

**NORTH IOWA AREA COMMUNITY COLLEGE
MASON CITY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

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Officials

Name	Title	Term Expires
Board of Directors (Before September, 2013 Election)		
Toni Noah	President	2013
Karen Knudtson	Vice President	2015
David Steffens, Jr.	Member	2013
James Niemants	Member	2013
Robert Davis	Member (resigned March, 2014)	2015
John Rowe	Member (appointed March, 2014)	2015
Gordon Anderson	Member	2013
Jean Torgeson	Member	2015
Dean Cataldo	Member	2015
John Heilskov	Member	2015

(After September, 2013 Election)

Toni Noah	President	2017
David Steffens, Jr.	Vice President	2017
Karen Knudtson	Member	2015
James Niemants	Member	2017
John Rowe	Member	2015
Doug Krabbe	Member	2017
Jean Torgeson	Member	2015
Dean Cataldo	Member	2015
John Heilskov	Member	2015

Officials

Dr. David Buettner	Interim President (July, 2013 - December, 2013)
Dr. Steven Schulz	President (December, 2013 - current)
Katherine Grove	Vice President, Administration and Board Secretary/Treasurer

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of North Iowa Area Community College, Mason City, Iowa, and its discretely presented component unit as of and for the year ended June 30, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component unit of the College discussed in Note 1, which represents 100% of the assets and revenue of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Iowa Area Community College and its discretely presented component unit as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the retiree health plan on pages 4 through 12 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Iowa Area Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information on pages 33 through 46, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements by us and other auditors and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, on our consideration of North Iowa Area Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Iowa Area Community College's internal control and financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 27, 2015

**North Iowa Area Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

Management of North Iowa Area Community College (College) has prepared a discussion and analysis of the College's financial statements that provides an overview of financial activities for the year beginning July 1, 2013 and ending June 30, 2014. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- College operating revenue increased 3.2% in FY14 from FY13. There are several reasons for the increase. The College did experience an increase in tuition revenue from non-credit programs during FY14. This did offset the loss in credit tuition revenue from a decrease in enrollment. Auxiliary services, including the college-owned book store and food service, had an increase in revenue. The primary reason for these increases includes the higher cost of goods being captured as revenue in sales.
- College operating expenses in FY14 increased 1.2% from FY13. Part of this increase was due to an increase in salary and benefit costs and an increase in auxiliary services expenses. The faculty and staff received an average salary increase of 3% and a 1.4% increase in health benefits. The increase in auxiliary services expenses was mostly due to the cost of doing business for the college-owned bookstore and food service.
- The College continued the construction of student housing through the 2014 fiscal year. Anticipated occupancy is scheduled for fiscal year 2015. This project contributed to increases in debt, capital assets and auxiliary enterprises expenses.

USING THIS ANNUAL REPORT

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

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

The basic financial statements consist of a Statement of Net Position; a Statement of Revenue, Expenses and Changes in Net Position; and a Statement of Cash Flows. These statements provide information about the activities of the College as a whole and present an overall view of the College's finances.

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

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

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

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

REPORTING THE COLLEGE AS A WHOLE

The Statement of Net Position

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

	Net Position	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current assets	\$ 46,182,834	\$ 42,549,556
Non-current assets	1,824,601	1,844,409
Capital assets, net of accumulated depreciation/amortization	<u>36,158,027</u>	<u>22,598,937</u>
Total assets	<u>\$ 84,165,462</u>	<u>\$ 66,992,902</u>
Current liabilities	\$ 8,175,727	\$ 5,666,595
Non-current liabilities	<u>35,097,900</u>	<u>20,948,623</u>
Total liabilities	<u>43,273,627</u>	<u>26,615,218</u>
Deferred inflows of resources	<u>3,987,242</u>	<u>4,085,656</u>
Net position:		
Net investment in capital assets	20,424,167	19,315,773
Restricted, expendable	8,891,372	4,402,035
Unrestricted	<u>7,589,054</u>	<u>12,574,220</u>
Total net position	<u>36,904,593</u>	<u>36,292,028</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 84,165,462</u>	<u>\$ 66,992,902</u>

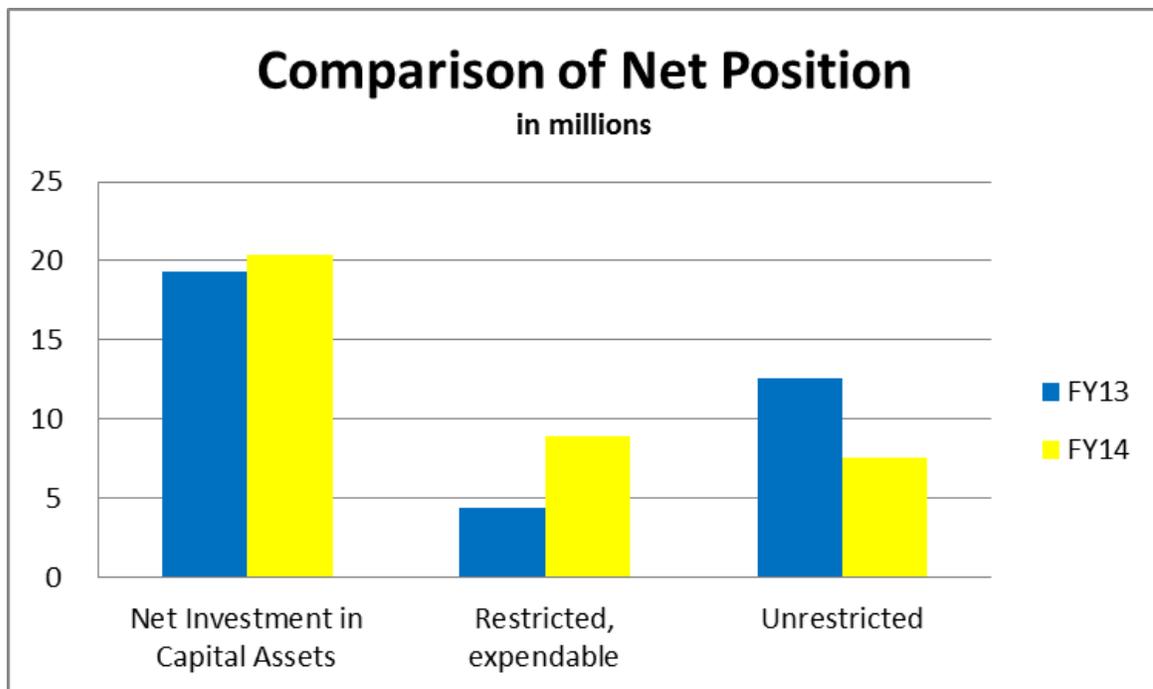
The largest portion of the College’s net position (55.34%) is invested in capital assets (e.g., land, buildings, intangibles and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of net position (24.10%) includes resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The remaining net position (20.56%) is unrestricted net position which can be used to meet the College’s obligations as they come due.

Restricted, expendable net position in FY14 increased \$4,489,337 from FY13 or 101.98%. There was a change in presentation of restricted net position to account for the amount restricted for repayment of debt. The increase in the net position restricted for repayment of debt is due to the addition of bond debt for student housing construction.

Unrestricted net position decreased \$4,985,166 or 39.65%. This category also reflects the change in presentation of net position restricted for repayment of debt. This amount had been included in the unrestricted net position category in prior years. Because of the change in restricted net position for the incurred bond debt, there is a significant decrease in this category.

Statement of Revenue, Expenses and Changes in Net Position

Changes in total net position presented in the statement of net position are based on the activity presented in the Statement of Revenue, Expenses and Changes in Net Position. The purpose of the statement is to present the revenue earned by the College, both operating and non-operating, and the expenses incurred by the College, both operating and non-operating, and any other revenue, expenses, gains and losses received or spent by the College. The graph below reflects FY14 and FY13 amounts.

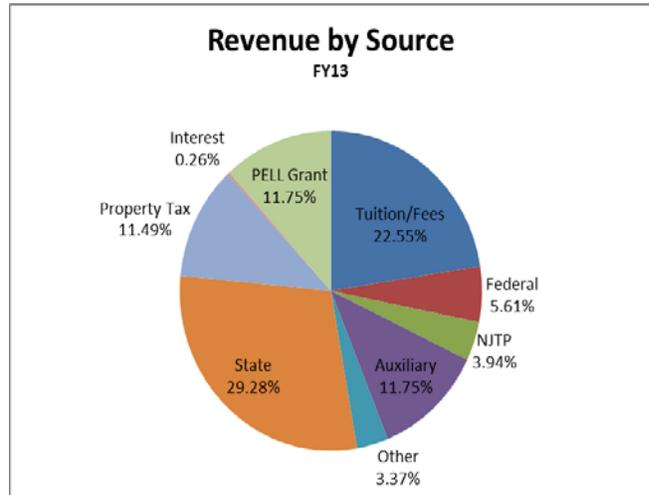
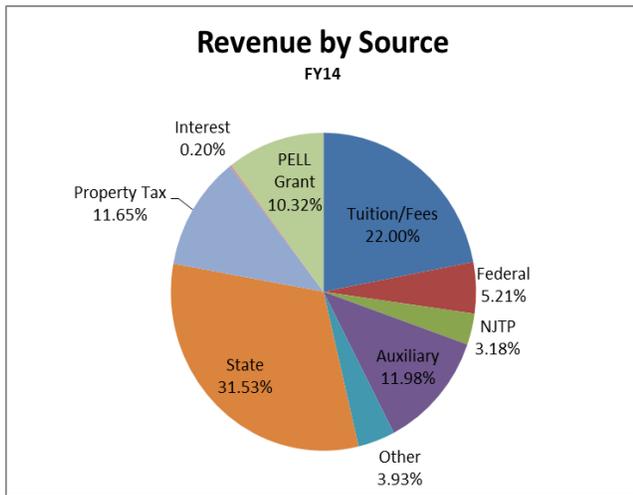


