

**NORTHEAST IOWA  
COMMUNITY COLLEGE  
CALMAR, IOWA**

**FINANCIAL REPORT**

**JUNE 30, 2014**

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NORTHEAST IOWA COMMUNITY COLLEGE

BOARD OF TRUSTEES AND COLLEGE OFFICIALS

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b><u>Board of Trustees</u></b>		
<b>Ken Reimer</b>	<b>President</b>	<b>2015</b>
<b>Jim Anderson</b>	<b>Vice-President</b>	<b>2015</b>
<b>Larry Blatz</b>	<b>Member</b>	<b>2015</b>
<b>Dan White</b>	<b>Member</b>	<b>2015</b>
<b>Gene Fuelling</b>	<b>Member</b>	<b>2017</b>
<b>Kathy Gunderson</b>	<b>Member</b>	<b>2017</b>
<b>John Rothlisberger</b>	<b>Member</b>	<b>2017</b>
<b>Dave Schueller</b>	<b>Member</b>	<b>2017</b>
<b>Bob Shafer</b>	<b>Member</b>	<b>2017</b>

**Community College Officials**

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

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

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College, as of June 30, 2014, and the respective changes in financial position, and cash flows, thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014, on our consideration of Northeast Iowa Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Iowa Community College's internal control over financial reporting and compliance.

*Hacher, Nelson & Co., P.C.*

Decorah, Iowa  
November 19, 2014

NORTHEAST IOWA COMMUNITY COLLEGE  
CALMAR, IOWA

Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2014

This section of Northeast Iowa Community College's annual financial report presents the College's management discussion and analysis of the College's financial activities during the fiscal year ending June 30, 2014.

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

FINANCIAL HIGHLIGHTS

- College operating revenues decreased overall 4.94%, from fiscal year 2013. There was a decrease in federal appropriations from fiscal year 2013. Nonoperating expenses decreased by 10.84%
- College operating expenses were 1.20% higher from fiscal year 2013. The College had a 22.12% increase in general institution, 7.16% increase in depreciation, 11.52% increase in learning resources and 9.46% increase in student services expenses. The College had a 3.06% decrease in other expenses and 14.18% decrease in scholarships and grants expenses. The College had moderate changes in all the other expenses. See page 4d for explanations.
- The College's financial statement and table below reflects net position increased 9.01% from fiscal year 2013.

**CHANGE IN NET POSITION COMPARISON BY FUND**

	Unrestricted	Auxiliary	Restricted	Plant	Total Net Position
FY 2014	5,967,177	4,770,714	5,078,957	26,934,590	42,751,438
FY 2013	5,690,773	4,581,679	4,093,546	24,849,816	39,215,814
\$ Change	276,404	189,035	985,411	2,084,774	3,535,624
% Change	4.86%	4.13%	24.07%	8.39%	9.01%

- The following table reflects the changes in net position for the past five years:

**CHANGE IN NET POSITION COMPARISON BY FUND**

	Unrestricted	Auxiliary	Restricted	Scholarship	Plant	Total Net Position
FY 2014	5,967,177	4,770,714	5,078,957		26,934,590	42,751,438
FY 2013	5,690,773	4,581,679	4,093,546		24,849,816	39,215,814
FY 2012	4,816,039	3,725,015	2,913,357		21,666,909	33,121,320
FY 2011	3,963,993	3,148,878	3,221,612		18,346,567	28,681,050
FY 2010	2,763,292	1,973,590	3,824,393	2,626	13,242,568	21,806,469

## USING THIS ANNUAL REPORT

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

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

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

### REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

#### *Statement of Net Position*

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

The College's assets and liabilities decreased from 2013 to 2014 due to the retirement of debt. The largest portion of the College's net position is net investment in capital assets (e.g., land, buildings, and equipment). The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net position includes resources that are subject to external restrictions. The remaining net position is the unrestricted net position that can be used to meet the College's obligations as they come due.

**REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)**

	Condensed Statement of Net Position		Percent Change
	(Expressed in Thousands)		
	2014	2013	
Current and other assets	\$ 59,535	\$ 65,339	-8.88%
Other noncurrent assets	10,016	7,856	27.49%
Capital assets	50,686	51,030	-0.67%
Total assets	<u>\$ 120,237</u>	<u>\$ 124,225</u>	<u>-3.21%</u>
Long-term debt outstanding	\$ 55,074	\$ 59,739	-7.81%
Other liabilities	4,783	6,922	-30.90%
Total liabilities	<u>\$ 59,857</u>	<u>\$ 66,661</u>	<u>-10.21%</u>
Deferred inflows of resources	<u>\$ 17,629</u>	<u>\$ 18,348</u>	<u>-3.92%</u>
Net position			
Net investment in capital assets	\$ 29,638	\$ 26,771	10.71%
Restricted	5,128	4,149	23.60%
Unrestricted	<u>7,985</u>	<u>8,296</u>	<u>-3.75%</u>
Total net position	<u>\$ 42,751</u>	<u>\$ 39,216</u>	<u>9.01%</u>

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

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

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

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

In FY14, operating revenues decreased as a net result of the following changes:

- Revenue decreased due to enrollment decrease.
- Federal appropriations decreased due to decrease in receiving less federal grants.
- More miscellaneous receipts were recorded in the New Jobs Training Program.

**REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)**

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

	Changes in Net Position (Expressed in Thousands)		Percent Change
	2014	2013	
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 9,360	\$ 9,658	-3.09%
Federal appropriations	20,744	21,579	-3.87%
Iowa Industrial New Jobs Training Program	5,525	5,325	3.76%
Sales and services	3,008	2,804	7.28%
Miscellaneous	591	1,901	-68.91%
<b>Total operating revenues</b>	<b>39,228</b>	<b>41,267</b>	<b>-4.94%</b>
<b>Total operating expenses</b>	<b>60,529</b>	<b>59,814</b>	<b>1.20%</b>
<b>Operating loss</b>	<b>(21,301)</b>	<b>(18,547)</b>	<b>14.85%</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriation	11,659	10,490	11.14%
PELL grant	6,296	7,148	-11.92%
Property taxes	8,900	9,319	-4.50%
Investment income	420	397	5.79%
Loss on sale of capital assets	(1)	(76)	-98.68%
Donated plant assets received	5	29	-82.76%
Interest on indebtedness	(2,443)	(2,665)	-8.33%
<b>Net nonoperating revenues (expenses)</b>	<b>24,836</b>	<b>24,642</b>	<b>0.79%</b>
<b>Increase in net position</b>	<b>3,535</b>	<b>6,095</b>	<b>-42.00%</b>
<b>Net position Beginning of Year</b>	<b>39,216</b>	<b>33,121</b>	<b>18.40%</b>
<b>Net position End of Year</b>	<b>\$ 42,751</b>	<b>\$ 39,216</b>	<b>9.01%</b>

**REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)**

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

	Operating Expenses		Percent Change
	(Expressed in Thousands)		
	<u>2014</u>	<u>2013</u>	
Education and support			
Liberal arts and sciences	\$ 5,384	\$ 5,477	-1.70%
Vocational technical	8,810	8,495	3.71%
Adult education	3,500	3,495	0.14%
Cooperative services	7,430	7,643	-2.79%
General administration	1,415	1,445	-2.08%
Student services	2,141	1,956	9.46%
Learning resources	978	877	11.52%
Physical plant	3,164	3,076	2.86%
General institution	9,634	7,889	22.12%
Auxiliary enterprises	4,237	4,112	3.04%
Scholarships and grants	10,019	11,675	-14.18%
Depreciation	2,678	2,499	7.16%
Other	<u>1,139</u>	<u>1,175</u>	<u>-3.06%</u>
 Total operating expenses	 <u>\$ 60,529</u>	 <u>\$ 59,814</u>	 <u>1.20%</u>

In FY14 operating expenses increased as a net result of the following changes:

- Increase in general institution is due to increase in certain grant activity throughout the year.
- Increase in learning resources and student services through providing more to the students.
- Increase in depreciation due to construction projects being completed and starting to depreciate.

## REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)

### *Statement of Cash Flows*

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

	Cash Flows	
	(Expressed in Thousands)	
	2014	2013
Cash provided by (used in):		
Operating activities	\$ (16,777)	\$ (16,391)
Non-capital financing activities	26,660	26,960
Capital and related financing activities	(10,292)	(9,103)
Investing activities	(11,228)	4,470
	<u>(11,637)</u>	<u>5,936</u>
Net (decrease) increase in cash		
	<u>(11,637)</u>	<u>5,936</u>
Cash beginning of year	<u>24,355</u>	<u>18,419</u>
Cash end of year	<u>\$ 12,718</u>	<u>\$ 24,355</u>

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

### CAPITAL ASSETS

At June 30, 2014, the College had approximately \$80.0 million invested in capital assets, less accumulated depreciation of \$29.3 million. Depreciation charges totaled \$2,677,866 and \$2,499,905 for FY2014 and FY2013, respectively. Details of capital assets are shown below.

	Capital Assets, Net	
	(Expressed in Thousands)	
	2014	2013
Land	\$ 683	\$ 683
Buildings	44,444	44,036
Construction in progress	-	1,327
Other structures and improvements	2,114	2,030
Equipment and vehicles	3,445	2,954
	<u>50,686</u>	<u>51,030</u>
Total	<u>\$ 50,686</u>	<u>\$ 51,030</u>

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

## DEBT

At June 30, 2014, the College had \$54.1 million in debt outstanding, a decrease of \$5,659,000 from 2013. The table below summarizes these amounts by type.

