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, 2015

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Officials

Name	Title	Term Expires
	Board of Directors	
David Steffens, Jr.	President	2017
John Rowe	Vice-President	2015
Toni Noah	Member	2017
Karen Knudtson	Member	2015
James Niemants	Member	2017
Doug Krabbe	Member	2017
Jean Torgeson	Member	2015
Dean Cataldo	Member	2015
John Heilskov	Member	2015
	Officials	
Dr. Steven Schulz	President	
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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2015, 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.

Emphasis of Matter
As discussed in Note 15 to the financial statements, North Iowa Area Community College adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 4 through 12 and 38 through 42 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, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information on pages 43 through 57, 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, based on our audit, the procedures performed as described above, and the report of the other auditors, 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 7, 2016, 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 7, 2016

North Iowa Area Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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, 2014 and ending June 30, 2015. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- College operating revenue increased 6.00% in FY15 from FY14. The College did experience an increase in tuition revenue for credit enrollments, even though we had a decrease in enrollment. We experienced an increase in our non-credit tuition revenue for services and courses provided on campus and in our communities and businesses. Auxiliary services, including our college-owned bookstore and food service, had an increase in revenue. The primary reason in these areas for an increase is because of the higher cost of goods that is captured in sales and services.

- College operating expenses decreased 1.13% in FY15 from FY14. Our faculty and staff average salary increase was 2.25%. Auxiliary services expenses were slightly higher because of the cost of doing business in the college-owned bookstore and food service. Off-set of these increases was a decrease in the cost of health benefits of 1.51%, and staffing changes and positions that were evaluated and left unfilled.

- Construction in progress is near completion for two programs. Our diesel technology program and our health careers programs are anticipated to move into new spaces for our fall 2015 semester. Construction in progress for our student housing is near completion. Though we have occupancy, we continue to review and finalize construction details.

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 College's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary information provides detailed information about individual funds. The budgetary comparison Schedule of Expenditures - Budget to Actual further explains and supports the financial statements with a comparison of the College's budget for the year. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal 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

	June 30, 2015	June 30, 2014 (Not Restated)
Current assets	$ 36,177,516	$ 46,182,834
Non-current assets	2,230,215	1,824,601
Capital assets, net of accumulated depreciation/amortization	44,735,860	36,158,027
Total assets	83,143,591	84,165,462
Deferred outflows of resources	873,441	—
Total assets and deferred outflows of resources	$ 84,017,032	$ 84,165,462
Current liabilities	$ 7,118,068	$ 8,175,727
Non-current liabilities	37,727,466	35,097,900
Total liabilities	44,845,534	43,273,627
Deferred inflows of resources	6,224,027	3,987,242
Net position:		
Net investment in capital assets	20,508,275	20,424,167
Restricted, expendable	10,042,953	8,891,372
Unrestricted	2,396,243	7,589,054
Total net position	32,947,471	36,904,593
Total liabilities, deferred inflows of resources and net position	$ 84,017,032	$ 84,165,462

Comparison of Net Position

The largest portion of the College's net position (62.25%) 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 (30.48%) includes resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The remaining net position (7.27%) is unrestricted net position which can be used to meet the College's obligations as they come due.

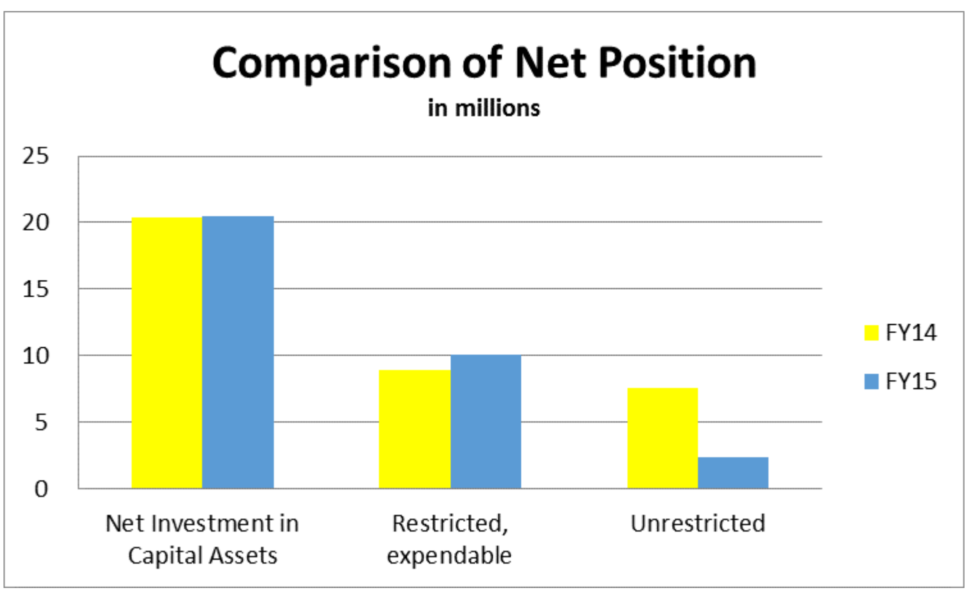
Restricted, expendable net position in FY15 increased $1,151,581 from FY14 or 12.95%.

Unrestricted net position decreased $5,192,811 or 68.43%. Net position was restated in the current year to report the College's net pension liability as explained in the next paragraph.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*, was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by $5,513,435 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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 FY15 and FY14 amounts.