In general, a public college, such as North Iowa Area Community College, will report an operating loss since the financial reporting model classifies state appropriations, Pell grant and property tax as non-operating revenue. Operating revenue is received for providing goods and services to students,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

Changes in Net Position

	<u>Year ended</u> <u>June 30, 2014</u>	<u>Year ended</u> <u>June 30, 2013</u>
Operating revenue:		
Tuition and fees	\$ 8,014,082	\$ 7,920,419
Federal appropriations	1,897,375	1,969,533
Sales and services	164,077	162,574
Iowa Industrial New Jobs Training Program	1,159,507	1,382,494
Auxiliary enterprises	4,361,430	4,126,939
Miscellaneous	<u>505,917</u>	<u>37,410</u>
Total operating revenue	16,102,388	15,599,369
Total operating expenses	<u>35,517,923</u>	<u>35,096,303</u>
Operating loss	<u>(19,415,535)</u>	<u>(19,496,934)</u>
Non-operating revenue (expenses):		
State appropriations	11,484,101	10,285,881
Pell grant	3,757,017	4,130,382
Property tax	4,244,444	4,036,768
Gifts	761,897	985,467
Interest income on investments	72,468	89,859
Loss on sale of capital assets	(9,355)	(9,902)
Interest on indebtedness	<u>(282,472)</u>	<u>(384,018)</u>
Net non-operating revenue	20,028,100	19,134,437
Change in net position	612,565	(362,497)
Net position beginning of year	<u>36,292,028</u>	<u>36,654,525</u>
Net position end of year	<u>\$ 36,904,593</u>	<u>\$ 36,292,028</u>

The Statement of Revenue, Expenses and Changes in Net Position reflects a surplus with an increase (\$612,565 or 1.69%) in the net position at the end of the fiscal year and showed a decrease (\$81,399 or 0.42%) in the operating loss. The change in net position is primarily attributable to an increase in non-operating revenue. Most of the change in operating loss is attributable to less expenses for administrative costs and scholarships and grants. With lower enrollment, scholarships and grants revenue is reduced.



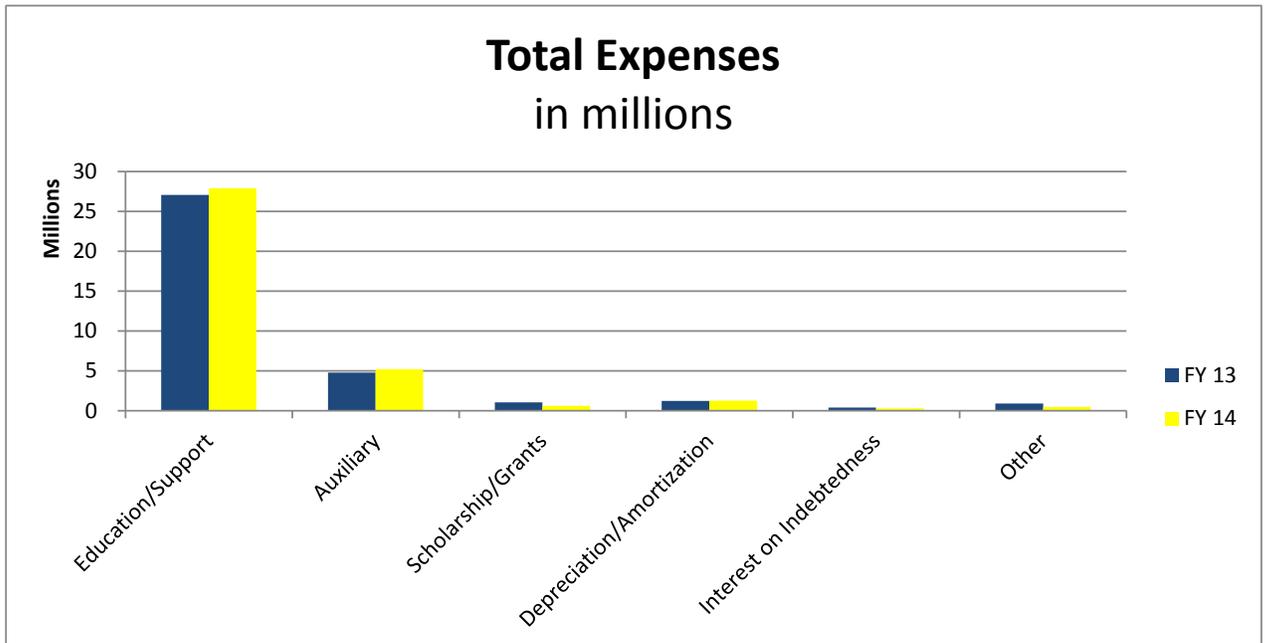
In FY14, operating revenue increased \$503,019 or 3.22%, as a net result of the following changes:

- The College experienced an increase in Continuing Education revenue between FY13 and FY14. This indicates an increased demand for non-credit offerings. The College continues to evaluate the need for corporate training in the region and this area of the College provides those opportunities. There was an increase in tuition rates per credit hour, but a decrease in credit enrollment with an overall decrease in credit tuition revenue. The College did have an increase in auxiliary enterprises, mostly because of sales that generated funds to recapture increased costs.
- There was a decrease in Federal appropriations from Iowa Workforce Development funding under operating revenue. This funding can fluctuate from year to year based on available federal funds, benchmarks and past services provided. The College also experienced a decrease in Iowa Industrial New Jobs Training revenue. This revenue can change from year to year based on employment in the region and requirements for annual principal and interest payments.

In non-operating revenue, we account for State appropriations, including state general aid. There was an increase of 11.65% in State appropriations. Most of this increase was from an increase in state support in general aid over the prior year.

Operating Expenses

	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>
Education and support:		
Liberal arts and sciences	\$ 6,518,313	\$ 6,465,285
Vocational technical	3,734,891	3,656,007
Adult education	3,604,751	3,744,239
Cooperative services	1,658,211	1,096,163
Administration	2,099,984	2,238,901
Student services	3,939,315	4,203,265
Learning resources	504,214	595,833
Physical plant	2,526,295	2,189,460
General institution	3,342,571	2,898,828
Auxiliary enterprises	5,227,264	4,802,229
Scholarship and grants	628,049	1,065,254
Loan cancellations and bad debt	15,948	100
Administrative and collection costs	449,255	909,941
Depreciation/amortization	<u>1,268,862</u>	<u>1,230,798</u>
 Total	 <u>\$ 35,517,923</u>	 <u>\$ 35,096,303</u>



In FY14, operating expenses increased by 1.20% mainly due to decreased expenses for the Iowa Industrial New Jobs Training Program (cooperative services), an increase in the cost of services including contracts and utilities and an increase in salary and benefits for staff.

Statement of Cash Flows

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

Cash Flows

	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>
Cash provided by (used in):		
Operating activities	\$ (17,995,343)	\$ (17,654,206)
Non-capital financing activities	19,801,423	20,445,834
Capital and related financing activities	1,623,547	7,674,475
Investing activities	<u>72,468</u>	<u>89,859</u>
Net increase in cash	3,502,095	10,555,962
Cash and cash equivalents - beginning of the year	<u>35,482,404</u>	<u>24,926,442</u>
Cash and cash equivalents - end of the year	<u>\$ 38,984,499</u>	<u>\$ 35,482,404</u>

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

Cash provided by non-capital financing activities includes state appropriations, Pell grant, local property tax received by the College and the receipt and disbursement of federal direct loan program proceeds. This section also includes New Jobs Training Program Certificate issuances as well as the repayment of these certificates. The decrease in cash flow is directly related to fewer certificates issued for the New Jobs Training Program. Other changes that offset this are an increase in property tax receipts and an increase in state general aid over the prior year.

Cash provided by capital and related financing activities represents the principal and interest payments on general obligation debt, issuance and repayment of debt related to the student housing facility construction and the purchase of capital assets. The College made more capital asset acquisitions in FY14 and issued additional debt related to the student housing facility construction resulting in a net decrease in cash flow.

Cash provided by investing activities includes investment income received. Investment income decreased in FY14 by \$17,391. This is due to lower interest rates available in area financial institutions and less opportunities in approved alternate investing strategies.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2014 the College had \$61,834,874 invested in capital assets, net of accumulated depreciation/amortization of \$25,676,847. Depreciation expense/amortization totaled \$1,268,862 for FY14. Details of capital assets are shown below.

Capital Assets, Net, at Year End

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Land	\$ 340,756	\$ 340,756
Construction in progress	16,003,163	1,792,490
Buildings	17,818,854	18,553,369
Other structures and improvements	404,342	356,376
Intangibles	258,746	364,824
Furniture, vehicles and equipment	<u>1,332,166</u>	<u>1,191,122</u>
Total	<u>\$ 36,158,027</u>	<u>\$ 22,598,937</u>

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

Planned capital expenditures for FY15 include the completion of construction of the student housing facility, continuing site development of the Emergency Services Training Facility, continuing to develop space for diesel technology and improving health career spaces to incorporate more simulation into the teaching and learning experience. The College has begun planning the implementation of some of the items included in the completed facilities master plan. The goal was to create a long-term building or repurposing of space for the future. This includes leveraging technology and efficient room usage. More detailed information about the College's capital assets is presented in Note 3 to the financial statements.

DEBT

As of June 30, 2014, the College had \$34,060,000 in debt outstanding, an increase of \$14,430,000 from FY13. The table below summarizes these amounts by type.

