative Programs and Services	-	-	-	-	-	-
Related Services and Activities	-	-	-	-	-	-
Total	35,219	-	35,219	128,127	17,168	145,295

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF TAX AND INTERGOVERNMENTAL REVENUES**

	<u>Years Ended June 30,</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Local (Property Tax)	\$ 2,115,657	\$ 1,992,406	\$ 1,967,964	\$ 1,779,629	\$ 1,768,786
State	5,462,870	4,624,742	5,207,160	5,011,201	5,889,594
Federal	2,433,014	2,597,620	2,792,595	3,141,024	2,049,512
Total	<u>\$10,011,541</u>	<u>\$ 9,214,768</u>	<u>\$ 9,967,719</u>	<u>\$ 9,931,854</u>	<u>\$ 9,707,892</u>

Years Ended June 30,

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 1,690,104	\$ 1,643,656	\$ 1,385,528	\$ 1,365,872	\$ 1,739,325
5,415,475	4,869,290	5,076,529	4,480,350	4,834,384
1,786,600	1,539,091	1,300,358	1,707,628	1,471,415
<u>\$ 8,892,179</u>	<u>\$ 8,052,037</u>	<u>\$ 7,762,415</u>	<u>\$ 7,553,850</u>	<u>\$ 8,045,124</u>

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF CURRENT FUND REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
FOR THE LAST TEN YEARS**

	Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
State Appropriations	\$ 4,951,716	\$ 4,487,837	\$ 4,510,674	\$ 4,367,615
Tuition and Fees	5,947,815	5,964,497	5,743,853	5,333,185
Property Tax	1,450,190	1,372,248	1,378,718	1,229,209
Federal Appropriations	2,433,014	2,597,620	2,792,595	3,141,024
Interest on Investments	139,836	88,916	94,683	126,051
Rental of College Facilities	10,477	11,245	6,280	3,828
Iowa Industrial New Jobs Training Program	1,553,644	797,309	552,861	883,794
Auxiliary Enterprises	3,062,326	2,653,918	2,456,803	2,605,378
Miscellaneous	556,533	347,046	330,684	366,838
Total	20,105,551	18,320,636	17,867,151	18,056,922
Expenditures:				
Liberal Arts and Sciences	1,526,692	1,533,181	1,378,700	1,220,585
Vocational Technical	4,146,217	3,898,802	3,954,420	3,940,134
Adult Education	800,086	786,353	795,049	751,832
Cooperative Services	1,553,644	797,309	552,861	883,794
Administration	1,457,598	780,560	913,337	1,945,019
Student Services	792,754	802,501	775,327	820,053
Learning Resources	196,738	178,762	171,944	170,356
Physical Plant	1,121,236	925,288	889,225	870,342
General Institution	2,244,004	2,178,288	2,118,671	2,246,335
Auxiliary Enterprises	2,588,991	2,330,761	2,261,937	2,203,369
Scholarships and Grants	2,231,111	2,153,826	2,202,386	1,884,542
Total	\$18,659,071	\$16,365,631	\$16,013,857	\$16,936,361

Years Ended June 30,					
2009	2008	2007	2006	2005	2004
\$ 5,115,582	\$ 5,076,593	\$ 4,592,064	\$ 4,401,131	\$ 3,923,632	\$ 3,751,034
4,594,816	4,350,441	3,315,756	3,680,573	3,320,277	3,079,620
1,247,766	1,181,464	1,140,891	904,535	892,918	1,201,041
2,047,630	1,761,848	1,538,295	1,233,337	1,707,628	1,471,415
231,067	538,838	763,782	475,939	212,664	115,449
3,365	3,475	5,319	16,740	16,834	-
1,686,323	1,294,012	1,889,462	2,142,573	895,643	1,013,191
2,310,922	2,832,983	2,826,435	2,204,798	1,825,774	2,081,546
665,201	239,296	371,399	1,004,317	657,534	556,552
<u>17,902,672</u>	<u>17,278,950</u>	<u>16,443,403</u>	<u>16,063,943</u>	<u>13,452,904</u>	<u>13,269,848</u>
1,188,900	1,112,487	990,573	931,718	951,456	882,087
3,852,582	3,561,537	3,387,504	3,450,254	2,920,229	2,988,602
819,585	760,251	764,969	701,671	711,198	711,687
1,693,281	1,294,012	1,899,727	2,163,105	908,702	1,022,219
673,282	864,847	719,507	1,444,392	593,189	571,449
791,574	739,662	748,640	632,854	566,894	639,934
184,932	183,868	179,450	170,120	162,827	159,701
910,992	842,751	763,413	723,572	660,123	623,851
2,422,885	2,333,919	2,257,269	1,814,882	1,998,322	1,663,411
2,108,840	2,295,261	2,379,406	2,072,195	1,718,690	1,730,754
1,208,160	1,046,340	840,366	877,555	1,058,637	970,644
<u>\$ 15,855,013</u>	<u>\$ 15,034,935</u>	<u>\$ 14,930,824</u>	<u>\$14,982,318</u>	<u>\$12,250,267</u>	<u>\$11,964,339</u>



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

To the Board of Directors
Northwest Iowa Community College
Sheldon, Iowa

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwest Iowa Community College as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 15, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs as item II-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Northwest Iowa Community College's Response to Findings

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This 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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

Williams & Company, P.C.
Certified Public Accountants

January 15, 2014
Le Mars, Iowa



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**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
Over Compliance Required by OMB Circular A-133**

To the Board of Directors
Northwest Iowa Community College
Sheldon, Iowa

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in a 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.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item III-A-13. Our opinion on each major federal program is not modified with respect to this matter.