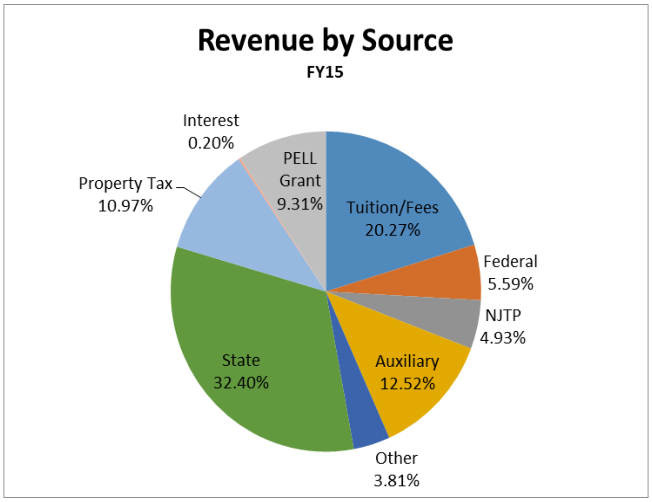


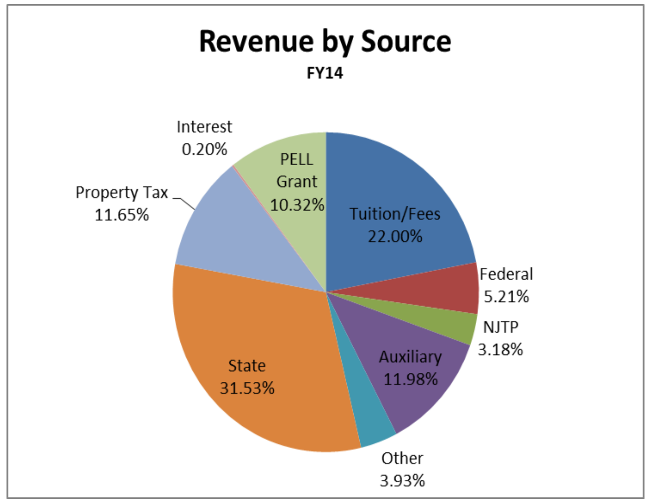
In general, a public college, such as North Iowa Area Community College, will report an operating loss since the financial reporting model classifies state appropriations, Pell grant and property tax as non-operating revenue. Operating revenue is received for providing goods and services to students, 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

	Year ended June 30, 2015	Year ended June 30, 2014 (Not Restated)
Operating revenue:		
Tuition and fees	$ 7,612,716	$ 8,014,082
Federal appropriations	2,100,795	1,897,375
Sales and services	179,180	164,077
Iowa Industrial New Jobs Training Program	1,853,265	1,159,507
Auxiliary enterprises	4,703,462	4,361,430
Miscellaneous	618,499	505,917
Total operating revenue	17,067,917	16,102,388
Total operating expenses	35,118,253	35,517,923
Operating loss	(18,050,336)	(19,415,535)
Non-operating revenue (expenses):		
State appropriations	12,170,192	11,484,101
Pell grant	3,494,648	3,757,017
Property tax	4,119,993	4,244,444
Gifts	633,695	761,897
Interest income on investments	73,505	72,468
Loss on sale of capital assets	(8,916)	(9,355)
Interest on indebtedness	(876,468)	(282,472)
Net non-operating revenue	19,606,649	20,028,100
Change in net position	1,556,313	612,565
Net position beginning of year, as restated	31,391,158	36,292,028
Net position end of year	$ 32,947,471	$ 36,904,593

The Statement of Revenue, Expenses and Changes in Net Position reflects a surplus with an increase ($1,556,313 or 4.96%) in the net position at the end of the fiscal year and showed a decrease ($1,365,199 or 7.03%) 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 FY15, operating revenue increased $965,529 or 6.00%, as a net result of the following changes:

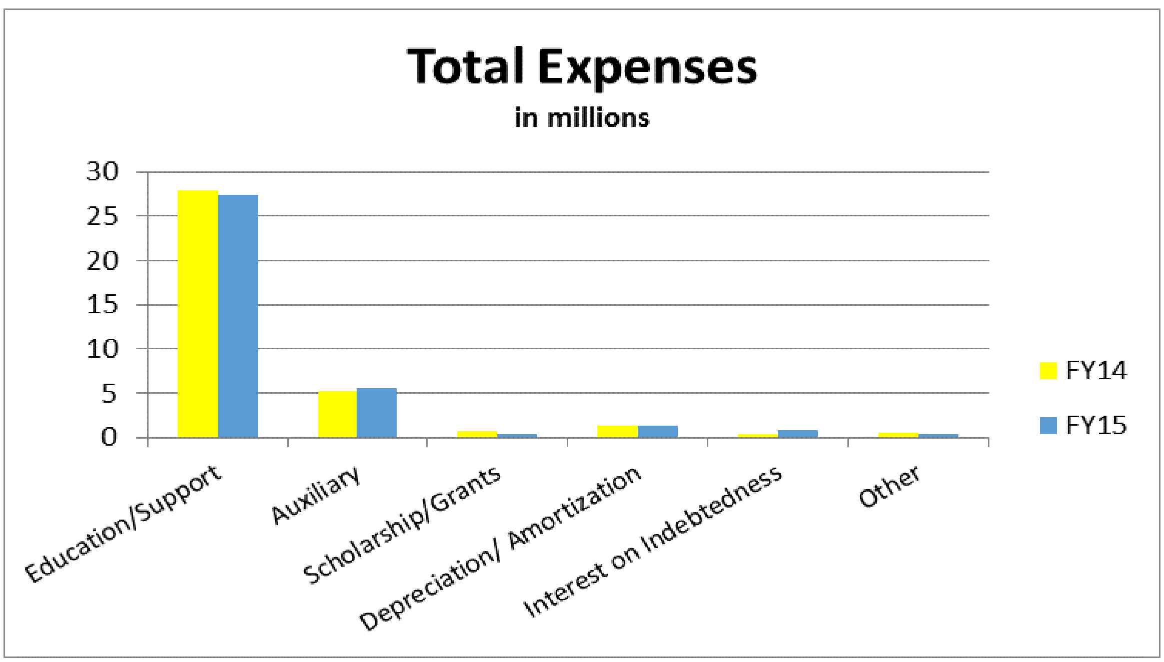
- The College experienced an increase in Continuing Education revenue between FY14 and FY15. This indicates an increased demand for non-credit offerings. The College continues to evaluate the need for corporate training in the region and this area of the College provides those opportunities. There was 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 an increase in Federal appropriations. This included a small increase in Perkins funding under operating revenue as well as the receipt of an award for a Title 3 grant (Strengthening Institutions). The Title 3 grant is in the first year of a five-year grant. The College also experienced an increase 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 5.97% in State appropriations. Most of this increase was from an increase in state support in general aid over the prior year and in special state support for adult and literacy services.

Operating Expenses

	Year ended June 30, 2015	Year ended June 30, 2014 (Not Restated)
Education and support:		
Liberal arts and sciences	$ 5,542,647	$ 6,518,313
Vocational technical	3,951,074	3,734,891
Adult education	3,741,450	3,604,751
Cooperative services	2,284,729	1,658,211
Administration	1,859,514	2,099,984
Student services	4,236,206	3,939,315
Learning resources	673,655	504,214
Physical plant	2,401,398	2,526,295
General institution	2,729,453	3,342,571
Auxiliary enterprises	5,626,088	5,227,264
Scholarship and grants	340,394	628,049
Loan cancellations and bad debt	470	15,948
Administrative and collection costs	424,671	449,255
Depreciation/amortization	1,306,504	1,268,862
Total	$ 35,118,253	$ 35,517,923



In FY15, operating expenses decreased by 1.13% mainly due to decreased expenses for staff salaries and benefits because of a decrease in benefit cost and reduction in staff needs. There was a reduction in bad debt expense and a reduction in physical plant out-sourced services over the previous year.