Outstanding Debt

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Certificates payable	\$ 8,350,000	\$ 8,700,000
Notes payable	710,000	935,000
Bonds payable	<u>25,000,000</u>	<u>9,995,000</u>
	<u>\$ 34,060,000</u>	<u>\$ 19,630,000</u>

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

ECONOMIC FACTORS

North Iowa Area Community College increased its financial position during the current fiscal year. The College received increased funding for FY14 through the legislature and there was a decline in enrollment. The continuing decline in the demographics of high school students continues to be a concern for College officials.

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

CONTACT THE COLLEGE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Statement of Net Position

As of June 30, 2014

	Primary Institution	Component Unit Foundation
Assets		
Current Assets		
Cash and cash equivalents.....	\$ 38,984,499	\$ 608,891
Receivables		
Accounts (net of allowance for doubtful accounts - College - \$188,393).....	935,492	—
Accrued interest.....	—	81
Property tax - succeeding year.....	3,987,242	—
Notes (net of allowance for doubtful accounts - College - \$31,539).....	58,267	—
Iowa Industrial New Jobs Training Program.....	1,106,340	—
Contributions.....	—	129,809
Due from North Iowa Area Community College Foundation...	35,297	—
Due from North Iowa Area Community College.....	—	52,000
Due from other governments.....	411,111	—
Prepaid expenses.....	350,454	—
Inventories.....	314,132	—
Total Current Assets	<u>46,182,834</u>	<u>790,781</u>
 Noncurrent Assets		
Investment in marketable securities.....	—	20,213,863
Receivables		
Notes.....	10,008	—
Iowa Industrial New Jobs Training Program.....	1,814,593	—
Contributions (net of allowance for uncollectible promises of \$106,583).....	—	945,417
Investment in Commonfund Realty Investors, LLC.....	—	1,011
Investments in real estate.....	—	543,656
Beneficial interest in assets held by others.....	—	268,905
Capital assets, net of accumulated depreciation/amortization	36,158,027	—
Total Noncurrent Assets	<u>37,982,628</u>	<u>21,972,852</u>
 Total Assets	 <u>\$ 84,165,462</u>	 <u>\$ 22,763,633</u>

See accompanying notes to the financial statements.

	Primary Institution	<u>Component Unit</u> Foundation
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,500,642	\$ 1,054
Salaries and benefits payable.....	1,118,056	—
Accrued interest payable	432,081	—
Due to North Iowa Area Community College Foundation.....	52,000	—
Due to North Iowa Area Community College	—	35,297
Advances from students	276,536	—
Advances from others.....	683,243	—
Compensated absences payable.....	177,066	—
Insurance claims incurred but not reported.....	493,261	—
Deposits held in custody for others.....	586,317	—
Early retirement payable.....	256,525	—
Certificates payable	1,370,000	—
Notes payable	230,000	—
Total Current Liabilities	<u>8,175,727</u>	<u>36,351</u>
Noncurrent Liabilities		
Advances from others.....	1,552,547	—
Early retirement payable.....	291,044	—
Annuity payable	—	19,672
Certificates payable	6,980,000	—
Notes payable	480,000	—
Bonds payable.....	25,000,000	—
Net OPEB liability	780,733	—
Refundable allowances on student loans.....	13,576	—
Total Noncurrent Liabilities	<u>35,097,900</u>	<u>19,672</u>
Total Liabilities	<u>43,273,627</u>	<u>56,023</u>
Deferred Inflows of Resources		
Unavailable property tax revenue	<u>3,987,242</u>	<u>—</u>
Net Position		
Net investment in capital assets	20,424,167	—
Restricted		
Nonexpendable.....	—	4,238,578
Expendable		
Loans	21,172	—
Debt service	3,791,668	—
Cash reserve.....	285,793	—
Other.....	4,792,739	16,031,691
Unrestricted.....	7,589,054	2,437,341
Total Net Position.....	<u>36,904,593</u>	<u>22,707,610</u>
Total Liabilities, Deferred Inflows of Resources and Net Position.....	<u>\$ 84,165,462</u>	<u>\$ 22,763,633</u>

Statement of Revenue, Expenses and Changes in Net Position

Year Ended June 30, 2014

	Primary Institution	<u>Component Unit</u> Foundation
Operating Revenue		
Tuition and fees, net of scholarship allowances of \$3,241,142.....	\$ 8,014,082	\$ —
Federal appropriations.....	1,897,375	—
Sales and services	164,077	—
Iowa Industrial New Jobs Training Program	1,159,507	—
Auxiliary enterprises	4,361,430	—
Contributions	—	1,357,079
Miscellaneous.....	505,917	127,409
Total Operating Revenue	<u>16,102,388</u>	<u>1,484,488</u>
Operating Expenses		
Education and Support		
Liberal arts and sciences	6,518,313	—
Vocational technical	3,734,891	—
Adult education	3,604,751	—
Cooperative services.....	1,658,211	—
Administration	2,099,984	—
Student services	3,939,315	—
Learning resources	504,214	—
Physical plant.....	2,526,295	—
General institution	3,342,571	—
Auxiliary enterprises	5,227,264	—
Scholarships and grants	628,049	—
Loan cancellations and bad debts	15,948	—
Administrative and collection costs	449,255	—
Program expenses	—	1,141,163
Management and general expenses.....	—	23,650
Fundraising expenses	—	218,985
Depreciation/amortization	1,268,862	—
Total Operating Expenses	<u>35,517,923</u>	<u>1,383,798</u>
Operating Income (Loss)	<u>(19,415,535)</u>	<u>100,690</u>
Nonoperating Revenue (Expenses)		
State appropriations	11,484,101	—
Pell grant.....	3,757,017	—
Property tax.....	4,244,444	—
Gifts.....	761,897	—
Interest on investments, net of investment expense of \$72,884 for the Foundation	72,468	2,567,679
Loss on sale of capital assets.....	(9,355)	—
Interest on indebtedness	(282,472)	—
Net Nonoperating Revenue	<u>20,028,100</u>	<u>2,567,679</u>
Change in Net Position	612,565	2,668,369
Net Position - Beginning of Year.....	36,292,028	20,039,241
Net Position - End of Year.....	<u>\$ 36,904,593</u>	<u>\$ 22,707,610</u>

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended June 30, 2014

Cash Flows From Operating Activities

Tuition and fees.....	\$ 7,605,051
Federal appropriations.....	1,976,097
Iowa Industrial New Jobs Training Program	1,068,267
Payments to employees for salaries and benefits.....	(20,005,043)
Payments to suppliers for goods and services.....	(12,745,147)
Payments to New Jobs Training Program recipients.....	(958,057)
Scholarships.....	(276,830)
Loan collections.....	51,845
Auxiliary enterprises receipts.....	4,596,878
Other receipts.....	691,596
Net Cash Used in Operating Activities	<u>(17,995,343)</u>

Cash Flows From Noncapital Financing Activities

State appropriations	11,654,623
Pell grant.....	3,757,017
Property tax.....	4,244,444
Gifts.....	736,062
Federal direct lending receipts.....	5,876,893
Federal direct lending disbursements	(5,925,445)
Proceeds from issuance of debt	885,000
Principal paid on debt.....	(1,235,000)
Interest paid on debt.....	(266,608)
Agency funds receipts	733,345
Agency funds disbursements.....	(658,908)
Net Cash Provided by Noncapital Financing Activities.....	<u>19,801,423</u>

Cash Flows From Capital and Related Financing Activities

Acquisition of capital assets.....	(13,138,903)
Proceeds from issuance of debt	25,000,000
Principal paid on debt.....	(10,220,000)
Interest paid on debt.....	(17,550)
Net Cash Provided by Capital and Related Financing Activities	<u>1,623,547</u>

Cash Flows From Investing Activities

Interest on investments	<u>72,468</u>
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Net Increase in Cash and Cash Equivalents..... **3,502,095**

Cash and Cash Equivalents - Beginning of Year 35,482,404

Cash and Cash Equivalents - End of Year **\$ 38,984,499**

Statement of Cash Flows

Year Ended June 30, 2014

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (19,415,535)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation/amortization.....	1,268,862
Changes in Assets and Liabilities	
Increase in accounts receivable, net	(199,975)
Decrease in notes receivable, net.....	51,845
Decrease in Iowa Industrial New Jobs Training Program receivable	34,486
Decrease in due from other governments	78,722
Increase in prepaid expenses	(319,309)
Increase in inventories	(78,275)
Increase in accounts payable.....	378,021
Increase in salaries and benefits payable	32,571
Increase in due to North Iowa Area Community College Foundation.....	50,000
Decrease in advances from students	(37,844)
Decrease in advances from others.....	(121,838)
Decrease in compensated absences payable	(67,944)
Increase in insurance claims incurred but not reported	50,241
Increase in deposits held in custody for others.....	31,950
Decrease in deferred compensation.....	(75,000)
Increase in early retirement payable	238,368
Increase in net OPEB liability	124,682
Decrease in refundable allowances on student loans.....	<u>(19,371)</u>
Net Cash Used in Operating Activities.....	<u>\$ (17,995,343)</u>

Schedule of Noncash Capital and Related Financing Activities

As of June 30, 2014

Cost of capital assets	\$ 14,837,307
Accounts Payable	
Current year	(1,696,203)
Prior year	410,165
Interest payable capitalized.....	<u>(412,366)</u>
Cash Paid for Acquisition of Capital Assets	<u>\$ 13,138,903</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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

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

Reporting Entity

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

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

Discrete Component Unit

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Basis of Presentation

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

Net Investment in Capital Assets

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

Restricted Net Position

Nonexpendable - Net position subject to externally imposed stipulations that they be maintained permanently by the College.

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

Unrestricted Net Position

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

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

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

Measurement Focus and Basis of Accounting

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Assets, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Cash Equivalents

Certificates of deposit are stated at cost.