	Long-term Debt	
	(Expressed in Thousands)	
	2014	2013
Notes payable	\$ 2,800	\$ 3,220
Certificates payable	26,490	28,849
Bonds payable	24,790	27,670
<b>Total</b>	<b>\$ 54,080</b>	<b>\$ 59,739</b>

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

### NORTHEAST IOWA COMMUNITY COLLEGE ECONOMIC FACTORS

The College takes great pride in managing its financial position during the current fiscal year. The economic factors of the College are impacted by the State of Iowa's overall economy and educational funding remains a priority of College officials. Currently the College is in good financial position to face future financial challenges. We offer the following highlights in support of this statement:

- There continues to be positive indicators for business and workforce growth in Northeast Iowa and good prospects for job growth and interest from new industry with evidence by the College's job training activity. Area manufacturers are looking to hire skilled workers. In June 2014, the College completed a 3.75 million dollar bond sale for the Iowa New Jobs Training Program. This project will produce an estimated 481 jobs in Northeast Iowa. The College's Business and Community Solutions Division continues to successfully work with area employers to take advantage of the Iowa New Jobs Training Program.
- High School graduating classes will decrease over the next 3 to 4 years, which will increase the marketing by other institutions for fewer students. Holding tuition increases to a minimum and maintaining head count will be a challenge. The College has frozen credit tuition for two fiscal years. This challenge to maintain affordable education increases the need for scholarship funds to assist students with overall educational costs.
- The College has engaged in its first major gifts campaign. The campaign case for support has been developed to assist Northeast Iowa Community College Foundation staff, college volunteers and community volunteers for the fundraising campaign. The goal is to provide the College with needed diversification in funding sources. Over 97 percent of NICC staff participated in the internal campaign showing great support toward the College.
- To counter the decline in enrollment, which peaked in 2009-2010, President Wee has directed the Admissions staff to increase its efforts in recruiting military veterans, alternative high school students, foster children, and under-educated adults who lack a high school diploma or GED.

### NORTHEAST IOWA COMMUNITY COLLEGE ECONOMIC FACTORS (Continued)

- The Revenue Estimates Conference for the State of Iowa has forecasted a 4.8% increase for FY16 revenues over FY15. Any new revenue growth by the state has been committed to property tax relief. It will be a challenge for any legislative increases for community colleges.
- The property tax base for the College, which is fourth largest amongst the community colleges in Iowa, has exhibited steady growth, most recently with an increase of approximately 3.66%.
- The College continues its efforts to control health care costs. The College employee staff received sufficient salary increases in FY15 to support them bearing more of the health care costs for family coverage. This is a budgetary impact from one category to another category.

### CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

NORTHEAST IOWA COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
June 30, 2014

	Business-type Activities	Component Unit Foundation		Business-type Activities	Component Unit Foundation
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash	\$ 26,304,893	\$ 379,794	Liabilities		
Investments	10,788,129		Accounts payable	\$ 1,535,161	\$ 11,118
Receivables			Northeast Iowa Community-Based Dairy Foundation	482,787	
Accounts, less allowance of \$1,647,923	5,382,182	2,450	Salaries and benefits payable	2,507,988	
Promises, net discount		255,976	Deposits held in custody for others	117,803	
Accrued interest	37,964		Accrued interest payable	132,816	
Property tax			Advance from grantors	5,793	
Current year delinquent	80,225		Long-term liabilities due within one year		
Succeeding year	9,303,503		Compensated absences	133,349	
Due from other governments	2,231,057		Early retirement	55,508	
Due from affiliate		40,724	Affiliate payable	40,724	
Inventories	696,746		Notes payable	425,000	
Lease receivable	156,357		Bonds payable	3,020,000	
Due from Iowa Industrial New Jobs Training Program	4,554,341		Certificates payable	5,075,000	
<b>Total current assets</b>	<b>59,535,397</b>	<b>678,944</b>	<b>Total current liabilities</b>	<b>13,531,929</b>	<b>11,118</b>
<b>NONCURRENT ASSETS</b>			<b>Noncurrent liabilities</b>		
Investments		2,179,427	Long-term liabilities due over one year		
Promises, net discount		575,977	Net OPEB liability	546,543	
Lease receivable	1,723,643		Early retirement	217,799	
Due from Iowa Industrial New Jobs Training Program	8,291,660		Notes payable	2,375,000	
Capital assets, non-depreciable	683,366		Bonds payable	21,770,000	
Capital assets, net accumulated depreciation	50,002,580		Certificates payable	21,415,000	
<b>Total noncurrent assets</b>	<b>60,701,249</b>	<b>2,755,404</b>	<b>Total noncurrent liabilities</b>	<b>46,324,342</b>	<b>-</b>
			<b>Total liabilities</b>	<b>59,856,271</b>	<b>11,118</b>
			<b>Deferred inflows of resources</b>		
			Succeeding year property tax	9,303,503	
			Other	8,325,434	
			<b>Total deferred inflows of resources</b>	<b>17,628,937</b>	<b>-</b>
			<b>Net position</b>		
			Net investment in capital assets	29,637,608	
			Restricted		
			Restricted for specific purposes	5,128,720	2,633,259
			Unrestricted	7,985,110	789,971
			<b>Total net position</b>	<b>42,751,438</b>	<b>3,423,230</b>
			<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 120,236,646</b>	<b>\$ 3,434,348</b>
<b>Total assets</b>	<b>\$ 120,236,646</b>	<b>\$ 3,434,348</b>			

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended June 30, 2014

	Business-type Activities	Component Unit Foundation
<b>OPERATING REVENUES</b>		
Tuition and fees, net of scholarship allowances of \$7,213,184	\$ 9,359,615	
Federal appropriations	20,744,279	
Iowa Industrial New Jobs Training Program	5,524,871	
Sales and services, net of scholarship allowances of \$1,262,091	3,008,024	
Miscellaneous	591,299	\$ 1,434,158
Total operating revenues	39,228,088	1,434,158
<b>OPERATING EXPENSES</b>		
Education and support		
Liberal arts and sciences	5,384,048	
Vocational technical	8,810,350	
Adult education	3,499,933	
Cooperative services	7,430,316	
General administration	1,415,492	33,269
Student services	2,140,522	
Learning resources	977,697	
Physical plant	3,163,501	
General institution	9,634,318	
Auxiliary enterprises	4,236,880	
Scholarships and grants	10,018,999	128,540
Depreciation	2,677,866	
Other	1,139,474	255,994
Total operating expenses	60,529,396	417,803
Operating (loss) income	(21,301,308)	1,016,355
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	11,659,341	
Pell grant	6,296,330	
Property taxes	8,900,292	
Investment income	419,611	279,440
Loss on sale of capital assets	(962)	
Donated plant assets received	5,000	
Interest on indebtedness	(2,442,680)	
Net nonoperating revenues (expenses)	24,836,932	279,440
Change in net position	3,535,624	1,295,795
<b>NET POSITION</b>		
Beginning	39,215,814	2,127,435
Ending	\$ 42,751,438	\$ 3,423,230

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
BUSINESS-TYPE ACTIVITIES  
June 30, 2014

ASSETS	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarships		
<b>Current assets</b>						
Cash	\$ 7,852,952	\$ 4,572,658	\$ 12,529,076		\$ 1,350,207	\$ 26,304,893
Investments			9,734,628		1,053,501	10,788,129
Receivables						
Accounts, less allowance of \$1,647,923	5,063,668	112,550	204,716		1,248	5,382,182
Accrued interest		4	35,137		2,823	37,964
Property tax						
Current year delinquent	17,778		12,684		49,763	80,225
Succeeding year	2,015,928		1,480,942		5,806,633	9,303,503
Due from other funds	347,155			\$ 45,600		392,755
Due from other governments	635,305		1,397,338	198,414		2,231,057
Inventories	1,231	695,515				696,746
Lease receivable		156,357				156,357
Due from Iowa Industrial New Jobs Training Program			4,554,341			4,554,341
<b>Total current assets</b>	<b>15,934,017</b>	<b>5,537,084</b>	<b>29,948,862</b>	<b>244,014</b>	<b>8,264,175</b>	<b>59,928,152</b>
<b>Noncurrent assets</b>						
Due from Iowa Industrial New Jobs Training Program			8,291,660			8,291,660
Lease receivable		1,723,643				1,723,643
Capital assets, non-depreciable					683,366	683,366
Capital assets, net					50,002,580	50,002,580
<b>Total noncurrent assets</b>	<b>-</b>	<b>1,723,643</b>	<b>8,291,660</b>	<b>-</b>	<b>50,685,946</b>	<b>60,701,249</b>
<b>Total assets</b>	<b>\$ 15,934,017</b>	<b>\$ 7,260,727</b>	<b>\$ 38,240,522</b>	<b>\$ 244,014</b>	<b>\$ 58,950,121</b>	<b>\$ 120,629,401</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 324,362	\$ 92,143	\$ 774,774	\$ 4,520	\$ 339,362	\$ 1,535,161
Northeast Iowa Community-Based Dairy Foundation		482,787				482,787
Salaries and benefits payable	1,998,287		509,701			2,507,988
Deposits held in custody for others	117,803					117,803
Accrued interest payable		14,004			118,812	132,816
Due to other funds			159,054	233,701		392,755
Advance from grantors				5,793		5,793
Long-term liabilities due within one year						
Due to affiliate					40,724	40,724
Compensated absences	112,270	21,079				133,349
Early retirement payable			55,508			55,508
Notes payable					425,000	425,000
Bonds payable		75,000			2,945,000	3,020,000
Certificates payable			5,075,000			5,075,000
<b>Total current liabilities</b>	<b>2,552,722</b>	<b>685,013</b>	<b>6,574,037</b>	<b>244,014</b>	<b>3,868,898</b>	<b>13,924,684</b>
<b>Noncurrent liabilities</b>						
Long-term liabilities due over one year						
Net OPEB liability	546,543					546,543
Early retirement payable			217,799			217,799
Notes payable					2,375,000	2,375,000
Bonds payable		1,805,000			19,965,000	21,770,000
Certificates payable			21,415,000			21,415,000
<b>Total noncurrent liabilities</b>	<b>546,543</b>	<b>1,805,000</b>	<b>21,632,799</b>	<b>-</b>	<b>22,340,000</b>	<b>46,324,342</b>
<b>Total liabilities</b>	<b>3,099,265</b>	<b>2,490,013</b>	<b>28,206,836</b>	<b>244,014</b>	<b>26,208,898</b>	<b>60,249,026</b>
<b>Deferred inflows of resources</b>						
Succeeding year property tax	2,015,928		1,480,942		5,806,633	9,303,503
Other	4,851,647		3,473,787			8,325,434
<b>Total deferred inflows of resources</b>	<b>6,867,575</b>	<b>-</b>	<b>4,954,729</b>	<b>-</b>	<b>5,806,633</b>	<b>17,628,937</b>
<b>Net position</b>						
Net investment in capital assets					29,637,608	29,637,608
Restricted for specific purposes			5,078,957		49,763	5,128,720
Unrestricted	5,967,177	4,770,714			(2,752,781)	7,985,110
<b>Total net position</b>	<b>5,967,177</b>	<b>4,770,714</b>	<b>5,078,957</b>	<b>-</b>	<b>26,934,590</b>	<b>42,751,438</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 15,934,017</b>	<b>\$ 7,260,727</b>	<b>\$ 38,240,522</b>	<b>\$ 244,014</b>	<b>\$ 58,950,121</b>	<b>\$ 120,629,401</b>