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

	Year ended June 30, 2015	**Year ended June 30, 2014**
Cash provided by (used in):		
Operating activities	$ (17,289,325)	$ (17,995,343)
Non-capital financing activities	18,261,397	19,801,423
Capital and related financing activities	(11,248,713)	1,623,547
Investing activities	73,505	72,468
Net increase in cash	(10,203,136)	3,502,095
Cash and cash equivalents - beginning of the year	38,984,499	35,482,404
Cash and cash equivalents - end of the year	$ 28,781,363	$ 38,984,499

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 used in 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 FY15 including continued construction costs related to the student housing facility, diesel technology shop construction and remodeling for our health simulation center, resulting in a net decrease in cash flow.

Cash provided by investing activities includes investment income received. Investment income increased in FY15 by $1,037. Though interest rates remain low, we had some financial institutions provide us with more opportunity this year. We were able to get a little higher rate that was not available last fiscal year on some funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2015, the College had $44,735,860 invested in capital assets, net of accumulated depreciation/amortization of $26,862,347. Depreciation expense/amortization totaled $1,306,504 for FY15. Details of capital assets are shown below.

Capital Assets, Net, at Year End

	June 30, 2015	June 30, 2014
Land	$ 340,756	$ 340,756
Construction in progress	25,224,499	16,003,163
Buildings	17,152,872	17,818,854
Other structures and improvements	351,287	404,342
Intangibles	177,731	258,746
Furniture, vehicles and equipment	1,488,715	1,332,166
Total	$ 44,735,860	$ 36,158,027

The increase in total assets was primarily due to construction in progress related to the student housing facility construction, an addition for diesel technology instruction and the construction of a health simulation center.

Planned capital expenditures for FY16 include the completion of construction of the student housing facility, continuing site development of the Emergency Services Training Facility, completion of the space for diesel technology and completion of the health career simulation center. Conversations have begun on what might be incorporated into a STEM (science, technology, engineering and math) construction or remodeling plan. The College continues implementation of some of the items included in the facilities master plan. The goal was to create a long-term building or repurposing of space for the future. Leveraging technology and efficient room usage continue to be included in planning and programming. More detailed information about the College's capital assets is presented in Note 3 to the financial statements.

DEBT

As of June 30, 2015, the College had $32,460,000 in debt outstanding, a decrease of $1,600,000 from FY14. The table below summarizes these amounts by type.

Outstanding Debt

	June 30, 2015	June 30, 2014
Certificates payable	$ 6,980,000	$ 8,350,000
Notes payable	480,000	710,000
Bonds payable	25,000,000	25,000,000
	$ 32,460,000	$ 34,060,000

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 FY15 through the legislature-approved state funding which more than offset the reduced revenue from a decline in enrollment. The continuing decline in the demographics of high school students continues to be a concern for College officials even though there was a current year increase in financial position due to the recognition of the College's net pension liability which reduced the beginning net position by approximately $5.5 million.

- As staff and student demands for technology continue to expand and current technology becomes outdated, this presents an ongoing challenge to maintain up-to-date technology and network access at a reasonable cost. The College is leveraging with a contract with CampusWorks to continue to develop strategies for faculty and students to meet these demands. This contract ends in August 2016, and we will evaluate the services provided to be sure we maintain services and management of risk for our institution.

- Demographics of our area continue to be a source of concern. The number of high school graduates has been declining over the last five years and is projected to continue. Our population continues to age. This impacts enrollment at the College, as well as students working and enrolling in less hours. The College continues to focus on these traditional high school students as well as the adult student market.

- The business climate in our region has an economic impact on the student population and demand for retraining of workers. Funding through Iowa Workforce Development and other state initiatives assist in some of this training, but 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 and training needs.

- Expenses will continue to increase in the normal course of doing business; salaries, benefits, materials and contracted services. Higher utility costs will also contribute to increased costs of operation. Though the College has been implementing strategies for efficiencies for facility and utility usage, utility costs keep rising. The College continues to look for ways to decrease utility usage, keeping in mind the calculation for return on investment. We continue to look for ways to be efficient in our staffing, always evaluating the access and availability of our services.

- 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 collection requirements continue to demand more effort with less resources. Going into FY16, there was no increase in State general aid, emphasizing this financial concern.

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, 2015

	Primary Institution	Component Unit Foundation
Assets and Deferred Outflows of Resources		
Assets		
Current Assets		
Cash and cash equivalents	$ 28,781,363	$ 3,250,516
Receivables		
Accounts (net of allowance for doubtful accounts - College - $202,524)	399,805	—
Accrued interest	—	86
Property tax - succeeding year	4,556,031	—
Notes (net of allowance for doubtful accounts - College - $28,050)	29,095	—
Iowa Industrial New Jobs Training Program	964,446	—
Contributions	—	961,533
Due from North Iowa Area Community College Foundation	12,092	—
Due from North Iowa Area Community College	—	50,000
Due from other governments	877,836	—
Prepaid expenses	237,777	—
Inventories	319,071	—
Total Current Assets	**36,177,516**	**4,262,135**
Noncurrent Assets		
Investments	—	22,614,258
Receivables		
Iowa Industrial New Jobs Training Program	2,230,215	—
Contributions (net of allowance for uncollectible promises of $168,158)	—	2,155,592
Investments in real estate	—	783,656
Beneficial interest in assets held by others	—	20,342
Capital assets, net of accumulated depreciation/amortization	44,735,860	—
Total Noncurrent Assets	**46,966,075**	**25,573,848**
Total Assets	**83,143,591**	**29,835,983**
Deferred Outflows of Resources		
Pension-related deferred outflows	**873,441**	**—**
Total Assets and Deferred Outflows of Resources	**$ 84,017,032**	**$ 29,835,983**

See accompanying notes to the financial statements.