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

Property Tax Receivable

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

Receivable for Iowa Industrial New Jobs Training Program (NJTP)

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

Due from Other Governments

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

Inventories

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

Capital Assets

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

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. Interest costs of \$979,303 related to the student housing project were capitalized during the year ended June 30, 2014.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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

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

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

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

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

Salaries and Benefits Payable

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

Advances From Students

Advances from students includes fees for summer session activity received in the current fiscal year which will be recognized as revenue in the following fiscal year.

Advances From Others

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

Compensated Absences

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

Refundable Allowances on Student Loans

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

Deferred Inflows of Resources

Deferred inflows of resources in the statement of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Tuition and Fees

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

Summer Session

The College operates summer sessions during June and July. Revenue and expenses for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the load study distributions supplied by the College Registrar.

Auxiliary Enterprise Revenue

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

Operating and Nonoperating Activities

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

Scholarship Allowances and Student Aid

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

Income Taxes

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

Estimates and Assumptions

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

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Investments

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

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

Interest Rate Risk

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

Foundation

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

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

Marketable securities and other investments are stated at fair value. Fair value and unrealized appreciation as of June 30, 2014 are summarized as follows:

	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Mutual Funds (Common Fund)			
Multi-Strategy Equity Fund	\$ 8,866,755	\$ 10,316,266	\$ 1,449,511
Multi-Strategy Bond Fund.....	4,939,483	4,932,184	(7,299)
Intermediate Term Fund.....	<u>4,325,902</u>	<u>4,881,623</u>	<u>555,721</u>
Total Mutual Funds (Common Fund)	18,132,140	20,130,073	1,997,933
Money Market Fund.....	62,083	62,083	—
Corporate stocks	<u>23,461</u>	<u>21,707</u>	<u>(1,754)</u>
	<u>\$ 18,217,684</u>	<u>\$ 20,213,863</u>	<u>\$ 1,996,179</u>

Notes to the Financial Statements

(3) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Capital Assets Not Being Depreciated/Amortized				
Land.....	\$ 340,756	\$ —	\$ —	\$ 340,756
Construction in progress	<u>1,792,490</u>	<u>14,210,673</u>	<u>—</u>	<u>16,003,163</u>
Total Capital Assets Not Being Depreciated/Amortized	<u>2,133,246</u>	<u>14,210,673</u>	<u>—</u>	<u>16,343,919</u>
Capital Assets Being Depreciated/Amortized				
Buildings	34,295,037	—	—	34,295,037
Other structures and improvements	2,624,671	99,774	—	2,724,445
Intangibles.....	1,886,234	4,000	—	1,890,234
Furniture, vehicles and equipment ..	<u>6,075,545</u>	<u>522,860</u>	<u>17,166</u>	<u>6,581,239</u>
Total Capital Assets Being Depreciated/Amortized	<u>44,881,487</u>	<u>626,634</u>	<u>17,166</u>	<u>45,490,955</u>
Less Accumulated Depreciation/Amortization				
Buildings	15,741,668	734,515	—	16,476,183
Other structures and improvements	2,268,295	51,808	—	2,320,103
Intangibles.....	1,521,410	110,078	—	1,631,488
Furniture, vehicles and equipment ..	<u>4,884,423</u>	<u>372,461</u>	<u>7,811</u>	<u>5,249,073</u>
Total Accumulated Depreciation/ Amortization	<u>24,415,796</u>	<u>1,268,862</u>	<u>7,811</u>	<u>25,676,847</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>20,465,691</u>	<u>(642,228)</u>	<u>9,355</u>	<u>19,814,108</u>
Capital Assets, Net.....	<u>\$ 22,598,937</u>	<u>\$ 13,568,445</u>	<u>\$ 9,355</u>	<u>\$ 36,158,027</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Current Portion
Advances from others	\$ 2,358,127	\$ 346,814	\$ 469,151	\$ 2,235,790	\$ 683,243
Deferred compensation	75,000	—	75,000	—	—
Early retirement payable	309,201	365,998	127,630	547,569	256,525
Certificates payable	8,700,000	885,000	1,235,000	8,350,000	1,370,000
Notes payable	935,000	—	225,000	710,000	230,000
Bonds payable.....	9,995,000	25,000,000	9,995,000	25,000,000	—
Net OPEB liability ...	656,051	164,830	40,148	780,733	—
Refundable allowances on student loans ..	32,947	—	19,371	13,576	—
	<u>\$ 23,061,326</u>	<u>\$ 26,762,642</u>	<u>\$ 12,186,300</u>	<u>\$ 37,637,668</u>	<u>\$ 2,539,768</u>

Notes to the Financial Statements

(4) Long-Term Liabilities

Certificates Payable

In accordance with agreements dated between June 26, 2006 and June 19, 2014, the College issued certificates totaling \$13,825,000 with interest rates ranging from 0.5% to 6.1% per annum. The debt was incurred to fund the development and training costs incurred related to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding tax, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,370,000	\$ 248,133	\$ 1,618,133
2016	1,405,000	201,850	1,606,850
2017	1,195,000	155,493	1,350,493
2018	1,115,000	118,630	1,233,630
2019	915,000	83,498	998,498
2020-2024	<u>2,350,000</u>	<u>120,494</u>	<u>2,470,494</u>
Total	<u>\$ 8,350,000</u>	<u>\$ 928,098</u>	<u>\$ 9,278,098</u>

Total interest expenditures were \$264,922 for the certificates payable for the year ended June 30, 2014.

Notes Payable

The College has issued notes for the construction of a recreation center as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2014 notes payable indebtedness are as follows:

Year Ending June 30,	Note Issuance of March 5, 2012			Total
	Interest Rates	Principal	Interest	
2015	2.00%	\$ 230,000	\$ 13,050	\$ 243,050
2016	2.00	240,000	8,400	248,400
2017	2.00	<u>240,000</u>	<u>3,600</u>	<u>243,600</u>
Total		<u>\$ 710,000</u>	<u>\$ 25,050</u>	<u>\$ 735,050</u>

Total interest expenditures were \$17,550 for the notes payable for the year ended June 30, 2014.

Bonds Payables

The College issued \$9,995,000 of revenue bonds on December 27, 2012 with an interest rate of 1.55% for the construction of a dormitory as allowed by Section 260C.19 of the Code of Iowa. These bonds were due December 15, 2013 but were paid early when the College obtained long-term financing in September, 2013. Total interest expenditures were \$45,186 for the bonds payable for the year ended June 30, 2014.

Notes to the Financial Statements

(4) Long-Term Liabilities

The College has issued bonds for the construction of a dormitory as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2014 notes payable indebtedness are as follows:

Year Ending June 30,	Dormitory Revenue Bonds Issued September 30, 2013 (2013A)			
	Interest Rate	Principal	Interest	Total
2015	3.00%	\$ —	\$ 438,250	\$ 438,250
2016	3.00	100,000	436,750	536,750
2017	3.00	120,000	433,450	553,450
2018	4.00	220,000	427,250	647,250
2019	4.00	260,000	417,650	677,650
2020-2024	4.00	2,100,000	1,877,250	3,977,250
2025-2029	4.50% - 4.75	3,410,000	1,271,193	4,681,193
2030-2034	5.00 - 5.25	<u>3,335,000</u>	<u>357,731</u>	<u>3,692,731</u>
Total		<u>\$ 9,545,000</u>	<u>\$ 5,659,524</u>	<u>\$ 15,204,524</u>

Year Ending June 30,	Dormitory Revenue Bonds Issued September 30, 2013 (2013B)			
	Interest Rate	Principal	Interest	Total
2015	5.25%	\$ —	\$ 805,663	\$ 805,663
2016	5.25	—	805,662	805,662
2017	5.25	—	805,663	805,663
2018	5.25	—	805,662	805,662
2019	5.25	—	805,663	805,663
2020-2024	5.25	—	4,028,312	4,028,312
2025-2029	5.25	—	4,028,313	4,028,313
2030-2034	5.25	995,000	4,000,356	4,995,356
2035-2039	5.125% - 5.25	5,590,000	3,073,925	8,663,925
2040-2044	5.25	7,195,000	1,422,619	8,617,619
2045	5.25	<u>1,675,000</u>	<u>43,969</u>	<u>1,718,969</u>
Total		<u>\$ 15,455,000</u>	<u>\$ 20,625,807</u>	<u>\$ 36,080,807</u>

The College has pledged future housing dormitory system revenue, net of specific operating expenses, to repay \$25,000,000 in dormitory revenue bonds issued in September, 2013. Proceeds from these bonds provided financing for the construction of a new dormitory system and to repay dormitory bonds coming due in December, 2013. The bonds are payable solely from the dormitory system net revenue and are payable through 2045. Annual principal and interest payments are expected to require less than the net revenue of the system. The total principal and interest remaining to be paid on the notes is \$51,285,331. The new dormitory system was not yet operational in the current year. Interest of \$521,752 and no principal was paid in the current year. Total interest capitalized as part of construction in progress for the year ended June 30, 2014 is \$979,303.

The resolution providing for the issuance of the revenue bonds includes the following provisions:

1. The bonds will only be redeemed from the future revenue from the dormitory system and from other funds held pursuant to the resolution and indenture and the bond holders hold a lien on the future revenue.

Notes to the Financial Statements

(4) Long-Term Liabilities

2. Sufficient monthly transfers shall be made to the bond and interest sinking fund for the purpose of making the bond principal and interest payments when due.
3. Additional monthly transfers shall be made to a reserve fund until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying bond principal and interest payments due when insufficient money is available in the sinking funds.

During the year ended June 30, 2014, the College was in compliance with the revenue bond provisions.