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET POSITION  
BUSINESS-TYPE ACTIVITIES  
For the Year Ended June 30, 2014

	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarships		
<b>OPERATING REVENUES</b>						
General						
Tuition and fees	\$ 8,969,080	\$ 58,044	\$ 332,491		\$	\$ 9,359,615
Federal appropriations	1,394,897	1,288,493	7,866,635	\$ 9,900,524	\$ 293,730	20,744,279
Iowa Industrial New Jobs Training Program			5,524,871			5,524,871
Sales and services	82,527	2,838,120			87,377	3,008,024
Miscellaneous	207,667	165,596	187,347		30,689	591,299
<b>Total operating revenues</b>	<b>10,654,171</b>	<b>4,350,253</b>	<b>13,911,344</b>	<b>9,900,524</b>	<b>411,796</b>	<b>39,228,088</b>
<b>OPERATING EXPENSES</b>						
Education and support						
Liberal arts and sciences	5,371,242		12,806			5,384,048
Vocational technical	7,887,039		923,311			8,810,350
Adult education	3,237,936		261,997			3,499,933
Cooperative services	2,663,273		4,767,043			7,430,316
General administration	1,415,492					1,415,492
Student services	2,139,295		1,227			2,140,522
Learning resources	685,738		291,959			977,697
Physical plant	2,539,277		624,224			3,163,501
General institution	3,961,332		5,672,986			9,634,318
Auxiliary enterprises		4,236,880				4,236,880
Scholarships and grants				10,018,999		10,018,999
Depreciation					2,677,866	2,677,866
Other					1,139,474	1,139,474
<b>Total operating expenses</b>	<b>29,900,624</b>	<b>4,236,880</b>	<b>12,555,553</b>	<b>10,018,999</b>	<b>3,817,340</b>	<b>60,529,396</b>
<b>Operating (loss) income</b>	<b>(19,246,453)</b>	<b>113,373</b>	<b>1,355,791</b>	<b>(118,475)</b>	<b>(3,405,544)</b>	<b>(21,301,308)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
State appropriations	9,621,023	26,817	1,873,607	137,894		11,659,341
Pell grant	6,296,330					6,296,330
Property taxes	1,936,785		1,381,848		5,581,659	8,900,292
Investment income	69,226	94,616	151,055		104,714	419,611
Loss on sale of capital assets					(962)	(962)
Donated plant assets received					5,000	5,000
Interest on indebtedness		(83,008)	(1,132,853)		(1,226,819)	(2,442,680)
<b>Total nonoperating revenues (expenses)</b>	<b>17,923,364</b>	<b>38,425</b>	<b>2,273,657</b>	<b>137,894</b>	<b>4,463,592</b>	<b>24,836,932</b>
<b>Change in net position before transfers</b>	<b>(1,323,089)</b>	<b>151,798</b>	<b>3,629,448</b>	<b>19,419</b>	<b>1,058,048</b>	<b>3,535,624</b>
Transfers	1,599,493	37,237	(2,644,037)	(19,419)	1,026,726	-
<b>Change in net position</b>	<b>276,404</b>	<b>189,035</b>	<b>985,411</b>	<b>-</b>	<b>2,084,774</b>	<b>3,535,624</b>
<b>NET POSITION</b>						
Beginning	5,690,773	4,581,679	4,093,546	-	24,849,816	39,215,814
Ending	\$ 5,967,177	\$ 4,770,714	\$ 5,078,957	\$ -	\$ 26,934,590	\$ 42,751,438

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
BUSINESS-TYPE ACTIVITIES  
For the Year Ended June 30, 2014

	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarships		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Tuition and fees	\$ 9,075,462	\$ 58,044	\$ 40,362		\$	\$ 9,173,868
Federal appropriations	1,736,644	1,289,951	8,323,987	\$ 4,250,382	\$ 293,730	15,894,694
Iowa Industrial New Jobs Training Program			6,930,171			6,930,171
Payments to employees for salaries and benefits	(18,073,926)	(922,087)	(1,231,338)			(20,227,351)
Payments to suppliers for goods and services	(5,549,231)	(592,241)	(8,105,785)		(1,153,409)	(15,400,666)
Payments to NJTP recipients			(3,190,997)			(3,190,997)
Cost of goods sold		(2,490,339)				(2,490,339)
Scholarships				(4,267,012)		(4,267,012)
Auxiliary enterprise receipts		2,869,971				2,869,971
Other operating payments paid on employees' behalf	(6,104,573)	(332,482)	(399,922)			(6,836,977)
Other operating receipts	290,194	165,596	187,347		124,009	767,146
Net cash (used in) provided by operating activities	(18,625,430)	46,413	2,553,825	(16,630)	(735,670)	(16,777,492)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>						
State appropriations	9,621,023	26,817	1,873,607	137,894		11,659,341
Pell grant	6,296,330					6,296,330
Property taxes	1,937,551		1,387,544		5,587,243	8,912,338
(Increase) in due from other funds	(40,811)			(45,600)		(86,411)
(Increase) in due to other funds			159,054	(72,643)		86,411
(Decrease) increase in due to affiliate	(694,526)	(229,558)	(58,370)		(141,306)	(1,123,760)
(Increase) decrease in due from affiliate	661,881		242,244	16,398	17,738	938,261
Transfers	1,599,493	37,237	(2,644,037)	(19,419)	1,026,726	-
Federal direct lending receipts	9,890,459	1,262,091	137,894	5,749,032		17,039,476
Federal direct lending disbursements	(9,890,459)	(1,262,091)	(137,894)	(5,749,032)		(17,039,476)
Miscellaneous agency fund receipts	487,174					487,174
Miscellaneous agency fund disbursements	(510,124)					(510,124)
Net cash provided by (used in) non-capital financing activities	19,357,991	(165,504)	960,042	16,630	6,490,401	26,659,560
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from issuance of debt			13,926,696			13,926,696
Acquisition of capital assets					(2,101,649)	(2,101,649)
Principal paid on debt and leases		(75,000)	(16,374,000)		(3,225,000)	(19,674,000)
Interest paid on debt and leases		(83,008)	(1,132,853)		(1,226,819)	(2,442,680)
Net cash (used in) provided by capital and related financing activities	-	(158,008)	(3,580,157)	-	(6,553,468)	(10,291,633)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of investments			(9,734,628)		(1,053,501)	(10,788,129)
Payments made on lease receivable		75,000				75,000
Sale of investments			9,546,078		3,097,071	12,643,149
Interest on investments	69,226	94,616	159,980		105,374	429,196
Net cash provided by (used in) investing activities	69,226	169,616	(28,570)	-	2,148,944	2,359,216
Net increase (decrease) in cash	801,787	(107,483)	(94,860)	-	1,350,207	1,949,651
CASH, beginning of year	7,051,165	4,680,141	12,623,936	-	-	24,355,242
CASH, end of year	\$ 7,852,952	\$ 4,572,658	\$ 12,529,076	\$ -	\$ 1,350,207	\$ 26,304,893

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS (Continued)  
BUSINESS-TYPE ACTIVITIES  
For the Year Ended June 30, 2014

	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarships		
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities						
Operating (loss) income	\$ (19,246,453)	\$ 113,373	\$ 1,355,791	\$ (118,475)	\$ (3,405,544)	\$ (21,301,308)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities						
Depreciation					2,677,866	2,677,866
Changes in assets and liabilities						
Decrease in accounts receivable	741,050	31,851	210,110	25,388	5,943	1,014,342
Decrease in NJTP receivable			1,405,300			1,405,300
Decrease in due from other governments	341,746	1,458	457,352	67,709		868,265
Decrease (increase) in inventories	247	(82,962)				(82,715)
Decrease in prepaid expenses	2,896		2,334			5,230
Increase (decrease) in accounts payable and accrued liabilities	112,162	(26,459)	(119,005)	2,955	(13,935)	(44,282)
Increase in postemployment benefits	62,943					62,943
(Decrease) increase in deferred revenue	(634,668)		(502,239)	5,793		(1,131,114)
(Decrease) increase in compensated absences	(5,353)	9,152	(255,818)			(252,019)
Net cash (used in) provided by operating activities	\$ (18,625,430)	\$ 46,413	\$ 2,553,825	\$ (16,630)	\$ (735,670)	\$ (16,777,492)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES  
The College accepted donated capital assets with a fair value of \$5,000 during the year ended June 30, 2014.

NORTHEAST IOWA COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

*Scope of Reporting Entity*

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

The College has one component unit which meets the Governmental Accounting Standards Board (GASB) criteria. The Northeast Iowa Community College Foundation is a nonprofit corporation which is governed by a separate Board of Directors. The Foundation's purpose is to support the College through donations to provide scholarships to students, and for the enhancement and extension of facilities, equipment, and services. The activities of the Foundation are reported using the discrete method. The Foundation issues a separate financial report. The independent auditor's report on the component unit financial statements for year ending June 30, 2014 expresses an unmodified opinion dated December 4, 2014. Audited financial statements of Northeast Iowa Community College Foundation are available at the Northeast Iowa Community College District office located at Hwy 150 South, Calmar, IA 52132.

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

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

b. Significant Accounting Policies (Continued)

*Financial Statement Presentation*

GASB No. 35 requires the statement of net position, revenues, expenses, and changes in net position, and cash flows are reported on a consolidated basis.

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

*Fund Financial Statements*

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

The funds of the financial reporting entity are described below:

*Current Funds*

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

*Unrestricted Fund*

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

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

*Auxiliary Funds*

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

*Restricted Funds*

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

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

b. Significant Accounting Policies (Continued)

*Fund Financial Statements (Continued)*

*Current Funds (Continued)*

*Scholarship Fund*

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

*Plant Fund*

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

*Measurement Focus*

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities as defined in GASB No. 35. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus. This means that all assets and liabilities, deferred outflows of resources, and deferred inflows of resources whether current or noncurrent, associated with their activity are included on their statement of net position.

*Basis of Accounting*

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

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

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

*Assets, Liabilities, Deferred Inflows of Resources and Net Position*

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

*Cash and Investments*

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

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)*

*Property Tax Receivable*

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

*Due from Other Governments*

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

*Inventories*

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

*Due from Iowa Industrial New Jobs Training Program (NJTP)*

This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2014 on NJTP projects including interest incurred on NJTP certificates, less revenues received to date.