	Primary Institution	Component Unit Foundation
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	$ 1,653,686	$ 10,290
Salaries and benefits payable	1,075,405	—
Accrued interest payable	427,905	—
Due to North Iowa Area Community College Foundation	50,000	—
Due to North Iowa Area Community College	—	12,092
Advances from students	204,208	—
Advances from others	733,916	—
Compensated absences payable	181,506	—
Insurance claims incurred but not reported	529,867	—
Deposits held in custody for others	404,120	—
Early retirement payable	112,455	—
Certificates payable	1,405,000	—
Notes payable	240,000	—
Bonds payable	100,000	—
Total Current Liabilities	**7,118,068**	**22,382**
Noncurrent Liabilities		
Advances from others	1,345,503	—
Early retirement payable	245,178	—
Annuity payable	—	10,172
Certificates payable	5,575,000	—
Notes payable	240,000	—
Bonds payable	24,900,000	—
Net pension liability	4,373,680	—
Net OPEB liability	1,034,460	—
Refundable allowances on student loans	13,645	—
Total Noncurrent Liabilities	**37,727,466**	**10,172**
Total Liabilities	**44,845,534**	**32,554**
Deferred Inflows of Resources		
Unavailable property tax revenue	4,556,031	—
Pension-related deferred inflows	1,667,996	—
Total Deferred Inflows of Resources	**6,224,027**	**—**
Net Position		
Net investment in capital assets	20,508,275	—
Restricted		
Nonexpendable	—	6,095,245
Expendable		
Loans	21,415	—
Debt service	3,739,960	—
Cash reserve	285,793	—
Other	5,995,785	2,680,482
Unrestricted	2,396,243	21,027,702
Total Net Position	**32,947,471**	**29,803,429**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 84,017,032**	**$ 29,835,983**

Statement of Revenue, Expenses and Changes in Net Position

Year Ended June 30, 2015

	Primary Institution	Component Unit Foundation
Operating Revenue		
Tuition and fees, net of scholarship allowances of $3,224,827	$ 7,612,716	$ —
Federal appropriations	2,100,795	—
Sales and services	179,180	—
Iowa Industrial New Jobs Training Program	1,853,265	—
Auxiliary enterprises	4,703,462	—
Contributions	—	7,332,066
Miscellaneous	618,499	128,472
Total Operating Revenue	**17,067,917**	**7,460,538**
Operating Expenses		
Education and Support		
Liberal arts and sciences	5,542,647	—
Vocational technical	3,951,074	—
Adult education	3,741,450	—
Cooperative services	2,284,729	—
Administration	1,859,514	—
Student services	4,236,206	—
Learning resources	673,655	—
Physical plant	2,401,398	—
General institution	2,729,453	—
Auxiliary enterprises	5,626,088	—
Scholarships and grants	340,394	—
Loan cancellations and bad debts	470	—
Administrative and collection costs	424,671	—
Program expenses	—	1,100,918
Management and general expenses	—	32,260
Fundraising expenses	—	164,055
Depreciation/amortization	1,306,504	—
Total Operating Expenses	**35,118,253**	**1,297,233**
Operating Income (Loss)	**(18,050,336)**	**6,163,305**
Nonoperating Revenue (Expenses)		
State appropriations	12,170,192	—
Pell grant	3,494,648	—
Property tax	4,119,993	—
Gifts	610,695	—
Donated assets	23,000	—
Interest on investments, net of investment expense of $79,560 for the Foundation	73,505	629,985
Net realized and unrealized gains	—	302,529
Loss on sale of capital assets	(8,916)	—
Interest on indebtedness	(876,468)	—
Net Nonoperating Revenue	**19,606,649**	**932,514**
Change in Net Position	**1,556,313**	**7,095,819**
Net Position - Beginning of Year, as restated (Note 15)	31,391,158	22,707,610
Net Position - End of Year	**$ 32,947,471**	**$ 29,803,429**

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended June 30, 2015

Cash Flows From Operating Activities	
Tuition and fees	$ 8,055,918
Federal appropriations	1,917,634
Iowa Industrial New Jobs Training Program	1,420,610
Payments to employees for salaries and benefits	(19,849,266)
Payments to suppliers for goods and services	(12,880,402)
Payments to New Jobs Training Program recipients	(1,272,754)
Scholarships	(259,647)
Loans issued	(2,500)
Loan collections	41,681
Auxiliary enterprises receipts	4,744,286
Other receipts	795,115
Net Cash Used in Operating Activities	**(17,289,325)**
Cash Flows From Noncapital Financing Activities	
State appropriations	11,844,074
Pell grant	3,494,648
Property tax	4,119,993
Gifts	633,900
Federal direct lending receipts	4,853,453
Federal direct lending disbursements	(4,820,866)
Principal paid on debt	(1,370,000)
Interest paid on debt	(245,884)
Agency funds receipts	443,851
Agency funds disbursements	(691,772)
Net Cash Provided by Noncapital Financing Activities	**18,261,397**
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(10,383,956)
Principal paid on debt	(230,000)
Interest paid on debt	(634,757)
Net Cash Used in Capital and Related Financing Activities	**(11,248,713)**
Cash Flows From Investing Activities	
Interest on investments	**73,505**
Net Decrease in Cash and Cash Equivalents	**(10,203,136)**
Cash and Cash Equivalents - Beginning of Year	38,984,499
Cash and Cash Equivalents - End of Year	**$ 28,781,363**

See accompanying notes to the financial statements.

Statement of Cash Flows

Year Ended June 30, 2015

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	$ (18,050,336)
Adjustments to Reconcile Operating Loss to Net Cash Used in	
Operating Activities	
Depreciation/amortization	1,306,504
Changes in Assets and Liabilities	
Decrease in accounts receivable, net	536,342
Decrease in notes receivable, net	39,181
Increase in Iowa Industrial New Jobs Training Program receivable	(273,729)
Increase in due from other governments	(183,161)
Decrease in prepaid expenses	121,527
Increase in inventories	(4,939)
Decrease in accounts payable	(283,960)
Decrease in salaries and benefits payable	(42,651)
Decrease in advances from students	(72,328)
Decrease in advances from others	(156,724)
Increase in compensated absences payable	4,440
Decrease in net pension liability	(1,784,178)
Increase in deferred outflows of resources	(229,018)
Increase in deferred inflows of resources	1,667,996
Increase in insurance claims incurred but not reported	36,606
Increase in deposits held in custody for others	15,243
Decrease in early retirement payable	(189,936)
Increase in net OPEB liability	253,727
Increase in refundable allowances on student loans	69
Net Cash Used in Operating Activities	**$ (17,289,325)**

Schedule of Noncash Capital and Related Financing Activities

As of June 30, 2015	
Cost of capital assets	$ 9,893,254
Accounts Payable	
Current year	(1,182,500)
Prior year	1,696,202
Donated assets	(23,000)
Cash Paid for Acquisition of Capital Assets	**$ 10,383,956**

(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.

(1) Summary of Significant Accounting Policies and Other Matters

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.

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

<u>Expendable</u> - 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.

(1) Summary of Significant Accounting Policies and Other Matters

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.

Assets, Deferred Outflows of Resources, 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, 2015 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.

(1) Summary of Significant Accounting Policies and Other Matters

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 $621,708 related to the student housing project were capitalized during the year ended June 30, 2015.