(5) Operating Leases

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2016 and 2017 and require various minimum annual rentals. Certain leases are renewable for additional periods. The College also leases several copiers, all with terms of five years which expire in 2015 and 2017, under operating leases. Some of the leases also require the payment of normal maintenance and insurance on the properties or equipment. In most cases, management expects that the leases will be renewed or replaced by other leases.

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

Year Ending June 30,	
2015	\$ 63,650
2016	61,455
2017	<u>47,955</u>
Total	<u>\$ 173,060</u>

Rents for the year ended June 30, 2014 for all operating leases totaled \$60,437.

(6) Iowa Public Employees Retirement System

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

Plan members are required to contribute 5.95% of their annual covered salary and the College is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$644,062, \$611,134 and \$537,773, respectively, equal to the required contributions for the year.

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

The College contributes to the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 5.95% and the College is required to contribute 8.93%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2014 were \$580,711 and \$386,924 respectively.

(8) Termination Benefits

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

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

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

If a staff member is at least 55 years of age, has completed ten years of service and has accumulated at least 90 days of sick leave on February 1 of the year of retirement, they will receive a payment for their accumulated sick leave as follows: \$4,000 for professional salaried staff and faculty; \$3,800 for office personnel and associate staff members; and \$3,600 for physical plant staff members. Those who meet the age and service criteria will be paid proportionately if they have less than 90 days on February 1 of the retirement year.

As of June 30, 2014, the College has an obligation of \$547,569 to 22 retirees for future health insurance benefits. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2014, 20 retirees received early retirement benefits. The College's early retirement expenditures for the year ended June 30, 2014 were \$127,630.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

Plan Description

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

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the College's annual OPEB cost for 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	\$ 206,351
Interest on net OPEB obligation.....	16,401
Adjustment to annual required contribution.....	<u>(57,922)</u>
Annual OPEB Cost	164,830
Contributions made	<u>(40,148)</u>
Increase in Net OPEB Obligation	124,682
Net OPEB Obligation - Beginning of Year.....	<u>656,051</u>
Net OPEB Obligation - End of Year	<u>\$ 780,733</u>

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 fiscal year ended June 30, 2014, the College contributed \$40,148 to the medical plan.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 195,105	31.2%	\$ 532,707
June 30, 2013	174,863	29.5	656,051
June 30, 2014	164,830	24.4	780,733

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1.277 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.277 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11.9 million, and the ratio of the UAAL to the covered payroll was 10.7%. 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the retiree health plan, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

Notes to the Financial Statements

(10) Risk Management

The College is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The College assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage during the year ended June 30, 2014.

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

Beginning balance	\$ 443,020
Claims and changes in estimates	193,461
Claims and administrative fees paid	<u>(143,220)</u>
Ending Balance	<u>\$ 493,261</u>

(11) New Jobs Training Programs

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area II in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the case of default, from standby property tax. Since inception, the College has administered 145 projects with 25 currently receiving project funding. The remaining 120 projects have been completed, of which 25 are in the repayment process and 75 have been fully repaid.

The College has a receivable totaling \$106,338 from an employer who is making an attempt to pay the balance. However, it appears doubtful that the employer is going to be able to make the payments. The College has not set up an allowance as they intend to levy property tax for this uncollectible account or transfer excess funds from other projects. Tax levies will correspond with the repayment schedule that would have been followed by the employer.

The College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Area II in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses receive loans from the Iowa Workforce Training Fund or the Grow Iowa Values Fund which are State administered funds. Since inception, the College has administered 239 projects, with 28 currently receiving project funding and the remaining 211 having been completed.

Notes to the Financial Statements

(12) Related Party Transactions

The North Iowa Area Community College Foundation (Foundation) provided funding for various projects of the College. The Foundation committed \$640,535 and paid \$605,238 for the year ended June 30, 2014. The Foundation owed \$35,297 to the College as of June 30, 2014 and the College owed \$52,000 to the Foundation as of June 30, 2014 which are reflected in the statement of net position.

(13) Commitments

The College has entered into contracts totaling approximately \$20,800,000 for the construction of a new student dormitory. As of June 30, 2014, the remaining commitments on these contracts were approximately \$1,700,000 and will be paid as work on the project progresses.

(14) Subsequent Events

Management has evaluated subsequent events through January 27, 2015, the date which the financial statements were available to be issued.

On September 18, 2014, the Board of Directors approved a bid of approximately \$1.5 million for a diesel lab addition to the Careers Building.

On November 20, 2014, the Board of Directors approved obtaining bids for a simulation lab with an anticipated cost of over \$850,000. The project will be awarded in January, 2015.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*. This statement will be implemented during the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the statement of net position may include a significant liability for the College's proportionate share of the IPERS employee pension plan unfunded pension liability.

Required Supplementary Information

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	\$ —	\$ 1,452,000	\$ 1,452,000	0.0%	\$ 11,381,000	12.8%
2010	7-1-08	—	1,452,000	1,452,000	0.0	11,534,000	12.6
2011	7-1-10	—	1,482,000	1,482,000	0.0	10,682,000	13.9
2012	7-1-10	—	1,329,000	1,329,000	0.0	10,682,000	12.4
2013	7-1-12	—	1,277,000	1,277,000	0.0	11,500,000	11.1
2014	7-1-12	—	1,277,000	1,277,000	0.0	11,900,000	10.7

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

Supplementary Information

Supplementary Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Year Ended June 30, 2014

Funds/Levy	Original and Final Budget	Actual	Over (Under) Budget
Unrestricted	<u>\$ 26,209,187</u>	<u>\$ 23,799,265</u>	<u>\$ (2,409,922)</u>
Restricted	6,982,163	3,359,620	(3,622,543)
Unemployment	130,000	83,498	(46,502)
Insurance	326,000	341,379	15,379
Early retirement	170,457	415,053	244,596
Equipment replacement.....	<u>750,000</u>	<u>484,665</u>	<u>(265,335)</u>
Total Restricted.....	<u>8,358,620</u>	<u>4,684,215</u>	<u>(3,674,405)</u>
Plant.....	<u>3,706,932</u>	<u>641,853</u>	<u>(3,065,079)</u>
Total	<u>\$ 38,274,739</u>	<u>\$ 29,125,333</u>	<u>\$ (9,149,406)</u>

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

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

While the College overexpended its budget in the insurance and early retirement functions, for the year ended June 30, 2014, the College's expenditures did not exceed the amount budgeted in total.

Note 1 - Reconciliation Between Budgetary Basis Statement and GAAP Expenses

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

Total actual expenditures above, budgetary basis	\$ 29,125,333
Items Not Required to be Budgeted	
Auxiliary enterprises.....	20,277,283
Scholarships and grants.....	3,837,998
Iowa Workforce Development contract.....	613,230
Loan funds	22,309
Investment in plant.....	17,166
Retirement of indebtedness	17,550
Combining adjustments	<u>(18,101,119)</u>
Total Expenses	<u>\$ 35,809,750</u>

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

Total operating expenses	\$ 35,517,923
Loss on sale of capital assets.....	9,355
Interest on indebtedness	<u>282,472</u>
Total Expenses	<u>\$ 35,809,750</u>

Combining Balance Sheet Schedule - All Funds

As of June 30, 2014

	Current Funds		Loan Funds	Plant Funds		Agency Funds	Adjustments	Total
	Unrestricted	Restricted		Unexpended	Investment in Plant			
Assets								
Cash and cash equivalents.....	\$ 18,363,986	\$ 14,953,382	\$ 27,353	\$ 5,576,079	\$ —	\$ 63,699	\$ —	\$ 38,984,499
Receivables								
Accounts (net of allowance for doubtful accounts - \$188,393).....	930,192	—	—	—	—	5,300	—	935,492
Property tax - succeeding year.....	1,260,525	1,466,192	—	1,260,525	—	—	—	3,987,242
Notes (net of allowance for doubtful accounts - \$31,539).....	—	53,724	14,551	—	—	—	—	68,275
Iowa Industrial New Jobs Training Program.....	—	2,920,933	—	—	—	—	—	2,920,933
Due from North Iowa Area Community College Foundation.....	35,297	—	—	—	—	—	—	35,297
Due from other funds.....	1,444,345	57,943	—	15,410	—	455,500	(1,973,198)	—
Due from other governments.....	29,368	227,516	—	—	—	154,227	—	411,111
Prepaid expenses.....	321,426	28,878	—	—	—	150	—	350,454
Inventories.....	314,132	—	—	—	—	—	—	314,132
Capital Assets								
Land.....	—	—	—	—	340,756	—	—	340,756
Construction in progress.....	—	—	—	—	16,003,163	—	—	16,003,163
Buildings.....	—	—	—	—	34,295,037	—	—	34,295,037
Other structures and improvements.....	—	—	—	—	2,724,445	—	—	2,724,445
Intangibles.....	—	—	—	—	1,890,234	—	—	1,890,234
Furniture, vehicles and equipment.....	—	—	—	—	6,581,239	—	—	6,581,239
Accumulated depreciation/amortization.....	—	—	—	—	—	—	(25,676,847)	(25,676,847)
Total Assets	\$ 22,699,271	\$ 19,708,568	\$ 41,904	\$ 6,852,014	\$ 61,834,874	\$ 678,876	\$ (27,650,045)	\$ 84,165,462
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts payable.....	\$ 1,818,878	\$ 533,141	\$ 6,361	\$ 50,925	\$ —	\$ 91,337	\$ —	\$ 2,500,642
Salaries and benefits payable.....	1,108,675	9,381	—	—	—	—	—	1,118,056
Accrued interest payable.....	412,366	19,715	—	—	—	—	—	432,081
Due to North Iowa Area Community College Foundation.....	50,000	—	—	—	—	2,000	—	52,000
Due to other funds.....	470,910	1,443,501	795	—	—	57,992	(1,973,198)	—
Advances from students.....	33,611	—	—	—	—	—	242,925	276,536
Advances from others.....	4,791	2,230,956	—	—	—	43	—	2,235,790
Compensated absences payable.....	147,610	29,456	—	—	—	—	—	177,066
Insurance claims incurred but not reported.....	493,261	—	—	—	—	—	—	493,261
Deposits held in custody for others.....	58,688	125	—	—	—	527,504	—	586,317
Early retirement payable.....	—	547,569	—	—	—	—	—	547,569
Certificates payable.....	—	8,350,000	—	—	—	—	—	8,350,000
Notes payable.....	—	—	—	710,000	—	—	—	710,000
Bonds payable.....	25,000,000	—	—	—	—	—	—	25,000,000
Net OPEB liability.....	—	—	—	—	—	—	780,733	780,733
Refundable allowances on student loans.....	—	—	13,576	—	—	—	—	13,576
Total Liabilities	29,598,790	13,163,844	20,732	760,925	—	678,876	(949,540)	43,273,627
Deferred Inflows of Resources								
Succeeding year property tax.....	1,260,525	1,466,192	—	1,260,525	—	—	—	3,987,242
Fund Balances								
Net investment in capital assets.....	—	—	—	—	61,834,874	—	(41,410,707)	20,424,167
Restricted								
Expendable								
Loans.....	—	—	21,172	—	—	—	—	21,172
Debt service.....	2,280,604	—	—	1,511,064	—	—	—	3,791,668
Cash reserve.....	—	285,793	—	—	—	—	—	285,793
Other.....	—	4,792,739	—	—	—	—	—	4,792,739
Unrestricted.....	6,072,723	—	—	3,319,500	—	—	1,579,868	10,972,091
Auxiliary enterprises.....	(16,513,371)	—	—	—	—	—	13,130,334	(3,383,037)
Total Fund Balances	(8,160,044)	5,078,532	21,172	4,830,564	61,834,874	—	(26,700,505)	36,904,593
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 22,699,271	\$ 19,708,568	\$ 41,904	\$ 6,852,014	\$ 61,834,874	\$ 678,876	\$ (27,650,045)	\$ 84,165,462