*Capital Assets*

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

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

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

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)*

*Capital Assets (Continued)*

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

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

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

*Salaries and Benefits Payable*

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

*Advances from Grantors*

Advances from grantors represent grant proceeds which have been received by Northeast Iowa Community College, but will be spent in a succeeding fiscal year.

*Compensated Absences*

College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. Amounts representing the cost of compensated absences are recognized as liabilities of the appropriate fund, and have been computed based on rates of pay in effect as of June 30, 2014.

*Due to Affiliate*

The College is leasing equipment from the Northeast Iowa Community College Foundation, as of June 30, 2014, the balance was \$40,724.

*Deferred Inflows of Resources*

Deferred inflows of resources represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose. Deferred inflows of resources consist of succeeding year property tax, unearned administrative costs for NJTP and advanced student tuition.

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)*

*Net Position*

*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 requiring they be maintained permanently by the College, including the College's permanent endowment funds.

*Expendable*

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

*Unrestricted Net Position*

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

*Auxiliary Enterprise Revenues*

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

*Summer Session*

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

*Tuition and Fees*

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

*Operating and Nonoperating Activities*

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)*

*Use of Estimates*

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

*Scholarship Allowances and Student Aid*

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

2. Cash and Investments

The College's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

*Interest Rate Risk*

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

NOTES TO FINANCIAL STATEMENTS

2. **Cash and Investments (Continued)**

The College's petty cash and deposit accounts as of June 30, 2014 consist of the following:

Petty cash	\$	3,155
Other deposit accounts		26,301,738
	\$	26,304,893

The College's investments as of June 30, 2014 consist of the following:

Certificates of deposit	\$	10,788,129
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The Northeast Iowa Community College Foundation's investments are stated at fair value and are subject to risk categorization and consist of the following:

	Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments in bond fund	\$ 477,369	\$ 477,369	
Investment in corporate bonds	31,090	31,090	
Investments in common stock	782,095	782,095	
Investments in preferred stock	195,077	195,077	
Investments in mutual funds	435,666	435,666	
Investments in alternative assets	258,130	194,804	\$ 63,326
	\$ 2,179,427	\$ 2,116,101	\$ 63,326

*Level 1 Inputs*

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

*Level 2 Inputs*

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

The following schedule summarizes the Foundation's investment return and its classification in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2014:

Interest and dividend income	\$	71,575
Net realized and unrealized gains		207,865
Total investment return	\$	279,440

The College has \$61,400 and \$4,037 of contributions that were given to the Community Foundation of Northeast Iowa and the Community Foundation of Greater Dubuque in the name of the College, respectively. These organizations manage the money. These assets are not recorded in the College's financial statements. The College receives unrestricted allocated earnings from these assets.

NOTES TO FINANCIAL STATEMENTS

3. Inventories

The College's inventories as of June 30, 2014 are as follows:

Supplies and materials	\$	294,520	
Merchandise held for resale		402,226	
<b>Total</b>	<b>\$</b>	<b>696,746</b>	

4. Capital Lease, Financing Obligation-Sale-Leaseback

In August 2011, the College entered into a financing agreement with Northeast Iowa Community-Based Dairy Foundation relating to the Foundation's real property. The transaction has been accounted for as a financing arrangement, wherein the property remains on the Foundation's books and will continue to be depreciated.

The lease proceeds of \$2,095,000 were utilized as follows:

- a) pay-off existing revenue bonds on the land and buildings in the amount of \$1,561,000,
- b) \$289,000 held in reserve for facility/equipment acquisition and/or improvements,
- c) \$164,385 reserved to meet debt service requirements (purchase reserve payments) and the balance used for transaction expenses.

The Foundation is leasing back the property over the next twenty years, in which the Foundation retains the option to purchase land and buildings from the College for a price of \$1,850,000. The purchase reserve payments made as of the closing date of the purchase will be used as a credit against the purchase price. The purchase option is available starting on April 30, 2018. The Foundation has assigned \$13,000 of their monthly milk sales to make the annual purchase reserve payments and annual rental fee payments per the lease agreement.

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

	Purchase Reserve Payment		Annual Service Fees		Total
Year ended June 30,					
2015	\$	102,857	\$	53,500	\$ 156,357
2016		100,708		54,000	154,708
2017		102,995		54,500	157,495
2018		105,135		55,000	160,135
2019		101,475		55,600	157,075
2020-2024		518,986		287,000	805,986
2025-2029		537,690		302,000	839,690
2030-2031		219,250		125,000	344,250
<b>Minimum lease payments</b>	<b>\$</b>	<b>1,789,096</b>	<b>\$</b>	<b>986,600</b>	<b>2,775,696</b>
<b>Less imputed interest/service fees</b>					<b>(895,696)</b>
					<b>\$ 1,880,000</b>

NOTES TO FINANCIAL STATEMENTS

5. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital non-depreciable assets				
Land	\$ 683,366			\$ 683,366
Construction in progress	1,326,660	\$ 987,774	\$ 2,314,434	None
Capital assets, non-depreciable	2,010,026	987,774	2,314,434	683,366
Capital assets, being depreciated				
Buildings	66,136,051	2,314,433		68,450,484
Other structures and improvements	3,450,368	193,385		3,643,753
Furniture and equipment	6,142,912	1,153,502	80,449	7,215,965
Gross capital assets being depreciated	75,729,331	3,661,320	80,449	79,310,202
Less accumulated depreciation				
Buildings	22,100,344	1,905,482		24,005,826
Other structures and improvements	1,419,906	110,160		1,530,066
Furniture and equipment	3,188,993	662,224	79,487	3,771,730
Total accumulated depreciation	26,709,243	2,677,866	79,487	29,307,622
Net capital assets being depreciated	49,020,088	983,454	962	50,002,580
Capital assets, net	\$ 51,030,114	\$ 1,971,228	\$ 2,315,396	\$ 50,685,946

6. Long-term Obligations

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Notes payable	\$ 3,220,000		\$ 420,000	\$ 2,800,000	\$ 425,000
Certificates payable	28,849,000	\$ 14,015,000	16,374,000	26,490,000	5,075,000
Bonds payable	27,670,000		2,880,000	24,790,000	3,020,000
Other liabilities					
Early retirement	529,125		255,818	273,307	55,508
Long-term liabilities	\$ 60,268,125	\$ 14,015,000	\$ 19,929,818	\$ 54,353,307	\$ 8,575,508

6. Long-term Obligations (Continued)

a. Certificates Payable

In accordance with agreements dated between July 1, 2005 and June 30, 2014, the College issued certificates totaling \$26,490,000 with interest rates ranging from .75% to 5.40% per annum. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new or are expanding their operations within the State of Iowa. Interest is payable semi-annually, while the principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes collected.

On July 18, 2013, the College issued \$16,060,000 in Refunding Certificates Payable to mature June 1, 2014 through 2020 with interest rates ranging from 1.0% to 2.40%. The net proceeds of these certificates will be utilized to retire existing certificates. On June 18, 2013, \$4,773,304 was transferred to an irrevocable trust account at Wells Fargo to purchase U.S. Government securities to provide for the certificates redemption.

The certificates affected are:

- Series 2006-2008-1 were called on July 1, 2013.
- Series 2009-1 were called on June 1, 2014.
- Series 2010-1 due June 1, 2015. The advance refunding met the requirements of an in-substance defeasance. The escrowed funds provided for interest costs of the Series 2013-1D certificate issue and principal retirement on the 2010-1 series.

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

	Principal	Interest	Total
Year ending June 30,			
2015	\$ 5,075,000	\$ 724,067	\$ 5,799,067
2016	4,895,000	428,253	5,323,253
2017	4,160,000	349,900	4,509,900
2018	3,580,000	276,155	3,856,155
2019	3,460,000	206,560	3,666,560
2020-2024	5,320,000	264,433	5,584,433
	\$ 26,490,000	\$ 2,249,368	\$ 28,739,368

NOTES TO FINANCIAL STATEMENTS

6. Long-term Obligations (Continued)

b. Notes Payable

The College has issued notes payable for the purchase and construction of College properties. As of June 30, 2014, the notes payable outstanding consist of the following:

\$300,000 General Obligation Refunding Capital Loan Notes Series 2012, due annually in varying installments June 1, 2015 through June 1, 2016 plus interest semi-annually with interest rate of 1.0%. The capital loan note was issued to refinance the \$720,000 Lease Purchase Certificates of Participation issued to build and maintain buildings.	\$ 300,000
\$2,500,000 Refunding Certificates of Participation Evidencing Undivided Proportionate Interests in Base Lease Payments Pursuant to a Lease Purchase Agreement, due annually in varying installments December 1, 2015 through December 1, 2022 plus interest semi-annually with interest rates of the leases varying from 1.00% to 2.30%. The lease was issued to refund the lease to purchase the Town Clock Center.	2,500,000
	\$ 2,800,000

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

	Principal	Interest	Total
Year ending June 30,			
2015	\$ 425,000	\$ 41,825	\$ 466,825
2016	425,000	37,575	462,575
2017	275,000	33,050	308,050
2018	275,000	29,475	304,475
2019	275,000	25,350	300,350
2020-2023	1,125,000	47,725	1,172,725
	\$ 2,800,000	\$ 215,000	\$ 3,015,000

c. Bonded Indebtedness

\$15,785,000 General Obligation School Bonds Series 2012A, due annually in varying installments June 1, 2015 through June 1, 2021 plus interest semi-annually with interest rates varying from 4.60% to 5.50%. These bonds were issued to renovate, erect and equip the buildings at the Calmar and Peosta campuses.

\$7,125,000 General Obligation School Bonds, Series 2012B, are due annually in varying installments June 1, 2015 through June 1, 2022 plus interest semi-annually with interest rates varying from 3.25% to 3.90%. Bonds are callable after June 1, 2017.

NOTES TO FINANCIAL STATEMENTS

6. Long-term Obligations (Continued)

c. Bonded Indebtedness (Continued)

\$1,880,000 Certificates of Participation, Series 2012A, are due annually in varying installments May 1, 2015 through May 1, 2031 plus interest semi-annually with interest rates varying from 2.20% to 5.00%. These bonds were issued to purchase the buildings and equipment of the Northeast Iowa Community-Based Dairy Foundation. Bonds are callable after May 1, 2018.