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.

Deferred Outflows of Resources
Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

(1) Summary of Significant Accounting Policies and Other Matters

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, 2015.

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.

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources
Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

(1) Summary of Significant Accounting Policies and Other Matters

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.

(2) Cash, Cash Equivalents and Investments

The College's deposits in banks as of June 30, 2015 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.

(2) Cash, Cash Equivalents and Investments

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.

Marketable securities and other investments are stated at fair value in the statement of net position. Unrealized gains and losses are included in the change in net position. Fair value and unrealized appreciation as of June 30, 2015 are summarized as follows:

	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Mutual Funds (Common Fund)			
Multi-Strategy Equity Fund	$ 6,997,503	$ 7,930,929	$ 933,426
Multi-Strategy Bond Fund	7,321,310	7,225,053	(96,257)
Exchange Trade Fund	6,758,168	7,450,407	692,239
Total Mutual Funds (Common Fund)	21,076,981	22,606,389	1,529,408
Money Market Fund	3,706	3,706	—
Corporate stocks	4,163	4,163	—
	$ 21,084,850	$ 22,614,258	$ 1,529,408

The Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for debt securities traded in inactive markets, while Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

(2) Cash, Cash Equivalents and Investments

Level 1 Fair Value Measurements
The fair value of money market funds, mutual funds and corporate stocks is based on quoted net asset values and per share values of the shares held by the Foundation at year end.

Level 2 Fair Value Measurements
Valuation based on inputs that are generally indirect information such as quoted prices for identical or similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. The Foundation has no assets which were valued using Level 2 inputs as of June 30, 2015.

Level 3 Fair Value Measurements
Valuation based on inputs that are unobservable and significant to the overall fair value measurement. The Foundation has no assets which were valued using Level 3 inputs as of June 30, 2015.

The following table presents information about the Foundation's assets measured at fair value as of June 30, 2015:

	Total June 30, 2015	Level 1	Level 3
Multi-Strategy Equity Fund	$ 7,930,929	$ 7,930,929	$ —
Multi-Strategy Bond Fund	7,225,053	7,225,053	—
Exchange Trade Fund	7,450,407	7,450,407	—
Money Market Fund	3,706	3,706	—
Corporate stocks	4,163	4,163	—
	22,614,258	22,614,258	—
Mutual funds held in charitable remainder trust	13,365	13,365	—
Total Level 1 Investments	**$ 22,627,623**	**$ 22,627,623**	**$ —**

Investment income and gains not subject to external restrictions or that have restrictions which expire in the fiscal year earned are recorded as unrestricted revenue.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Total
Investment income, net of expense	$ 64,489	$ 565,496	$ 629,985
Net realized and unrealized gains	20,833	281,696	302,529
	$ 85,322	**$ 847,192**	**$ 932,514**

(3) Capital Assets

Capital assets activity for the College for the year ended June 30, 2015 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	16,003,163	9,221,336	—	25,224,499
Total Capital Assets Not Being Depreciated/Amortized	16,343,919	9,221,336	—	25,565,255
Capital Assets Being Depreciated/Amortized				
Buildings	34,295,037	65,430	—	34,360,467
Other structures and improvements	2,724,445	—	—	2,724,445
Intangibles	1,890,234	21,537	—	1,911,771
Furniture, vehicles and equipment	6,581,239	584,951	129,921	7,036,269
Total Capital Assets Being Depreciated/Amortized	45,490,955	671,918	129,921	46,032,952
Less Accumulated Depreciation/Amortization				
Buildings	16,476,183	731,412	—	17,207,595
Other structures and improvements	2,320,103	53,055	—	2,373,158
Intangibles	1,631,488	102,552	—	1,734,040
Furniture, vehicles and equipment	5,249,073	419,485	121,004	5,547,554
Total Accumulated Depreciation/Amortization	25,676,847	1,306,504	121,004	26,862,347
Total Capital Assets Being Depreciated/Amortized, Net	19,814,108	(634,586)	8,917	19,170,605
Capital Assets, Net	**$ 36,158,027**	**$ 8,586,750**	**$ 8,917**	**$ 44,735,860**

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance - Beginning of Year (Restated)	Additions	Reductions	Balance - End of Year	Current Portion
Advances from others	$ 2,235,790	$ 526,873	$ 683,244	$ 2,079,419	$ 733,916
Early retirement payable	547,569	89,855	279,791	357,633	112,455
Certificates payable	8,350,000	—	1,370,000	6,980,000	1,405,000
Notes payable	710,000	—	230,000	480,000	240,000
Bonds payable	25,000,000	—	—	25,000,000	100,000
Net pension liability	6,157,858	—	1,784,178	4,373,680	—
Net OPEB liability	780,733	580,179	326,452	1,034,460	—
Refundable allowances on student loans	13,576	69	—	13,645	—
	$ 43,795,526	**$ 1,196,976**	**$ 4,673,665**	**$ 40,318,837**	**$ 2,591,371**

(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
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	910,000	58,500	968,500
2021-2024	1,440,000	61,994	1,501,994
Total	**$ 6,980,000**	**$ 679,965**	**$ 7,659,965**

Total interest expenditures were $241,710 for the certificates payable for the year ended June 30, 2015.

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, 2015 notes payable indebtedness are as follows:

	Note Issuance of March 5, 2012			
Year Ending June 30,	**Interest Rates**	**Principal**	**Interest**	**Total**
2016	2.00%	$ 240,000	$ 8,400	$ 248,400
2017	2.00	240,000	3,600	243,600
Total		**$ 480,000**	**$ 12,000**	**$ 492,000**

Total interest expenditures were $13,050 for the notes payable for the year ended June 30, 2015.

(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, 2015 notes payable indebtedness are as follows:

Year Ending	Dormitory Revenue Bonds Issued September 30, 2013 (2013A)			
June 30,	Interest Rate	Principal	Interest	Total
2016	3.000%	$ 100,000	$ 436,750	$ 536,750
2017	3.000	120,000	433,450	553,450
2018	4.000	220,000	427,250	647,250
2019	4.000	260,000	417,650	677,650
2020	4.000	300,000	406,450	706,450
2021-2025	4.000 - 4.500	2,425,000	1,785,187	4,210,187
2026-2030	4.500 - 5.250	3,565,000	1,110,444	4,675,444
2031-2035	5.250 - 5.125	2,555,000	204,094	2,759,094
Total		**$ 9,545,000**	**$ 5,221,275**	**$ 14,766,275**

Year Ending	Dormitory Revenue Bonds Issued September 30, 2013 (2013B)			
June 30,	Interest Rate	Principal	Interest	Total
2016	5.250%	$ —	$ 805,662	$ 805,662
2017	5.250	—	805,663	805,663
2018	5.250	—	805,662	805,662
2019	5.250	—	805,663	805,663
2020	5.250	—	805,663	805,663
2021-2025	5.250	—	4,028,313	4,028,313
2026-2030	5.250	—	4,028,312	4,028,312
2031-2035	5.250 - 5.125	2,005,000	3,921,606	5,926,606
2036-2040	5.125 - 5.250	5,875,000	2,778,694	8,653,694
2041-2045	5.250	7,575,000	1,034,906	8,609,906
Total		**$ 15,455,000**	**$ 19,820,144**	**$ 35,275,144**

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 $50,041,419. The new dormitory system was operational January 1, 2015. Interest of $1,243,415 and no principal was paid in the current year. Total interest capitalized as part of construction in progress for the year ended June 30, 2015 is $621,708.