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

Year Ended June 30, 2014

Revenue	Current Funds		Loan Funds	Plant Funds			Adjustments	Total
	Unrestricted	Restricted		Unexpended	Retirement of Indebtedness	Investment in Plant		
General								
State appropriations.....	\$ 10,222,120	\$ 832,681	\$ —	\$ 429,300	\$ —	\$ —	\$ —	\$ 11,484,101
Tuition and fees	11,255,458	—	—	—	—	—	(3,241,376)	8,014,082
Property tax	1,295,010	1,640,794	—	1,291,090	17,550	—	—	4,244,444
Federal appropriations	182,408	5,471,984	—	—	—	—	—	5,654,392
Sales and services.....	158,817	5,260	—	—	—	—	—	164,077
Interest on investments.....	12,186	20,809	739	19,175	—	—	—	52,909
Iowa Industrial New Jobs Training Program.....	—	1,159,507	—	—	—	—	—	1,159,507
Increase in plant investment due to plant expenditures (including \$14,638,348 in current fund expenditures)	—	—	—	—	—	14,837,307	(14,837,307)	—
Gifts	351,389	199,007	—	—	—	—	—	550,396
Miscellaneous	495,646	504,351	21,084	—	—	—	(515,164)	505,917
Total General	23,973,034	9,834,393	21,823	1,739,565	17,550	14,837,307	(18,593,847)	31,829,825
Auxiliary Enterprises								
Sales and services.....	5,080,552	—	—	—	—	—	(940,382)	4,140,170
Interest on investments.....	19,559	—	—	—	—	—	—	19,559
Gifts	211,501	—	—	—	—	—	—	211,501
Miscellaneous	221,260	—	—	—	—	—	—	221,260
Total Auxiliary Enterprises.....	5,532,872	—	—	—	—	—	(940,382)	4,592,490
Total Revenue.....	29,505,906	9,834,393	21,823	1,739,565	17,550	14,837,307	(19,534,229)	36,422,315
Expenditures								
Education and Support								
Liberal arts and sciences	6,214,166	308,612	—	—	—	—	(4,465)	6,518,313
Vocational technical	3,687,273	590,102	—	—	—	—	(542,484)	3,734,891
Adult education	2,610,014	1,012,509	—	—	—	—	(17,772)	3,604,751
Cooperative services.....	48,591	1,909,362	—	—	—	—	(299,742)	1,658,211
Administration	1,857,170	280,530	—	—	—	—	(37,716)	2,099,984
Student services	3,535,950	413,275	—	—	—	—	(9,910)	3,939,315
Learning resources	479,357	23,348	—	—	—	—	1,509	504,214
Physical plant.....	2,346,074	174,137	—	—	—	—	6,084	2,526,295
General institution	3,020,670	320,648	—	—	—	—	1,253	3,342,571
Total Education and Support.....	23,799,265	5,032,523	—	—	—	—	(903,243)	27,928,545
Auxiliary enterprises	19,297,980	—	—	—	—	—	(14,070,716)	5,227,264
Scholarships and grants	—	3,837,998	—	—	—	—	(3,209,949)	628,049
Loan cancellations and bad debts	—	—	15,948	—	—	—	—	15,948
Administrative and collection costs	—	—	6,361	442,894	—	—	—	449,255
Plant asset acquisitions	—	—	—	198,959	—	—	(198,959)	—
Disposal of plant assets.....	—	—	—	—	—	17,166	(17,166)	—
Interest on indebtedness	979,303	264,922	—	—	17,550	—	(979,303)	282,472
Depreciation/amortization.....	—	—	—	—	—	—	1,268,862	1,268,862
Loss on sale of capital assets.....	—	—	—	—	—	—	9,355	9,355
Total Expenditures.....	44,076,548	9,135,443	22,309	641,853	17,550	17,166	(18,101,119)	35,809,750
Revenue Over (Under) Expenditures	(14,570,642)	698,950	(486)	1,097,712	—	14,820,141	(1,433,110)	612,565
Transfers								
Nonmandatory transfers in	544,956	81,117	—	—	—	—	(626,073)	—
Nonmandatory transfers out	(544,161)	(81,117)	(795)	—	—	—	626,073	—
Total Transfers	795	—	(795)	—	—	—	—	—
Net	(14,569,847)	698,950	(1,281)	1,097,712	—	14,820,141	(1,433,110)	612,565
Fund Balances - Beginning of Year	6,409,803	4,379,582	22,453	3,732,852	—	47,014,733	(25,267,395)	36,292,028
Fund Balances - End of Year	\$ (8,160,044)	\$ 5,078,532	\$ 21,172	\$ 4,830,564	\$ —	\$ 61,834,874	\$ (26,700,505)	\$ 36,904,593

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

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	
Revenue										
State appropriations	\$ 6,081,997	\$ 3,145,406	\$ 994,510	\$ —	\$ —	\$ —	\$ 207	\$ —	\$ —	\$ 10,222,120
Tuition and fees	6,348,704	2,777,579	1,515,995	—	604,136	9,044	—	—	—	11,255,458
Property tax	—	—	—	—	1,295,010	—	—	—	—	1,295,010
Federal appropriations	—	93,448	81,958	—	5,775	1,227	—	—	—	182,408
Sales and services	6,074	15,850	70,216	1,335	—	—	53	64,890	399	158,817
Interest on investments	—	—	—	—	11,501	—	—	—	685	12,186
Gifts	58,673	56,859	80,436	—	—	32,600	202	3,300	119,319	351,389
Miscellaneous	49,778	194,750	41,781	—	72,175	9,622	88	79,138	48,314	495,646
Total Revenue	12,545,226	6,283,892	2,784,896	1,335	1,988,597	52,493	550	147,328	168,717	23,973,034
Expenditures										
Salaries and benefits	6,011,159	3,113,081	1,640,588	26,347	1,121,876	2,806,108	333,337	945,514	971,614	16,969,624
Services	80,215	267,203	810,594	20,617	121,974	95,544	23,896	1,112,450	1,938,672	4,471,165
Materials and supplies	82,304	190,570	125,865	1,454	21,829	73,354	121,102	288,011	83,914	988,403
Travel	40,488	18,889	32,967	173	38,223	61,071	1,022	99	26,356	219,288
Plant asset acquisitions	—	97,530	—	—	—	—	—	—	—	97,530
Loan cancellations and bad debts	—	—	—	—	458,819	—	—	—	—	458,819
Miscellaneous	—	—	—	—	94,449	499,873	—	—	114	594,436
Total Expenditures	6,214,166	3,687,273	2,610,014	48,591	1,857,170	3,535,950	479,357	2,346,074	3,020,670	23,799,265
Revenue Over (Under) Expenditures	6,331,060	2,596,619	174,882	(47,256)	131,427	(3,483,457)	(478,807)	(2,198,746)	(2,851,953)	173,769
Transfers										
Nonmandatory transfers in	—	—	—	—	—	795	—	—	—	795
Nonmandatory transfers out	—	(33,008)	—	—	—	(250,000)	—	—	—	(283,008)
Total Transfers	—	(33,008)	—	—	—	(249,205)	—	—	—	(282,213)
Net	\$ 6,331,060	\$ 2,563,611	\$ 174,882	\$ (47,256)	\$ 131,427	\$ (3,732,662)	\$ (478,807)	\$ (2,198,746)	\$ (2,851,953)	(108,444)
Fund Balances - Beginning of Year										6,181,167
Fund Balances - End of Year										\$ 6,072,723