	Principal	Interest	Total
Year ending June 30,			
2015	\$ 3,020,000	\$ 1,148,758	\$ 4,168,758
2016	3,115,000	1,024,126	4,139,126
2017	3,220,000	886,538	4,106,538
2018	3,280,000	738,828	4,018,828
2019	3,315,000	587,030	3,902,030
2020-2024	7,860,000	898,241	8,758,241
2025-2029	660,000	179,690	839,690
2030-2031	320,000	24,250	344,250
<b>Total</b>	<b>\$ 24,790,000</b>	<b>\$ 5,487,461</b>	<b>\$ 30,277,461</b>

d. Operating Leases

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and accordingly, all rents are charged as incurred. These leases expire between 2014 and 2018 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year following June 30, 2014:

Year ending June 30,	
2015	\$ 90,000
2016	90,000
2017	90,000
2018	45,000
<b>Minimum lease payments for all operating leases</b>	<b>\$ 315,000</b>

Rents for fiscal year 2014 totaled \$93,804 for operating leases, except those with terms of a month or less that were not renewed.

NOTES TO FINANCIAL STATEMENTS

7. Due to/from Other Funds

As of June 30, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds		Due to Other Funds
Unrestricted fund	\$ 347,155		
Restricted fund		\$	159,054
Scholarship fund	45,600		233,701
	\$ 392,755	\$	392,755
	\$ 392,755	\$	392,755

8. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

	Transfers In		Transfers Out
Unrestricted fund			
Restricted fund	\$ 2,529,312	\$	523,123
Scholarship fund	19,419		
Auxiliary fund			293,625
Plant fund			132,490
	2,548,731		949,238
Auxiliary fund			
Unrestricted fund	293,625		
Restricted fund	55,092		
Plant fund			311,480
	348,717		311,480
Restricted fund			
Unrestricted fund	523,123		2,529,312
Auxiliary fund			55,092
Plant fund			582,756
	523,123		3,167,160
Scholarship fund	None		19,419
Plant fund			
Unrestricted fund	132,490		
Restricted fund	582,756		
Auxiliary fund	311,480		
	1,026,726		None
Total	\$ 4,447,297	\$	4,447,297

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

9. Early Retirement

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

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

A staff member accepting early retirement has three options to choose from as to when the cash benefits would be received. The College also contributes a set amount toward single plan health insurance for the retiree, if the retiree chooses to remain in the employer's health insurance plan. This contribution continues until the day the retiree is eligible under another group plan or until the end of the month prior to the month in which the retirees become eligible for Medicare. The plan is funded on a pay-as-you-go basis through property tax levies. At June 30, 2014, the College has obligations to twenty participants with a total early retirement liability of \$273,307. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$255,818.

10. Iowa Public Employees Retirement System

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

Plan members are required to contribute 5.95%, 5.78%, and 5.38% of their annual covered salary and the College is required to contribute 8.93%, 8.67%, and 8.07% of annual covered payroll for the years ended June 30, 2014, 2013, and 2012, respectively. Contribution requirements are established by state statute. Employees' required and actual contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$559,440, \$486,481, and \$423,444, respectively. The College's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$839,726, \$729,721, and \$635,122, respectively, equal to the required contributions for each year.

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

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

As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 5.95%, 5.78%, and 5.38% and the College is required to contribute 8.93%, 8.67%, and 8.07% for the years ended June 30, 2014, 2013, and 2012, respectively.

The employee's required and actual contributions to TIAA-CREF for the years ended June 30, 2014, 2013, and 2012 were \$516,652, \$475,714, and \$427,491, respectively. The College's required and actual contributions to TIAA-CREF for the years ended June 30, 2014, 2013, and 2012 were \$775,465, \$713,577, and \$633,740, respectively.

12. **Other Postemployment Benefits (OPEB)**

*Plan Description*

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

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

*Funding Policy*

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

*Annual OPEB Cost and Net OPEB Obligation*

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

The following table shows the components of the College's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	\$	70,223
Interest on net OPEB obligation		24,180
Adjustment to annual required contribution		(31,460)
Annual OPEB cost		62,943
Contributions made		None
Increase in net OPEB obligation		62,943
Net OPEB obligation beginning of year		483,600
Net OPEB obligation end of year	\$	546,543

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, 2014.

For the year ended June 30, 2014, the College did not contribute to the OPEB obligation. Plan members eligible for benefits contributed none of the premium costs for the OPEB obligation.

12. Other Postemployment Benefits (OPEB) (Continued)

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized below as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 80,634	0.0%	\$ 419,694
2013	63,906	0.0%	483,600
2014	62,943	0.0%	546,543

*Funded Status and Funding Progress*

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$481,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$481,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$14,595,388 and the ratio of the UAAL to covered payroll was 3.3%. As of June 30, 2014, there were no trust fund assets.

*Actuarial Methods and Assumptions*

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provide at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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 July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the College's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 6.5%. The medical trend rate is reduced 0.5% each year until reaching the 6.5% ultimate trend rate.

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

Projected claim costs of the medical plan are \$10,285 per month for retirees less than age 65 and for retirees who have attained age 65 there is no monthly cost. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**13. Related Organizations**

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

Significant financial data for the year ended June 30, 2014, which is audited, is as follows:

Total assets	\$ 4,061,977
Total liabilities	2,220,770
Total equity	1,841,207
Total revenue	2,130,804
Total expenses	2,365,287

**14. New Jobs Training Program**

Northeast Iowa Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area I in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the College has administered 277 projects. There are 185 projects that have been completed and 92 are currently open.

Northeast Iowa Community College also administers the Iowa Jobs Training Program (IJTP) in Area I in accordance with the Code of Iowa. IJTP's purpose is to provide tax-aided training or retraining for existing employees of businesses. Approved businesses receive forgivable loans from the Workforce Development Fund, a state administered fund. Since inception, the College has administered 357 projects with 17 new projects in the year ending June 30, 2014.

**15. Commitments**

The College is a member of ACCES, Inc. (Alliance for Community Colleges for Electronic Sharing), a computer consortium of ten (10) Iowa community colleges. The College will continue to be a member of ACCES, Inc. for the foreseeable future. ACCES, Inc. has changed its mission from a consortium for providing administrative software services to a buying consortium for the acquisition and maintenance of Datatel Colleague and other administrative software. The ongoing expenditures for the Datatel Colleague software and maintenance will be paid through ACCES Consortium. The College is committed to paying ACCES, Inc. consortium \$75,854 for software, licensing and maintenance for FY15.

The College is also a member of CAST, Inc. (College Alliance Sharing Technology), a computer consortium composed of three (3) Iowa community colleges. Its purpose is to provide administrative support and sharing of computer services. The College is committed to be a member of CAST until July 1, 2015. The percentage of the total annual expenditures of CAST, Inc. is to be paid based on the percentage of unrestricted general fund expenditures of the preceding fiscal year compared to the total of all participating colleges' general fund expenditures for the preceding fiscal year. The College's payments to CAST, Inc. for fiscal year 2014 are estimated to be \$298,947 for the consortium, which represents approximately 46% of the budget for CAST, Inc.

NOTES TO FINANCIAL STATEMENTS

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15. Commitments (Continued)

As of June 30, 2014, the College has entered into various agreements for equipment for a total amount of \$230,676.

16. Contingent Liabilities

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenses are disallowed by the grantor government due to noncompliance with grant program regulations, the College may be required to reimburse the grantor government. As of June 30, 2014 significant amounts of grant expenses have not been audited by granting authorities but the College believes that disallowed expenses, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the College.

17. Risk Management Policies

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

The changes in the aggregate liabilities for claims included in salaries and benefits payable for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Claims payable, beginning of year	\$ 1,628,415	\$ 644,661
Claims recognized	3,849,269	4,825,657
Claim payments	(3,938,893)	(3,841,903)
Claims payable, end of year	\$ 1,538,791	\$ 1,628,415

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

18. Net Position

The statement of net position reports \$5,128,720 of restricted net position, of which \$5,078,957 is restricted by enabling legislation.

19. Subsequent Events

Management has evaluated subsequent events through November 19, 2014, the date on which the financial statements were available to be issued.

20. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued one statement not yet implemented by the College. The statement which might impact the College is as follows:

GASB Statement 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ended June 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions which are provided by other entities. In addition, the statement of net position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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

21. Accounting Change

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*; and No. 66 *Technical Corrections–2012*, an amendment of GASB Statements 10 and 62, were implemented during fiscal year 2014.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 1,018	\$ 1,018	0.0%	\$ 13,453	7.6%
2011	July 1, 2010	\$ -	\$ 517	\$ 517	0.0%	\$ 11,506	4.5%
2012	July 1, 2010	\$ -	\$ 517	\$ 517	0.0%	\$ 12,725	4.1%
2013	July 1, 2012	\$ -	\$ 481	\$ 481	0.0%	\$ 11,661	4.1%
2014	July 1, 2012	\$ -	\$ 481	\$ 481	0.0%	\$ 14,595	3.3%

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

INDEPENDENT AUDITOR'S REPORT  
ON THE SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Northeast Iowa Community College as of and for the year ended June 30, 2014, and our report thereon dated November 19, 2014, which expressed an unmodified opinion on the financial statements, appears on pages 2 through 3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying additional balance sheet and schedule of revenues, expenditures, and other changes in fund balance and agency fund information on pages 33 through 42, schedule of contact/credit hour enrollment on page 43, and the budgetary comparison schedule on page 44 are presented for purposes of additional analysis using regulatory basis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The adjustments made in preparing the supplemental presentations were subjected to audit procedures as part of the audit of the financial statements. The accompanying regulatory financial statements are not intended to present the College's financial position or results of operations. The information as of and for the year ended June 30, 2014 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information as of and for the year ended June 30, 2014 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Northeast Iowa Community College for the nine years ended June 30, 2005 to June 30, 2013 (none of which is presented herein), and we expressed unmodified opinions on those basic financial statements. Those audits were conducted for purposes of forming opinions on the financial statements that collectively comprise the College's basic financial statements as a whole. The information set forth in the supplementary information for each of the nine years ended June 30, 2005 to June 30, 2013, appearing on pages 41 through 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements for the nine years ended June 30, 2005 to June 30, 2013. The information has been subjected to the auditing procedures applied in the audits of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the supplementary information for each of the nine years in the periods ended June 30, 2005 to June 30, 2013, appearing on pages 41 through 42 is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Decorah, Iowa  
November 19, 2014