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.

(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, 2015, 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 2020, 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, 2015.

Year Ending June 30,	
2016	$ 70,537
2017	57,037
2018	46,807
2019	46,807
2020	7,801
Total	**$ 228,989**

Rents for the year ended June 30, 2015 for all operating leases totaled $70,661.

(6) Pension and Retirement Benefits Insert

Plan Description

IPERS membership is mandatory for employees of the College, except for those covered by another retirement system. Employees of the College are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at *www.ipers.org*.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

(6) Pension and Retirement Benefits Insert

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July, 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to one percentage point. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

(6) Pension and Retirement Benefits Insert

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95% of pay and the College contributed 8.93% for a total rate of 14.88%.

The College's contributions to IPERS for the year ended June 30, 2015 were $665,041.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the College reported a liability of $4,373,680 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2014, the College's proportion was 0.110282% which was a decrease of 0.003034% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized pension expense of $319,841. As of June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 47,533	$ —
Changes of assumptions	193,020	—
Net difference between projected and actual earnings on pension plan investments	—	1,667,996
Changes in proportion and differences between College contributions and proportionate share of contributions	(32,153)	—
College contributions subsequent to the measurement date	665,041	—
Total	**$ 873,441**	**$ 1,667,996**

$665,041 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2016	$ (368,308)
2017	(368,308)
2018	(368,308)
2019	(368,308)
2020	13,636
Total	**$ (1,459,596)**

There are no nonemployer contributing entities at IPERS.

(6) Pension and Retirement Benefits Insert

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3%
Salary increases (effective June 30, 2010)	4%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non-US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the College will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(6) Pension and Retirement Benefits Insert

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net pension liability	$8,263,945	$4,373,680	$1,089,893

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at *www.ipers.org*.

Payables to the Pension Plan

As of June 30, 2015, the College had no material payables to the defined benefit pension plan for legally required employer and employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

The College contributes to the TIAA-CREF retirement program which is a defined contribution pension plan. TIAA-CREF 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.

Benefit terms, including contribution requirements, for TIAA-CREF are established and specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa. For each employee in the pension plan, the College is required to contribute 8.93% of annual salary, including overtime pay, to an individual employee account. Each employee is required to contribute 5.95%. Contributions made by both employer and employee vest immediately. For the year ended June 30, 2015, employee contributions totaled $369,936 and the College recognized pension expense of $555,215.

As of June 30, 2015, the College had no material payables to the defined contribution pension plan for legally required employer and employee contributions which had been withheld from employee wages but not yet remitted to TIAA-CREF.

(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, 2015, the College has an obligation of $357,633 to 16 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, 2015, 18 retirees received early retirement benefits. The College's early retirement expenditures for the year ended June 30, 2015 were $279,791.

(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 205 active and 16 retired members in the plan. Retired participants must be age 55 or older at retirement.

(9) Other Postemployment Benefits (OPEB)

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, 2015, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	$ 601,900
Interest on net OPEB obligation	19,518
Adjustment to annual required contribution	(41,239)
Annual OPEB Cost	580,179
Contributions made	(326,452)
Increase in Net OPEB Obligation	253,727
Net OPEB Obligation - Beginning of Year	780,733
Net OPEB Obligation - End of Year	**$ 1,034,460**

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, 2015.

For the fiscal year ended June 30, 2015, the College contributed $326,452 to the medical plan. Plan members eligible for benefits contributed $378,700, or 16.27%, of the premium costs.

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, 2013	$ 174,863	29.5%	$ 656,051
June 30, 2014	164,830	24.4	780,733
June 30, 2015	580,179	56.3	1,034,460

(9) Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress
As of July 1, 2014, the most recent actuarial valuation date for the period of July 1, 2014 through June 30, 2015, the actuarial accrued liability was $6.560 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $6.560 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately $12.0 million, and the ratio of the UAAL to the covered payroll was 55.7%. As of June 30, 2015, 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, 2014 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.

(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, 2015.

(10) Risk Management

The College purchases commercial insurance for employee health and dental insurance. Beginning January 1, 1996, the College began a self-funding plan. The current plan self-funds a portion of the health insurance deductible between $500 and $1,000 for single coverage, and between $1,000 and $2,000 for family coverage. The activity in the reserve for unsubmitted insurance claims is as follows:

Beginning balance	$ 493,261
Claims and changes in estimates	173,618
Claims and administrative fees paid	(137,012)
Ending Balance	**$ 529,867**

(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 19 currently receiving project funding. The remaining 126 projects have been completed, of which 30 are in the repayment process and 96 have been fully repaid.

The College has a receivable totaling $48,390 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 250 projects, with 28 currently receiving project funding and the remaining 222 having been completed.

(12) Related Party Transactions

The North Iowa Area Community College Foundation (Foundation) provided funding for various projects of the College. The Foundation committed $1,064,245 and paid $1,052,153 for the year ended June 30, 2015. The Foundation owed $12,092 to the College as of June 30, 2015 and the College owed $50,000 to the Foundation as of June 30, 2015 which are reflected in the statement of net position. The $1,064,245 consisted of $503,237 in direct aid to the College and $561,008 of scholarships given directly to students of the College.

(13) Commitments

The College has entered into contracts totaling approximately $23,600,000 for the construction of a new student dormitory, a Health Stimulations Center Lab and a Diesel Lab. As of June 30, 2015, the remaining commitments on these contracts were approximately $1,200,000 and will be paid as work on the project progresses.

(14) Subsequent Events

Management has evaluated subsequent events through January 7, 2016, the date which the financial statements were available to be issued.

On November 11, 2015, the Board of Directors approved the issuance of $3.485 million in Iowa Industrial New Jobs Training Bonds.