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

Year Ended June 30, 2014

	Trade and Industry	Farm	Food Services	Auditorium	Dormitories	Athletics	Tech-Prep	BookZone	Miscellaneous	Total
Revenue										
Sales and services	\$ 74,408	\$ 175,139	\$ 1,191,634	\$ 488,372	\$ 1,629,581	\$ 317,733	\$ —	\$ 1,189,415	\$ 14,270	\$ 5,080,552
Interest on investments	55	—	800	99	18,405	—	—	—	200	19,559
Gifts.....	—	29,295	—	29,377	—	152,829	—	—	—	211,501
Miscellaneous.....	77	879	7,053	19,498	83,385	5,095	—	105,273	—	221,260
Total Revenue.....	74,540	205,313	1,199,487	537,346	1,731,371	475,657	—	1,294,688	14,470	5,532,872
Expenditures										
Salaries and benefits	—	15,038	460,491	119,505	124,100	19,241	—	109,467	—	847,842
Services	—	115,429	5,586	390,206	1,967,489	52,320	—	81,594	—	2,612,624
Materials and supplies.....	78,487	106,758	645,349	8,989	118,077	188,782	—	977,592	—	2,124,034
Travel	—	1,096	8,038	7,335	125	344,842	—	—	—	361,436
Plant asset acquisitions	—	—	—	—	12,087,202	—	—	—	—	12,087,202
Interest on indebtedness	—	—	—	—	979,303	—	—	—	—	979,303
Loan cancellations and bad debts	—	—	—	—	78,900	—	—	17,852	—	96,752
Miscellaneous.....	—	—	—	11,019	830,529	320,997	—	5,545	—	1,168,090
Total Expenditures.....	78,487	238,321	1,119,464	537,054	16,185,725	926,182	—	1,192,050	—	20,277,283
Revenue Over (Under) Expenditures	(3,947)	(33,008)	80,023	292	(14,454,354)	(450,525)	—	102,638	14,470	(14,744,411)
Transfers										
Nonmandatory transfers In	—	33,008	120,761	—	—	390,392	—	—	—	544,161
Nonmandatory transfers out	—	—	(153,503)	—	—	—	—	(93,319)	(14,331)	(261,153)
Total Transfers	—	33,008	(32,742)	—	—	390,392	—	(93,319)	(14,331)	283,008
Net	(3,947)	—	47,281	292	(14,454,354)	(60,133)	—	9,319	139	(14,461,403)
Fund Balances - Beginning of Year	59,489	(3,310)	571,563	53,281	(315,832)	(500,964)	9,368	201,509	153,532	228,636
Fund Balances - End of Year	\$ 55,542	\$ (3,310)	\$ 618,844	\$ 53,573	\$ (14,770,186)	\$ (561,097)	\$ 9,368	\$ 210,828	\$ 153,671	\$ (14,232,767)

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

Year Ended June 30, 2014

	Scholarships and Grants	Equipment Replace- ment	Insurance	Early Retirement	Unemploy- ment Compen- sation	Cash Reserve	Iowa Workforce Development Contract Workforce Invest- ment Act	Temporary Assist- ance for Needy Families	Other	Iowa Industrial New Jobs Training Program Adminis- tration	Iowa Industrial New Jobs Training Program	Miscel- laneous	Total
Revenue													
State appropriations	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,389	\$ —	\$ —	\$ 830,292	\$ 832,681
Property tax	—	575,561	285,285	433,336	199,900	—	—	—	—	—	146,712	—	1,640,794
Federal appropriations.....	3,837,998	—	—	—	—	—	593,748	239,737	28,491	—	—	772,010	5,471,984
Sales and services	—	—	—	—	—	—	—	—	—	—	—	5,260	5,260
Interest on investments	2	1,538	254	—	—	—	—	—	28	9,125	7,381	2,481	20,809
Iowa Industrial New Jobs Training Program	—	—	—	—	—	—	—	—	—	—	1,159,507	—	1,159,507
Gifts.....	—	—	—	—	—	—	—	—	—	—	—	199,007	199,007
Miscellaneous.....	—	—	7,647	—	—	—	—	—	—	372,103	35,400	89,201	504,351
Total Revenue.....	3,838,000	577,099	293,186	433,336	199,900	—	593,748	239,737	30,908	381,228	1,349,000	1,898,251	9,834,393
Expenditures													
Salaries and benefits	—	—	—	415,053	83,498	—	406,516	183,401	11,006	240,059	—	1,056,079	2,395,612
Services	—	—	341,379	—	—	—	153,075	45,564	6,427	127,739	1,002,961	83,807	1,760,952
Materials and supplies.....	—	373,619	—	—	—	—	20,377	5,862	34	143	—	82,230	482,265
Travel	—	—	—	—	—	—	5,208	1,065	1,952	4,001	—	26,927	39,153
Plant asset acquisitions	—	111,046	—	—	—	—	8,572	3,845	63	—	—	207,278	330,804
Interest on indebtedness	—	—	—	—	—	—	—	—	—	—	264,922	—	264,922
Federal Pell Grant Program.....	3,757,017	—	—	—	—	—	—	—	—	—	—	—	3,757,017
Federal Supplemental Educational Opportunity Grants.....	80,981	—	—	—	—	—	—	—	—	—	—	—	80,981
Loan cancellations and bad debts	—	—	—	—	—	—	—	—	—	—	—	3,737	3,737
Miscellaneous.....	—	—	—	—	—	—	—	—	—	—	—	20,000	20,000
Total Expenditures.....	3,837,998	484,665	341,379	415,053	83,498	—	593,748	239,737	19,482	371,942	1,267,883	1,480,058	9,135,443
Revenue Over (Under) Expenditures	2	92,434	(48,193)	18,283	116,402	—	—	—	11,426	9,286	81,117	418,193	698,950
Transfers													
Nonmandatory transfers in	—	—	—	—	—	—	—	—	—	81,117	—	—	81,117
Nonmandatory transfers out	—	—	—	—	—	—	—	—	—	—	(81,117)	—	(81,117)
Total Transfers	—	—	—	—	—	—	—	—	—	81,117	(81,117)	—	—
Net	2	92,434	(48,193)	18,283	116,402	—	—	—	11,426	90,403	—	418,193	698,950
Fund Balances - Beginning of Year	2,019	1,274,700	170,194	(495,592)	(93,655)	285,793	(7,325)	—	27,713	2,697,420	—	518,315	4,379,582
Fund Balances - End of Year	\$ 2,021	\$ 1,367,134	\$ 122,001	\$ (477,309)	\$ 22,747	\$ 285,793	\$ (7,325)	\$ —	\$ 39,139	\$ 2,787,823	\$ —	\$ 936,508	\$ 5,078,532

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

Year Ended June 30, 2014

	Fine Arts	Student Organizations	Iowa Small Business New Jobs Training Program	Federal Direct Student Loan Program	Miscellaneous	Total
Balances - Beginning of Year.....	\$ 43,521	\$ 124,874	\$ 244,182	\$ —	\$ 205,757	\$ 618,334
Additions						
State appropriations ...	—	—	249,844	—	103,700	353,544
Tuition and fees.....	2,000	110,229	—	—	—	112,229
Federal appropriations	—	—	—	5,925,445	—	5,925,445
Sales and services	54,853	34,978	—	—	3,704	93,535
Interest on investments	37	137	202	—	521	897
Gifts.....	—	11,955	—	—	5,000	16,955
Miscellaneous.....	1,770	1,982	—	—	26,200	29,952
Total Additions.....	<u>58,660</u>	<u>159,281</u>	<u>250,046</u>	<u>5,925,445</u>	<u>139,125</u>	<u>6,532,557</u>
Deductions						
Salaries and benefits ..	687	12,384	—	—	31,565	44,636
Services	35,196	74,005	265,012	5,925,445	132,179	6,431,837
Materials and supplies	4,579	33,672	—	—	1,474	39,725
Travel	47,686	52,514	—	—	100	100,300
Miscellaneous.....	717	6,172	—	—	—	6,889
Total Deductions..	<u>88,865</u>	<u>178,747</u>	<u>265,012</u>	<u>5,925,445</u>	<u>165,318</u>	<u>6,623,387</u>
Balances - End of Year	<u>\$ 13,316</u>	<u>\$ 105,408</u>	<u>\$ 229,216</u>	<u>\$ —</u>	<u>\$ 179,564</u>	<u>\$ 527,504</u>

Schedule of Credit and Contact Hours

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	41,524	—	41,524	—	—	—
Vocational education	20,168	—	20,168	—	—	—
Adult education/ continuing education	—	—	—	<u>147,330</u>	<u>49,592</u>	<u>196,922</u>
Total	<u>61,692</u>	<u>—</u>	<u>61,692</u>	<u>147,330</u>	<u>49,592</u>	<u>196,922</u>

Schedule of Tax and Intergovernmental Revenue

For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Local (property tax).....	\$ 4,244,444	\$ 4,036,768	\$ 3,905,020	\$ 3,690,404	\$ 3,346,110	\$ 3,379,636	\$ 3,209,007	\$ 2,962,592	\$ 2,810,438	\$ 2,757,931
State.....	11,484,101	10,285,881	10,068,392	10,397,623	8,880,845	10,554,683	10,782,145	9,789,440	9,244,435	8,674,524
Federal.....	<u>5,654,392</u>	<u>6,099,915</u>	<u>7,294,583</u>	<u>9,040,763</u>	<u>9,659,983</u>	<u>6,657,951</u>	<u>5,548,711</u>	<u>4,534,172</u>	<u>4,094,963</u>	<u>4,377,657</u>
Total	<u>\$ 21,382,937</u>	<u>\$ 20,422,564</u>	<u>\$ 21,267,995</u>	<u>\$ 23,128,790</u>	<u>\$ 21,886,938</u>	<u>\$ 20,592,270</u>	<u>\$ 19,539,863</u>	<u>\$ 17,286,204</u>	<u>\$ 16,149,836</u>	<u>\$ 15,810,112</u>