*Hacker, Nelson & Co., P.C.*

NORTHEAST IOWA COMMUNITY COLLEGE  
BALANCE SHEET  
June 30, 2014

	Current Funds				Plant Funds			GAAP Adjustments	GAAP Basis
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	Investment in Plant		
<b>ASSETS</b>									
Cash	\$ 7,852,952	\$ 4,572,658	\$ 12,529,076		\$ 1,350,207				\$ 26,304,893
Investments			9,734,628		1,053,501				10,788,129
Receivables									
Accounts, less allowance of \$1,647,923	5,063,668	112,550	204,716		1,248				5,382,182
Accrued interest		4	35,137		2,823				37,964
Property tax									
Current year delinquent	17,778		12,684			\$ 49,763			80,225
Succeeding year	2,015,928		1,480,942			5,806,633			9,303,503
Due from other funds	347,155			\$ 45,600					392,755
Due from other governments	635,305		1,397,338	198,414					2,231,057
Inventories	1,231	695,515							696,746
Due from Iowa Industrial New Jobs Training Program			12,846,001						12,846,001
Lease receivable		1,880,000							1,880,000
Capital assets									
Land							\$ 683,366		683,366
Buildings							68,450,484		68,450,484
Other structures and improvements							3,643,753		3,643,753
Furniture and equipment, including assets acquired under capital leases of \$40,724							7,215,965		7,215,965
Accumulated depreciation							(29,307,622)		(29,307,622)
<b>Total assets</b>	<b>\$ 15,934,017</b>	<b>\$ 7,260,727</b>	<b>\$ 38,240,522</b>	<b>\$ 244,014</b>	<b>\$ 2,407,779</b>	<b>\$ 5,856,396</b>	<b>\$ 50,685,946</b>	<b>\$ -</b>	<b>\$ 120,629,401</b>

NORTHEAST IOWA COMMUNITY COLLEGE  
BALANCE SHEET (Continued)  
June 30, 2014

	Current Funds				Plant Funds			GAAP Adjustments	GAAP Basis
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	Investment in Plant		
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>									
<b>Liabilities</b>									
Accounts payable	\$ 324,362	\$ 106,147	\$ 774,774	\$ 4,520	\$ 458,174				\$ 1,667,977
Northeast Iowa Community-Based Dairy Foundation		482,787							482,787
Salaries and benefits payable	1,998,287		509,701						2,507,988
Deposits held in custody for others	117,803								117,803
Due to other funds			159,054	233,701					392,755
Due to affiliate							\$ 40,724		40,724
Advance from grantors				5,793					5,793
Compensated absences	112,270	21,079							133,349
Early retirement payable			273,307						273,307
Net OPEB liability								\$ 546,543	546,543
Notes payable							2,800,000		2,800,000
Bonds payable		1,880,000			4,702,386		18,207,614		24,790,000
Certificates payable			26,490,000						26,490,000
<b>Total liabilities</b>	<b>2,552,722</b>	<b>2,490,013</b>	<b>28,206,836</b>	<b>244,014</b>	<b>5,160,560</b>	<b>\$ -</b>	<b>21,048,338</b>	<b>546,543</b>	<b>60,249,026</b>
<b>Deferred inflows of resources</b>									
Succeeding year property tax	2,015,928		1,480,942				5,806,633		9,303,503
Other	4,851,647		3,473,787						8,325,434
<b>Total deferred inflows of resources</b>	<b>6,867,575</b>	<b>-</b>	<b>4,954,729</b>	<b>-</b>	<b>-</b>	<b>5,806,633</b>	<b>-</b>	<b>-</b>	<b>17,628,937</b>
<b>Fund balance</b>									
Net investment in capital assets							29,637,608		29,637,608
<b>Fund balances</b>									
Restricted for specific purposes			5,078,957			49,763			5,128,720
Unrestricted	6,513,720	4,770,714			(2,752,781)			(546,543)	7,985,110
<b>Total fund balance</b>	<b>6,513,720</b>	<b>4,770,714</b>	<b>5,078,957</b>	<b>-</b>	<b>(2,752,781)</b>	<b>49,763</b>	<b>29,637,608</b>	<b>(546,543)</b>	<b>42,751,438</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 15,934,017</b>	<b>\$ 7,260,727</b>	<b>\$ 38,240,522</b>	<b>\$ 244,014</b>	<b>\$ 2,407,779</b>	<b>\$ 5,856,396</b>	<b>\$ 50,685,946</b>	<b>\$ -</b>	<b>\$ 120,629,401</b>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE  
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE  
 For the Year Ended June 30, 2014

	Current Funds				Plant Funds			GAAP Adjustments	GAAP Basis
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	Investment in Plant		
<b>REVENUES AND OTHER ADDITIONS</b>									
General									
State appropriations	\$ 9,621,023	\$ 26,817	\$ 1,873,607	\$ 460,793				\$ (322,899)	\$ 11,659,341
Tuition and fees	16,182,264	58,044	332,491					(7,213,184)	9,359,615
Property taxes	1,936,785		1,381,848		\$ 1,004,618	\$ 4,577,041			8,900,292
Federal appropriations	478,043	26,402	7,866,635	17,917,528	293,730			458,271	27,040,609
Investment income	69,226	94,616	151,055		104,714				419,611
Iowa Industrial New Jobs Training Program			5,524,871						5,524,871
Sales and services	82,527				87,377				169,904
Miscellaneous	207,667		187,347	135,372	30,689			(135,372)	425,703
	28,577,535	205,879	17,317,854	18,513,693	1,521,128	4,577,041	\$ -	(7,213,184)	63,499,946
Auxiliary enterprises									
Sales and services		4,100,211						(1,262,091)	2,838,120
Miscellaneous		165,596							165,596
	-	4,265,807	-	-	-	-	-	(1,262,091)	3,003,716
<b>Total revenues and other additions</b>	<b>28,577,535</b>	<b>4,471,686</b>	<b>17,317,854</b>	<b>18,513,693</b>	<b>1,521,128</b>	<b>4,577,041</b>	<b>-</b>	<b>(8,475,275)</b>	<b>66,503,662</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>									
Education and support									
Liberal arts and sciences	5,371,242		12,806					(50,450)	5,333,598
Vocational technical	7,887,039		1,105,153					(186,841)	8,805,351
Adult education	3,237,936		261,997						3,499,933
Cooperative services	2,755,809		5,899,896					(1,225,389)	7,430,316
General administration	1,415,492								1,415,492
Student services	2,139,295		1,227						2,140,522
Learning resources	685,738		291,959						977,697
Physical plant	2,539,277		626,193						3,165,470
General institution	3,938,343		6,042,637					(814,679)	9,166,301
<b>Total education and support</b>	<b>29,970,171</b>	<b>-</b>	<b>14,241,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,277,359)</b>	<b>41,934,680</b>
Auxiliary enterprises									
Scholarships and grants		4,445,701		18,494,274				(188,692)	4,257,009
Plant asset acquisitions					1,706,138			(8,475,275)	10,018,999
Interest on indebtedness						1,226,819		(1,021,529)	684,609
Other					951,233			1,215,861	2,442,680
Expended for plant assets							(2,329,662)	5,000	956,233
Retirement of indebtedness					(145,000)	3,355,806	(3,210,806)	2,329,662	-
Disposal of plant assets							962		-
Depreciation							2,677,866		962
Donated plant assets received							(5,000)		2,677,866
	-	4,445,701	-	18,494,274	2,512,371	4,582,625	(2,866,640)	(6,134,973)	(5,000)
<b>Total expenditures and other deductions</b>	<b>29,970,171</b>	<b>4,445,701</b>	<b>14,241,868</b>	<b>18,494,274</b>	<b>2,512,371</b>	<b>4,582,625</b>	<b>(2,866,640)</b>	<b>(8,412,332)</b>	<b>62,968,038</b>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE (Continued)  
For the Year Ended June 30, 2014

	Current Funds				Plant Funds			GAAP Adjustments	GAAP Basis
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	Investment in Plant		
(Deficiency) excess of revenues and other additions (under) over expenditures and other deductions	\$ (1,392,636)	\$ 25,985	\$ 3,075,986	\$ 19,419	\$ (991,243)	\$ (5,584)	\$ 2,866,640	\$ (62,943)	\$ 3,535,624
TRANSFERS									
Mandatory	1,071,203		(1,071,203)	(19,419)					(19,419)
Nonmandatory	660,780	163,050	(1,019,372)		214,961				19,419
Total transfers	1,731,983	163,050	(2,090,575)	(19,419)	214,961	-	-	-	-
Net increase (decrease) in fund balance	339,347	189,035	985,411	-	(776,282)	(5,584)	2,866,640	(62,943)	3,535,624
FUND BALANCE									
Beginning	6,174,373	4,581,679	4,093,546	-	(1,976,499)	55,347	26,770,968	(483,600)	39,215,814
Ending	\$ 6,513,720	\$ 4,770,714	\$ 5,078,957	\$ -	\$ (2,752,781)	\$ 49,763	\$ 29,637,608	\$ (546,543)	\$ 42,751,438

NORTHEAST IOWA COMMUNITY COLLEGE  
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE  
 EDUCATION AND SUPPORT UNRESTRICTED CURRENT FUNDS  
 For the Year Ended June 30, 2014