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Primary Institution
Net position - June 30, 2014, as previously reported	$ 36,904,593
Net pension liability as of June 30, 2014	(6,157,858)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	644,423
Net Position - July 1, 2014, as Restated	**$ 31,391,158**

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System

Last Fiscal Year*

	2015
College's proportion of the net pension liability	0.110282%
College's proportionate share of the net pension liability	$ 6,157,858
College's covered-employee payroll	$ 7,212,000
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.32%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30 of the previous fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the College will present information for those years for which information is available.

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$ 665,041	$ 644,062	$ 611,134	$ 537,773	$ 436,010	$ 451,069	$ 421,408	$ 383,057	$ 325,151	$ 329,681
Contributions in relation to the statutorily required contributions	(665,041)	(644,062)	(611,134)	(537,773)	(436,010)	(451,069)	(421,408)	(383,057)	(325,151)	(329,681)
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
College's covered-employee payroll	$ 7,447,000	$ 7,212,000	$ 7,049,000	$ 6,672,000	$ 6,274,000	$ 6,783,000	$ 6,636,000	$ 6,332,000	$ 5,655,000	$ 5,734,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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
2015	7-1-14	—	6,560,000	6,560,000	0.0	12,000,000	55.7

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 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 a statement of income or statement of revenue and expenses.

Budgetary Comparison Schedule of Expenditures - Budget to Actual

Year Ended June 30, 2015

Funds/Levy	Original and Final Budget	Actual	Over (Under) Budget
Unrestricted	$ 25,030,698	$ 22,652,015	$ (2,378,683)
Restricted	6,897,163	4,431,577	(2,465,586)
Unemployment	120,000	32,602	(87,398)
Insurance	339,000	377,170	38,170
Early retirement	164,729	299,338	134,609
Equipment replacement	800,000	505,351	(294,649)
Total Restricted	8,320,892	5,646,038	(2,674,854)
Plant	5,040,350	2,778,116	(2,262,234)
Total	**$ 38,391,940**	**$ 31,076,169**	**$ (7,315,771)**

Notes to Required Supplementary Information - Budgetary Reporting

Year Ended June 30, 2015

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, 2015, 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	$ 31,076,169
Items Not Required to be Budgeted	
Auxiliary enterprises	14,241,738
Scholarships and grants	3,579,447
Iowa Workforce Development contract	544,670
Loan funds	5,158
Investment in plant	129,921
Retirement of indebtedness	13,050
Combining adjustments	(13,586,516)
Total Expenses	**$ 36,003,637**

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

Total operating expenses	$ 35,118,253
Loss on sale of capital assets	8,916
Interest on indebtedness	876,468
Total Expenses	**$ 36,003,637**

Combining Balance Sheet Schedule - All Funds

As of June 30, 2015

	Current Funds		Loan Funds	Plant Funds		Agency Funds	Adjustments	Total
	Unrestricted	Restricted		Unexpended	Investment in Plant			
Assets and Deferred Outflows of Resources								
Assets								
Cash and cash equivalents	$ 12,042,936	$ 12,105,119	$ 28,342	$ 4,604,966	$ —	$ —	$ —	$ 28,781,363
Receivables								
Accounts (net of allowance for doubtful accounts - $202,524)	393,129	718	—	—	—	5,958	—	399,805
Property tax - succeeding year	1,290,200	1,975,631	—	1,290,200	—	—	—	4,556,031
Notes (net of allowance for doubtful accounts - $28,050)	—	17,526	11,569	—	—	—	—	29,095
Iowa Industrial New Jobs Training Program	—	3,194,661	—	—	—	—	—	3,194,661
Due from North Iowa Area Community College Foundation	12,092	—	—	—	—	—	—	12,092
Due from other funds	143,572	54,950	—	64,321	—	303,987	(566,830)	—
Due from other governments	—	428,797	—	337,366	—	111,673	—	877,836
Prepaid expenses	86,159	94,973	—	47,645	—	9,000	—	237,777
Inventories	319,071	—	—	—	—	—	—	319,071
Capital Assets								
Land	—	—	—	—	340,756	—	—	340,756
Construction in progress	—	—	—	—	25,224,499	—	—	25,224,499
Buildings	—	—	—	—	34,360,467	—	—	34,360,467
Other structures and improvements	—	—	—	—	2,724,445	—	—	2,724,445
Intangibles	—	—	—	—	1,911,771	—	—	1,911,771
Furniture, vehicles and equipment	—	—	—	—	7,036,269	—	—	7,036,269
Accumulated depreciation/amortization	—	—	—	—	—	—	(26,862,347)	(26,862,347)
Total Assets	**14,287,159**	**17,872,375**	**39,911**	**6,344,498**	**71,598,207**	**430,618**	**(27,429,177)**	**83,143,591**
Deferred Outflows of Resources								
Pension-related deferred outflows	—	—	—	—	—	—	873,441	873,441
Total Assets and Deferred Outflows of Resources and Net Position	**$ 14,287,159**	**$ 17,872,375**	**$ 39,911**	**$ 6,344,498**	**$ 71,598,207**	**$ 430,618**	**$ (26,555,736)**	**$ 84,017,032**