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

The management of the 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 the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
January 15, 2014

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part I: Summary of the Independent Auditors' Results:

- (a) An unmodified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs as follows:

CFDA Numbers:	84.031A	Higher Education Institutional Aid
	Student Financial Assistance Cluster:	
	84.007	Federal Supplemental Educational Opportunity Grants
	84.268	Federal Direct Student Loans
	84.033	Federal Work-Study Program
	84.063	Federal Pell Grant Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Northwest Iowa Community College did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

MATERIAL WEAKNESS:

II-A-13 Financial Reporting – During the audit, we identified transactions concerning the early retirement liability and deferred revenues not properly recorded in the College's financial statements. Adjustments were subsequently made by the College to properly include these amounts in the financial statements.

Recommendation – The College should implement procedures to ensure all transactions are properly identified, classified, and included in the College's financial statements.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

CFDA #84.031: Higher Education Institutional Aid
Federal Award Year: 2009
U.S. Department of Education
Questioned Cost: \$25,928.99

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III: Findings and Questioned Costs for Federal Awards (Continued)

III-A-13 - Observation - It was found that the college inadvertently over drew funds in Fiscal Year 2013 due to not appropriately allocating salary expense as outlined in the grant budget. Per the grant budget, the percentage of certain salaries included in the grant costs was to incrementally decrease each year of the five year grant. It was discovered by the College that this had not been appropriately done in one instance, thus they had over drawn funds. The appropriate correction was made on the following draw down in Fiscal Year 2014.

Recommendation – The College should ensure that grant budgets are closely followed and monitored and that draw down requests are closely reviewed to ensure only appropriate amounts are requested.

Current Status – The College has corrected the percentage allocated to the grant and is closely monitoring the grant budget and reviewing reimbursement requests.

Conclusion – Response Accepted.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting:

13-IV-A Certified Budget – Total operating expenditures for the year ended June 30, 2013 did not exceed the amount budgeted.

13-IV-B Questionable Expenditures – No expenditures that did not meet the requirements of public purpose, as defined in an Attorney General's opinion, dated April 25, 1979, were noted.

13-IV-C Travel Expense – No expenditures of the Community College money for travel expenses of spouses of Community College officials or employees were noted. No travel advances to Community College officials or employees were noted.

13-IV-D Business Transactions – No non-exempt business transactions between the Community College and the Community College officials or employees were noted.

13-IV-E Bond Coverage – Surety bond coverage of Community College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure 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.

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part IV: Other Findings Related to Required Statutory Reporting - Continued:

- 13-IV-G Publication – The Community College published a statement of receipts and disbursements of all required funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Chapter 260C.14(12) of the Code of Iowa.

- 13-IV-H Deposits and Investments – No instances of non-compliance 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/Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the Community College were supported by detailed records maintained by the Community College.

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

The audit for the year ended June 30, 2012 did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).



Northwest Iowa Community College

Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2013

Department of Education:

Northwest Iowa Community College, respectfully submits the following corrective action plan for the year ended June 30, 2013.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2013.

The findings from the June 30, 2013 Schedule of Findings and Questioned Costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

INSTANCE OF NONCOMPLIANCE:

III-A-13 - Allowable Costs - It was found that the college inadvertently over drew funds in Fiscal Year 2013 due to not appropriately allocating salary expense as outlined in the grant budget. Per the grant budget, the percentage of certain salaries included in the grant costs was to incrementally decrease each year of the five year grant. It was discovered by the College that this had not been appropriately done in one instance, thus they had over drawn funds. The appropriate correction was made on the following draw down in Fiscal Year 2014.

Recommendation – The College should ensure that grant budgets are closely followed and monitored and that draw down requests are closely reviewed to ensure only appropriate amounts are requested.

Response – The College has corrected the percentage allocated to the grant and is closely monitoring the grant budget and reviewing reimbursement requests.

Conclusion – Response Accepted.

If the Department of Education has questions regarding this plan, please call Mark Brown at 712-324-5066.

Sincerely yours,

NORTHWEST IOWA COMMUNITY COLLEGE

A handwritten signature in black ink that reads "Mark Brown". The signature is written in a cursive, slightly slanted style.

Mark Brown, Vice President of Operations