	Education			Support						Total
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	
<b>REVENUES AND OTHER ADDITIONS</b>										
State appropriations	\$ 4,133,924	\$ 4,232,737	\$ 1,244,424					\$ 9,938		\$ 9,621,023
Tuition and fees	5,045,504	6,892,661	2,463,415	\$ 1,780,549		\$ 135				16,182,264
Property taxes					\$ 1,936,785					1,936,785
Federal appropriations		86,133	139,517	252,393						478,043
Investment income					69,226					69,226
Sales and services			39,050	925			\$ 12,000		\$ 30,552	82,527
Miscellaneous			8,777	141,299			31,151	2,390	24,050	207,667
<b>Total revenues and other additions</b>	<b>9,179,428</b>	<b>11,211,531</b>	<b>3,895,183</b>	<b>2,175,166</b>	<b>2,006,011</b>	<b>135</b>	<b>43,151</b>	<b>12,328</b>	<b>54,602</b>	<b>28,577,535</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>										
Salaries and wages	4,158,717	5,559,955	1,810,447	1,780,286	735,043	1,420,606	424,673	633,829	1,560,698	18,084,254
Employee fringe benefits	1,060,536	1,858,068	379,490	623,406	244,288	623,482	202,881	292,039	820,383	6,104,573
Services	24,312	192,756	948,411	133,764	317,425	35,863	5,350	1,335,522	1,290,503	4,283,906
Materials and supplies	46,097	146,343	43,385	93,400	4,485	41,888	51,818	277,170	176,611	881,197
Travel	15,246	49,293	40,478	32,155	55,096	16,552	190	717	46,950	256,677
Loan cancellations and bad debts	47,903	66,029	15,706		6,520					136,158
Plant asset acquisitions				92,537					38,204	130,741
Miscellaneous	18,431	14,595	19	261	52,635	904	826		4,994	92,665
<b>Total expenditures and other deductions</b>	<b>5,371,242</b>	<b>7,887,039</b>	<b>3,237,936</b>	<b>2,755,809</b>	<b>1,415,492</b>	<b>2,139,295</b>	<b>685,738</b>	<b>2,539,277</b>	<b>3,938,343</b>	<b>29,970,171</b>
<b>Excess (deficiency) of revenues and other additions over (under) expenditures and other deductions</b>	<b>3,808,186</b>	<b>3,324,492</b>	<b>657,247</b>	<b>(580,643)</b>	<b>590,519</b>	<b>(2,139,160)</b>	<b>(642,587)</b>	<b>(2,526,949)</b>	<b>(3,883,741)</b>	<b>(1,392,636)</b>
<b>TRANSFERS</b>										
Mandatory				1,071,203						1,071,203
Nonmandatory		169,419	647,771	(32,902)	133,776			(241,409)	(15,875)	660,780
<b>Total transfers</b>	<b>-</b>	<b>169,419</b>	<b>647,771</b>	<b>1,038,301</b>	<b>133,776</b>	<b>-</b>	<b>-</b>	<b>(241,409)</b>	<b>(15,875)</b>	<b>1,731,983</b>
<b>Net increase (decrease) in fund balance</b>	<b>\$ 3,808,186</b>	<b>\$ 3,493,911</b>	<b>\$ 1,305,018</b>	<b>\$ 457,658</b>	<b>\$ 724,295</b>	<b>\$ (2,139,160)</b>	<b>\$ (642,587)</b>	<b>\$ (2,768,358)</b>	<b>\$ (3,899,616)</b>	<b>339,347</b>
<b>FUND BALANCE</b>										
Beginning										6,174,373
Ending										<u>\$ 6,513,720</u>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE  
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE  
 AUXILIARY ENTERPRISE UNRESTRICTED CURRENT FUNDS  
 Year Ended June 30, 2014

	Bookstore	Food Services	Child Care	Farm	Trade and Industry	Professional Development	Miscellaneous	Total
<b>Revenues and other additions</b>								
State appropriations			\$ 26,817				\$	26,817
Tuition and fees						\$ 50,586	\$ 7,458	58,044
Federal appropriations			26,402					26,402
Sales and services	\$ 2,856,560	\$ 372,200	703,571	\$ 52,353	\$ 80,063		35,464	4,100,211
Investment income				94,616				94,616
Miscellaneous	15,376		47,353	31,200		1,430	70,237	165,596
<b>Total revenues and other additions</b>	<b>2,871,936</b>	<b>372,200</b>	<b>804,143</b>	<b>178,169</b>	<b>80,063</b>	<b>52,016</b>	<b>113,159</b>	<b>4,471,686</b>
<b>Expenditures and other deductions</b>								
Salaries and wages	141,260	158,637	631,342					931,239
Employee fringe benefits	56,989	63,409	212,084					332,482
Services	7,615	10,490	8,833		1,613	22,733	110,722	162,006
Materials and supplies	14,709	30,706	75,741		24,610	895	67,960	214,621
Travel	3,293	63	240		811	21,841	4,411	30,659
Cost of goods sold	2,234,525	193,017			45,819		16,978	2,490,339
Plant asset acquisitions	20,129						105,684	125,813
Interest on indebtedness				83,008				83,008
Miscellaneous	31,410						44,124	75,534
<b>Total expenditures and other deductions</b>	<b>2,509,930</b>	<b>456,322</b>	<b>928,240</b>	<b>83,008</b>	<b>72,853</b>	<b>45,469</b>	<b>349,879</b>	<b>4,445,701</b>
<b>Excess (deficiency) of revenues and other additions over (under) expenditures and other deductions</b>	<b>362,006</b>	<b>(84,122)</b>	<b>(124,097)</b>	<b>95,161</b>	<b>7,210</b>	<b>6,547</b>	<b>(236,720)</b>	<b>25,985</b>
<b>Transfers</b>								
Nonmandatory	(216,379)	101,349	117,754	(85,668)			245,994	163,050
	(216,379)	101,349	117,754	(85,668)	-	-	245,994	163,050
<b>Net increase (decrease) in fund balance</b>	<b>145,627</b>	<b>17,227</b>	<b>(6,343)</b>	<b>9,493</b>	<b>7,210</b>	<b>6,547</b>	<b>9,274</b>	<b>189,035</b>
<b>Fund balance (deficit)</b>								
Beginning	2,962,400	55,428	137,293	(105,423)	179,879	104,061	1,248,041	4,581,679
Ending	\$ 3,108,027	\$ 72,655	\$ 130,950	\$ (95,930)	\$ 187,089	\$ 110,608	\$ 1,257,315	\$ 4,770,714

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE  
RESTRICTED CURRENT FUNDS  
Year Ended June 30, 2014

	Restricted Property Tax Levies	Iowa New Jobs Training	Other Federal Programs	Miscellaneous	Total
<b>Revenues and other additions</b>					
State appropriations			\$ 808,037	\$ 1,065,570	\$ 1,873,607
Tuition and fees				332,491	332,491
Property taxes	\$ 1,381,848				1,381,848
Federal appropriations			7,803,581	63,054	7,866,635
Investment income	151,055				151,055
Iowa Industrial New Jobs Training Program		\$ 5,524,871			5,524,871
Miscellaneous	12,340	18,655	68,319	88,033	187,347
<b>Total revenues and other additions</b>	<b>1,545,243</b>	<b>5,543,526</b>	<b>8,679,937</b>	<b>1,549,148</b>	<b>17,317,854</b>
<b>Expenditures and other deductions</b>					
Salaries and wages			776,007	199,526	975,533
Employee fringe benefits	5,140		324,635	70,147	399,922
Services	490,077	3,190,997	547,769	299,004	4,527,847
Materials and supplies	520,096		434,492	333,913	1,288,501
Travel			30,896	5,752	36,648
Plant asset acquisitions	108,067		455,032	1,857	564,956
Interest on indebtedness		1,132,853	1,480		1,134,333
Miscellaneous		147,416	5,166,712		5,314,128
<b>Total expenditures and other deductions</b>	<b>1,123,380</b>	<b>4,471,266</b>	<b>7,737,023</b>	<b>910,199</b>	<b>14,241,868</b>
<b>Excess of revenues and other additions over expenditures and other deductions</b>	<b>421,863</b>	<b>1,072,260</b>	<b>942,914</b>	<b>638,949</b>	<b>3,075,986</b>
<b>Transfers</b>					
Mandatory		(1,071,203)			(1,071,203)
Nonmandatory		(1,057)	(932,798)	(85,517)	(1,019,372)
<b>Total transfers</b>	<b>-</b>	<b>(1,072,260)</b>	<b>(932,798)</b>	<b>(85,517)</b>	<b>(2,090,575)</b>
<b>Net increase in fund balance</b>	<b>421,863</b>	<b>-</b>	<b>10,116</b>	<b>553,432</b>	<b>985,411</b>
<b>Fund balance</b>					
Beginning	3,181,682	-	278,494	633,370	4,093,546
Ending	\$ 3,603,545	\$ -	\$ 288,610	\$ 1,186,802	\$ 5,078,957

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE  
 SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS  
 AGENCY FUNDS  
 Year Ended June 30, 2014

	Student Organizations Federal	Federal and Other Programs	Retraining	Dairy Center	Total
Balance, beginning of year	\$ 21,309	\$ 1,714	\$ 118,403	\$ (672)	\$ 140,754
<b>Additions</b>					
State appropriations			18,943		18,943
Tuition and fees	104,554				104,554
Federal appropriations		8,717			8,717
Miscellaneous	329,557	2,452			332,009
<b>Total additions</b>	<b>434,111</b>	<b>11,169</b>	<b>18,943</b>	<b>-</b>	<b>464,223</b>
<b>Deductions</b>					
Salaries and wages	112,419	440			112,859
Employee fringe benefits	47,125	92			47,217
Services	121,245	1,970	48,491		171,706
Materials and supplies	87,789	6,282			94,071
Travel	45,131	708			45,839
Cost of goods sold	13,732				13,732
Plant asset acquisitions		1,750			1,750
<b>Total deductions</b>	<b>427,441</b>	<b>11,242</b>	<b>48,491</b>	<b>-</b>	<b>487,174</b>
Balance, end of year	\$ 27,979	\$ 1,641	\$ 88,855	\$ (672)	\$ 117,803

See Independent Auditor's Report on the Supplementary Information.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Local (property tax)	\$ 8,900,292	\$ 9,319,214	\$ 9,722,498	\$ 9,168,987	\$ 8,338,873	\$ 4,437,962	\$ 4,710,263	\$ 4,617,926	\$ 4,434,120	\$ 4,264,427
State appropriations	11,659,341	10,490,504	8,976,053	10,590,494	8,561,576	9,926,999	9,582,594	9,318,872	9,225,795	7,264,588
Federal appropriations	27,040,609	28,726,546	26,677,663	28,950,131	26,409,295	18,342,004	15,164,519	13,211,473	13,808,778	14,292,929
<b>Total</b>	<b>\$ 47,600,242</b>	<b>\$ 48,536,264</b>	<b>\$ 45,376,214</b>	<b>\$ 48,709,612</b>	<b>\$ 43,309,744</b>	<b>\$ 32,706,965</b>	<b>\$ 29,457,376</b>	<b>\$ 27,148,271</b>	<b>\$ 27,468,693</b>	<b>\$ 25,821,944</b>

See Independent Auditor's Report on the Supplementary Information.