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

For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue										
State appropriations	\$ 11,054,801	\$ 9,651,175	\$ 10,068,392	\$ 9,665,130	\$ 8,773,001	\$ 10,531,191	\$ 10,100,971	\$ 9,678,544	\$ 8,711,014	\$ 8,380,523
Tuition and fees	11,255,458	11,179,621	11,837,881	11,626,515	10,705,794	9,650,246	9,359,960	8,563,029	8,371,061	7,999,703
Property tax	2,935,804	2,794,004	2,711,478	2,552,252	2,254,691	2,338,744	2,224,032	2,001,291	1,897,426	1,865,506
Federal appropriations.....	5,654,392	6,099,915	7,294,583	9,040,763	9,659,983	6,609,386	5,092,587	4,446,171	4,094,963	4,377,657
Sales and services	164,077	162,574	204,290	236,640	221,024	220,654	239,945	251,662	364,703	321,134
Interest on investments	32,995	59,047	99,099	141,571	204,398	409,282	750,316	763,926	489,162	263,177
Iowa Industrial New Jobs Training Program	1,159,507	1,382,494	1,756,858	1,801,669	1,493,439	1,076,200	1,110,306	1,067,167	1,536,809	1,833,748
Auxiliary enterprises	5,532,872	5,403,976	5,075,464	4,788,016	4,602,336	4,389,782	3,806,512	3,589,113	3,048,076	1,566,038
Miscellaneous.....	<u>1,550,393</u>	<u>1,445,713</u>	<u>1,299,162</u>	<u>1,247,548</u>	<u>1,170,835</u>	<u>1,397,021</u>	<u>1,926,115</u>	<u>2,046,803</u>	<u>1,784,495</u>	<u>2,045,179</u>
Total Revenue	<u>\$ 39,340,299</u>	<u>\$ 38,178,519</u>	<u>\$ 40,347,207</u>	<u>\$ 41,100,104</u>	<u>\$ 39,085,501</u>	<u>\$ 36,622,506</u>	<u>\$ 34,610,744</u>	<u>\$ 32,407,706</u>	<u>\$ 30,297,709</u>	<u>\$ 28,652,665</u>
Expenditures										
Liberal arts and sciences.....	\$ 6,522,778	\$ 6,515,912	\$ 6,684,906	\$ 6,504,556	\$ 6,960,855	\$ 6,330,635	\$ 6,288,908	\$ 5,943,033	\$ 5,588,990	\$ 5,676,475
Vocational technical.....	4,277,375	3,885,533	3,821,361	4,318,171	3,973,228	3,991,555	3,904,936	3,085,462	3,267,663	3,266,549
Adult education.....	3,622,523	3,753,386	3,733,844	3,780,519	4,984,857	2,307,549	3,558,893	3,531,714	3,533,602	3,053,689
Cooperative services	1,957,953	1,938,705	3,002,051	3,004,098	2,213,919	1,926,100	2,291,350	1,786,208	2,077,615	2,153,615
Administration.....	2,137,700	2,237,758	2,184,365	1,676,134	1,582,055	1,601,812	1,742,303	1,570,535	1,407,399	1,189,597
Student services.....	3,949,225	4,211,910	3,779,194	3,331,451	3,754,950	3,625,311	3,500,896	3,105,053	3,078,987	2,715,377
Learning resources.....	502,705	593,798	574,818	577,133	534,090	561,378	569,277	529,873	540,632	582,289
Physical plant	2,520,211	2,182,366	2,298,525	2,328,908	2,614,665	1,957,665	1,840,561	1,980,149	2,067,471	2,006,982
General institution	3,341,318	2,937,915	2,692,880	2,986,403	2,108,574	2,083,980	2,051,474	2,202,957	1,680,644	1,561,915
Auxiliary enterprises	19,297,980	7,313,556	5,049,342	4,505,032	4,394,703	4,473,241	3,621,093	3,202,981	2,758,600	1,508,483
Scholarships and grants	3,837,998	4,220,787	4,909,328	5,811,200	4,662,335	3,060,557	2,461,990	2,272,500	2,111,449	2,431,863
Iowa Workforce Development contract ...	—	—	—	—	—	2,202,003	1,189,384	999,964	975,731	1,126,671
Interest on indebtedness	<u>1,244,225</u>	<u>362,018</u>	<u>332,690</u>	<u>378,464</u>	<u>416,447</u>	<u>461,414</u>	<u>480,212</u>	<u>517,985</u>	<u>457,792</u>	<u>468,070</u>
Total Expenditures	<u>\$ 53,211,991</u>	<u>\$ 40,153,644</u>	<u>\$ 39,063,304</u>	<u>\$ 39,202,069</u>	<u>\$ 38,200,678</u>	<u>\$ 34,583,200</u>	<u>\$ 33,501,277</u>	<u>\$ 30,728,414</u>	<u>\$ 29,546,575</u>	<u>\$ 27,741,575</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number(s)	Expenditures
U.S. Department of Veterans Affairs			
Direct			
Vocational Rehabilitation for Disabled Veterans.....	64.116		<u>\$ 1,227</u>
U.S. Department of Education			
Direct			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity			
Grants	84.007		80,981
Federal Work-Study Program	84.033		74,738
Federal Pell Grant Program.....	84.063		3,762,792
Federal Direct Student Loans	84.268		<u>5,925,445</u>
Total Student Financial Assistance Cluster			<u>9,843,956*</u>
TRIO Student Support Services	84.042		<u>270,523</u>
Total U.S. Department of Education			<u>10,114,479</u>
Corporation for National and Community Service			
Direct			
Retired and Senior Volunteer Program	94.002		<u>54,720</u>
Social Security Administration			
Direct			
Social Security - Work Incentives Planning and Assistance Program	96.008		<u>8,876</u>
Total Direct.....			<u>10,179,302</u>
U.S. Department of Labor			
Indirect			
Pass-Through Des Moines Area Community College Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants.....			
	17.282		<u>300,560</u>
Pass-Through Iowa Workforce Development Employment Service Cluster			
Employment Service/Wagner-Peyser Funded Activities			
	17.207		<u>3,116</u>
Local Veterans' Employment Representative Program.....			
	17.804		<u>5,000</u>
Total Employment Service Cluster			<u>8,116</u>
Trade Adjustment Assistance	17.245		<u>104</u>
Workforce Investment Act (WIA) Cluster			
WIA Adult Program	17.258	13-W-02-FR-0	173,931
WIA Youth Activities.....	17.259	13-W-02-FR-0	215,905
WIA Dislocated Worker Formula Grants.....	17.278	13-W-02-FR-0	<u>203,913</u>
Total Workforce Investment Act (WIA) Cluster			<u>593,749</u>
Total Pass-Through Iowa Workforce Development			<u>601,969</u>
Total U.S. Department of Labor			<u>902,529</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number(s)	Expenditures
Small Business Administration			
Indirect			
Pass-Through Iowa State University Small Business Development Centers.....	59.037		<u>\$ 67,427</u>
U.S. Department of Education			
Indirect			
Pass-Through Iowa Department of Education Adult Education - Basic Grants to States	84.002	G40019/G40034	<u>81,958</u>
Career and Technical Education - Basic Grants to States.....	84.048	G40180/G30606/ G40602	<u>97,489</u>
Total U.S. Department of Education			<u>179,447</u>
U.S. Department of Health and Human Services			
Indirect			
Pass-Through Iowa Department of Education Student Financial Assistance Cluster Nursing Student Loans.....	93.364		<u>45,290*</u>
Pass-Through Iowa Workforce Development Temporary Assistance for Needy Families.....	93.558	14-02-PF-PH-01	<u>239,737</u>
Total U.S. Department of Health and Human Services			<u>285,027</u>
Total Indirect			<u>1,434,430</u>
Total			<u>\$ 11,613,732</u>

* Total Student Financial Assistance Cluster - \$9,889,246.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Basis of Presentation

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

Loans Outstanding

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

The amount presented for Nursing Student Loans represents the balance of loans outstanding as of June 30, 2014.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Iowa Area Community College, Mason City, Iowa, and the discretely presented component unit as of and for the year ended June 30, 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, and have issued our report thereon dated January 27, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of This Report

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

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 27, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited North Iowa Area Community College's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of North Iowa Area Community College's major federal programs for the year ended June 30, 2014. North Iowa Area Community College's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Iowa Area Community College's major federal programs based on our audit of the types of compliance requirements referred to above.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 27, 2015

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part I: Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

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

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

Identification of major programs:

CFDA Numbers

17.282

84.007

84.033

84.063

84.268

93.364

Name of Federal Program or Cluster

Trade Adjustment Assistance
Community College and Career
Training (TAACCCT) Grants
Student Financial Assistance Cluster
Federal Supplemental Educational
Opportunity Grants
Federal Work-Study Program
Federal Pell Grant Program
Federal Direct Student Loans
Nursing Student Loans

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

There were no matters reported.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

There were no matters reported.

Part IV: Other Findings Related to Statutory Reporting

- 14-IV-A Certified Budget** - While two categories of the budget were overexpended, in total, expenditures for the year ended June 30, 2014 did not exceed the amount budgeted.
- 14-IV-B Questionable Disbursements** - No expenditures we believe did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 14-IV-C Travel Expense** - No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.
- 14-IV-D Business Transactions** - No business transactions between the College and College officials or employees were noted.
- 14-IV-E Bond Coverage** - Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 14-IV-F Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 14-IV-G Publication** - The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2014

- 14-IV-H Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.

- 14-IV-I Credit and Contact Hours** - Eligible credit and contact hours reported to the Iowa Department of Education by the College for the year ended June 30, 2014 were supported by detailed records maintained by the College.