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

	Statutory Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues</b>										
State appropriations	\$ 11,982,240	\$ 10,825,716	\$ 8,922,833	\$ 8,901,805	\$ 8,630,563	\$ 10,045,748	\$ 9,646,510	\$ 8,585,540	\$ 8,273,314	\$ 7,168,615
Tuition and fees	16,572,799	17,520,534	17,846,943	17,610,746	17,311,196	14,012,003	12,617,952	12,627,379	11,542,638	12,445,632
Property taxes	3,318,633	3,718,588	4,284,334	3,752,235	3,232,287	2,823,374	3,154,039	3,087,576	2,950,677	2,820,385
Federal appropriations	26,288,608	27,084,729	25,762,439	28,249,100	25,972,051	18,087,030	14,421,197	13,210,561	13,662,743	14,061,236
Investment income	314,897	277,580	327,185	390,036	433,017	735,656	781,538	770,894	372,952	185,491
Iowa Industrial New Jobs Training Program	5,524,871	5,325,255	5,226,224	4,939,286	3,064,989	3,255,689	2,942,389	2,681,762	2,022,297	2,273,725
Auxiliary enterprises	4,265,807	4,472,772	4,331,066	4,457,057	4,383,682	3,615,807	3,364,701	3,165,052	3,019,488	3,001,282
Miscellaneous	612,913	1,641,872	770,406	4,092,595	6,289,740	1,199,579	1,605,837	3,998,906	2,288,211	295,227
	<u>\$ 68,880,768</u>	<u>\$ 70,867,046</u>	<u>\$ 67,471,430</u>	<u>\$ 72,392,860</u>	<u>\$ 69,317,525</u>	<u>\$ 53,774,886</u>	<u>\$ 48,534,163</u>	<u>\$ 48,127,670</u>	<u>\$ 44,132,320</u>	<u>\$ 42,251,593</u>
<b>Expenditures</b>										
Liberal arts and sciences	\$ 5,384,048	\$ 5,477,329	\$ 5,879,893	\$ 5,348,064	\$ 5,701,752	\$ 5,644,522	\$ 3,132,660	\$ 4,291,171	\$ 4,551,128	\$ 4,490,667
Vocational technical	8,992,192	9,002,457	8,845,338	9,098,625	7,530,248	7,332,631	9,028,181	7,406,780	8,270,645	7,739,181
Adult education	3,499,933	3,502,795	3,293,160	3,083,158	2,662,436	2,502,973	2,435,011	2,445,756	2,562,093	2,377,622
Cooperative services	8,655,705	9,027,827	9,102,551	10,946,821	11,532,077	6,866,050	6,318,846	7,611,483	4,633,475	4,548,362
General administration	1,415,492	1,445,495	1,480,985	2,507,767	1,676,056	1,912,926	1,788,637	1,229,762	750,693	523,381
Student services	2,140,522	1,955,567	1,776,000	1,701,656	1,734,854	1,775,038	1,653,107	1,514,565	1,572,779	1,476,424
Learning resources	977,697	877,371	1,070,725	696,452	929,461	886,356	742,207	776,377	756,579	841,086
Physical plant	3,165,470	3,298,461	2,781,858	2,554,179	2,774,210	2,219,838	1,910,678	1,650,778	1,604,176	1,576,922
General institution	9,980,980	7,999,519	3,845,296	4,842,903	3,845,175	3,503,043	3,377,247	3,526,426	3,363,388	2,792,226
Auxiliary enterprises	4,445,701	4,302,533	4,220,714	4,020,013	4,478,723	4,337,177	3,558,057	3,406,178	3,188,290	3,019,160
Scholarships and grants	18,494,274	20,952,363	22,680,816	24,988,186	23,560,574	16,485,045	13,315,714	12,730,287	12,890,231	12,332,748
Loan cancellations and bad debts								(234)	8,445	14,405
	<u>\$ 67,152,014</u>	<u>\$ 67,841,717</u>	<u>\$ 64,977,336</u>	<u>\$ 69,787,824</u>	<u>\$ 66,425,566</u>	<u>\$ 53,465,599</u>	<u>\$ 47,260,345</u>	<u>\$ 46,589,329</u>	<u>\$ 44,151,922</u>	<u>\$ 41,732,184</u>

NORTHEAST IOWA COMMUNITY COLLEGE  
SCHEDULE OF CONTACT/CREDIT HOUR ENROLLMENT  
Year Ended June 30, 2014

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	47,727		47,727			
Vocational Education	47,189		47,189			
Adult/Continuing Education				370,967	33,834	404,801
Related Services and Activities					17,773	17,773
<b>Total</b>	<b>94,916</b>		<b>94,916</b>	<b>370,967</b>	<b>51,607</b>	<b>422,574</b>

NORTHEAST IOWA COMMUNITY COLLEGE  
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES  
 BUDGET AND ACTUAL  
 For the Year Ended June 30, 2014

Funds/Levy	Original Budget	Actual	Variance Actual and Budget
Unrestricted	\$ 29,186,690	\$ 29,970,171	\$ (783,481)
Restricted	21,114,773	12,967,513	8,147,260
Unemployment		42,779	(42,779)
Insurance	643,185	516,648	126,537
Equipment replacement	860,227	714,928	145,299
Total restricted	22,618,185	14,241,868	8,376,317
Plant			
Plant	3,935,510	2,657,371	1,278,139
Bonds and interest	3,633,746	4,582,625	(948,879)
Total plant	7,569,256	7,239,996	329,260
Total	\$ 59,374,131	\$ 51,452,035	\$ 7,922,096

**Note to Budgetary Reporting:**

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

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

NORTHEAST IOWA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.048 – Career and Technical Education-Basic Grants to States
  - Clustered programs:
    - Student Financial Assistance Cluster
      - CFDA Number 84.007 - Federal Supplemental Educational Opportunity Grants
      - CFDA Number 84.033 - Federal Work-Study Program, Recovery Act
      - CFDA Number 84.063 - Federal Pell Grant Program, Recovery Act
      - CFDA Number 84.268 - Federal Direct Student Loans-Subsidized/Unsubsidized, Plus Loans
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Northeast Iowa Community College did qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

No matters were noted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

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

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

No matters were noted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

See management letter dated November 19, 2014

**Part V: Summary of Prior Federal Audit Findings and Questioned Costs**

N/A

NORTHEAST IOWA COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
U.S. Department of Agriculture			
Direct			
New ERA Rural Technology Competitive Grants Program	10.314	\$ 15,121	
Rural Business Enterprise Grants	10.769	22,471	
Passed through Iowa Department of Education			
Child and Adult Care Food Program	10.558	<u>26,402</u>	
Subtotal Department of Agriculture		<u>63,994</u>	
U.S. Department of Interior			
Passed through Silos and Smokestacks National Heritage Area National Heritage Area Federal Financial Assistance	15.939	<u>8,037</u>	
U.S. Department of Labor			
Direct			
H-1B Job Training Grants	17.268	1,339,520	
Trade Adjustment Assistance Community College and Career Training (TAACCCCT) Grants	17.282	5,605,472	
Passed through Upper Explorerland Regional Planning Commission			
Youthbuild	17.274	738	
Passed through East Central Intergovernmental Agency			
Program of Competitive for Workers Training and Placement in High Growth and Emerging Industry Sectors, Recovery Act	17.275	<u>368</u>	
Subtotal U.S. Department of Labor		<u>6,946,098</u>	
National Science Foundation			
Passed through Iowa State University Education and Human Resources	47.076	<u>109,029</u>	
Small Business Development Center			
Passed through Iowa State University Small Business Development	59.037	<u>71,076</u>	
U.S. Department of Veteran Affairs			
Direct			
Post 9/11 Veterans Educational Assistance, Recovery Act	64.027	<u>177,884</u>	

NORTHEAST IOWA COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
Year Ended June 30, 2014

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
<b>U.S. Department of Education</b>			
<b>Direct</b>			
Higher Education - Institutional Aid	84.031	\$ 466,428	
<b>TRIO Cluster</b>			
TRIO - Student Support Services	84.042	232,444	
<b>Student Financial Assistance Cluster</b>			
Federal Supplemental Educational Opportunity Grants	84.007	86,965	
Federal Work-Study Program, Recovery Act	84.033	86,133	
Federal Pell Grant Program, Recovery Act	84.063	6,296,330	
Federal Direct Student Loans - Plus Loans	84.268		\$ 59,174
Federal Direct Student Loans - Subsidized Loans	84.268		5,548,143
Federal Direct Student Loans - Unsubsidized Loans	84.268		5,749,032
		<u>6,469,428</u>	<u>11,356,349</u>
<b>Passed through Iowa Department of Education</b>			
Adult Education - State Grant Program	84.002	140,197	
<b>Vocational Education-Basic Grants to States</b>			
Career and Technical Education - Basic Grants to States	84.048	256,361	
		<u>7,564,858</u>	<u>11,356,349</u>
<b>Subtotal U.S. Department of Education</b>		<u>\$ 14,940,976</u>	<u>\$ 11,356,349</u>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Northeast Iowa Community College under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Northeast Iowa Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Northeast Iowa Community College.

**Note 2. Summary of Significant Accounting Policies**

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

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

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

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Northeast Iowa Community College's basic financial statements, and have issued our report thereon dated November 19, 2014.

Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

*Hacher, Nelson & Co., P.C.*

Decorah, Iowa  
November 19, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited Northeast Iowa Community College compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northeast Iowa Community College's major federal programs for the year ended June 30, 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Northeast Iowa Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

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

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

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

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

*Hacher, Nelson & Co., P.C.*

Decorah, Iowa  
November 19, 2014

## MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the Northeast Iowa Community College for the year ended June 30, 2014, we considered the College's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the College's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 thru 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated November 19, 2014 contains our report on the College's internal control. This letter does not affect our report dated November 19, 2014, on the financial statements of the Northeast Iowa Community College. All prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the College's responses and, accordingly, we express no opinion on them.

1. Certified Budget  
Expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted in total.
2. Questionable Disbursements  
We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.
3. Travel Expense  
No expenditures of College money for travel expenses of spouses of College officials and/or employees were noted. No travel advances to College officials or employees were noted.

4. **Business Transactions**

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

During the year ended June 30, 2014, the College entered into business transactions with a College official. Details are as follows:

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

**Transaction Description:** Supply purchases

**Amount:** \$8,933.

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

5. **Bond Coverage**

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

6. **Trustee Minutes**

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

7. **Publication**

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

8. **Deposits and Investments**

A resolution naming official depository banks has been approved by the Board. The maximum deposit amounts stated in the resolution for the accounts held at Luana Savings Bank were exceeded during the year ended June 30, 2014.

**Recommendation**

We recommend depository amounts be monitored to prevent exceeding the resolution. The Board should reconsider the amount that is necessary to be set for the depository resolution.

**Response**

This is caused by interest earned on the account during the month. The amount isn't known until at the end of the month when the bank credits the account. We will monitor the accounts closer to avoid this issue in the future.

**Conclusion**

Response accepted.

9. **Contact and Credit Hours**

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

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

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

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

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

*Hacher, Nelson & Co., P.C.*

Decorah, Iowa  
November 19, 2014