Combining Balance Sheet Schedule - All Funds

As of June 30, 2015

	Current Funds		Loan	Plant Funds		Agency		
	Unrestricted	Restricted	Funds	Unexpended	Investment in Plant	Funds	Adjustments	Total
Liabilities, Deferred Inflows of Resources and Fund Balance								
Liabilities								
Accounts payable	$ 1,053,226	$ 151,914	$ 4,312	$ 402,192	$ —	$ 42,042	$ —	$ 1,653,686
Salaries and benefits payable	1,039,487	35,918	—	—	—	—	—	1,075,405
Accrued interest payable	411,868	16,037	—	—	—	—	—	427,905
Due to North Iowa Area Community College Foundation	50,000	—	—	—	—	—	—	50,000
Due to other funds	368,308	129,164	539	10,703	—	58,116	(566,830)	—
Advances from students	18,602	—	—	—	—	—	185,606	204,208
Advances from others	6,992	2,072,031	—	—	—	396	—	2,079,419
Compensated absences payable	156,463	25,043	—	—	—	—	—	181,506
Insurance claims incurred but not reported	529,867	—	—	—	—	—	—	529,867
Deposits held in custody for others	73,931	125	—	—	—	330,064	—	404,120
Early retirement payable	—	357,633	—	—	—	—	—	357,633
Certificates payable	—	6,980,000	—	—	—	—	—	6,980,000
Notes payable	—	—	—	480,000	—	—	—	480,000
Bonds payable	25,000,000	—	—	—	—	—	—	25,000,000
Net pension liability	—	—	—	—	—	—	4,373,680	4,373,680
Net OPEB liability	—	—	—	—	—	—	1,034,460	1,034,460
Refundable allowances on student loans	—	—	13,645	—	—	—	—	13,645
Total Liabilities	**28,708,744**	**9,767,865**	**18,496**	**892,895**	**—**	**430,618**	**5,026,916**	**44,845,534**
Deferred Inflows of Resources								
Succeeding year property tax	1,290,200	1,975,631	—	1,290,200	—	—	—	4,556,031
Pension-related deferred inflows	—	—	—	—	—	—	1,667,996	1,667,996
Total Deferred Inflows of Resources	**1,290,200**	**1,975,631**	**—**	**1,290,200**	**—**	**—**	**1,667,996**	**6,224,027**
Fund Balance								
Net investment in capital assets	—	—	—	—	71,598,207	—	(51,089,932)	20,508,275
Restricted								
Expendable								
Loans	—	—	21,415	—	—	—	—	21,415
Debt service	2,229,792	—	—	1,510,168	—	—	—	3,739,960
Cash reserve	—	285,793	—	—	—	—	—	285,793
Other	—	5,843,086	—	152,699	—	—	—	5,995,785
Unrestricted	6,165,255	—	—	2,498,536	—	—	6,603,662	15,267,453
Auxiliary enterprises	(24,106,832)	—	—	—	—	—	11,235,622	(12,871,210)
Total Fund Balance	**(15,711,785)**	**6,128,879**	**21,415**	**4,161,403**	**71,598,207**	**—**	**(33,250,648)**	**32,947,471**
Total Liabilities, Deferred Inflows of Resources and Fund Balance	**$ 14,287,159**	**$ 17,872,375**	**$ 39,911**	**$ 6,344,498**	**$ 71,598,207**	**$ 430,618**	**$ (26,555,736)**	**$ 84,017,032**

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

Year Ended June 30, 2015

	Current Funds		Loan Funds	Plant Funds				
	Unrestricted	Restricted	Loan Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
Revenue								
General								
State appropriations	$ 10,557,012	$ 817,681	$ —	$ 795,499	$ —	$ —	$ —	$ 12,170,192
Tuition and fees	10,837,543	—	—	—	—	—	(3,224,827)	7,612,716
Property tax	1,301,993	1,515,952	—	1,288,998	13,050	—	—	4,119,993
Federal appropriations	5,884	5,589,559	—	—	—	—	—	5,595,443
Sales and services	173,491	5,689	—	—	—	—	—	179,180
Interest on investments	13,660	24,033	1,760	16,892	—	—	—	56,345
Iowa Industrial New Jobs Training Program	—	1,853,265	—	—	—	—	—	1,853,265
Increase in plant investment due to donated plant assets	—	—	—	—	—	23,000	—	23,000
Increase in plant investment due to plant expenditures (including $9,647,967 in current fund expenditures)	—	—	—	—	—	9,870,254	(9,870,254)	—
Gifts	174,508	236,915	—	2,500	—	—	—	413,923
Miscellaneous	507,723	760,100	4,180	5,066	—	—	(658,570)	618,499
Total General	23,571,814	10,803,194	5,940	2,108,955	13,050	9,893,254	(13,753,651)	32,642,556
Auxiliary Enterprises								
Sales and services	5,395,003	—	—	—	—	—	(869,573)	4,525,430
Interest on investments	17,160	—	—	—	—	—	—	17,160
Gifts	196,772	—	—	—	—	—	—	196,772
Miscellaneous	178,032	—	—	—	—	—	—	178,032
Total Auxiliary Enterprises	5,786,967	—	—	—	—	—	(869,573)	4,917,394
Total Revenue	**29,358,781**	**10,803,194**	**5,940**	**2,108,955**	**13,050**	**9,893,254**	**(14,623,224)**	**37,559,950**
Expenditures								
Education and Support								
Liberal arts and sciences	5,436,321	190,085	—	—	—	—	(83,759)	5,542,647
Vocational technical	3,547,807	964,391	—	—	—	—	(561,124)	3,951,074
Adult education	2,807,540	976,030	—	—	—	—	(42,120)	3,741,450
Cooperative services	45,210	2,670,256	—	—	—	—	(430,737)	2,284,729
Administration	1,776,423	88,388	—	—	—	—	(5,297)	1,859,514
Student services	3,653,140	615,106	—	—	—	—	(32,040)	4,236,206
Learning resources	650,996	24,067	—	—	—	—	(1,408)	673,655
Physical plant	2,257,384	148,985	—	—	—	—	(4,971)	2,401,398
General institution	2,477,194	271,689	—	—	—	—	(19,430)	2,729,453
Total Education and Support	22,652,015	5,948,997	—	—	—	—	(1,180,886)	27,420,126
Auxiliary enterprises	12,998,323	—	—	—	—	—	(7,372,235)	5,626,088
Scholarships and grants	—	3,579,447	—	—	—	—	(3,239,053)	340,394
Loan cancellations and bad debts	—	—	470	—	—	—	—	470
Administrative and collection costs	—	—	4,688	654,989	—	—	(235,006)	424,671
Plant asset acquisitions	—	—	—	2,123,127	—	—	(2,123,127)	—
Disposal of plant assets	—	—	—	—	—	129,921	(129,921)	—
Interest on indebtedness	1,243,415	241,711	—	—	13,050	—	(621,708)	876,468
Depreciation/amortization	—	—	—	—	—	—	1,306,504	1,306,504
Loss on sale of capital assets	—	—	—	—	—	—	8,916	8,916
Total Expenditures	**36,893,753**	**9,770,155**	**5,158**	**2,778,116**	**13,050**	**129,921**	**(13,586,516)**	**36,003,637**
Revenue Over (Under) Expenditures	**(7,534,972)**	**1,033,039**	**782**	**(669,161)**	**—**	**9,763,333**	**(1,036,708)**	**1,556,313**
Transfers								
Nonmandatory transfers in	822,928	79,507	—	—	—	—	(902,435)	—
Nonmandatory transfers out	(839,697)	(62,199)	(539)	—	—	—	902,435	—
Total Transfers	**(16,769)**	**17,308**	**(539)**	**—**	**—**	**—**	**—**	**—**
Net	**(7,551,741)**	**1,050,347**	**243**	**(669,161)**	**—**	**9,763,333**	**(1,036,708)**	**1,556,313**
Fund Balances - Beginning of Year, as restated (Note 15)	(8,160,044)	5,078,532	21,172	4,830,564	—	61,834,874	(32,213,940)	31,391,158
Fund Balances - End of Year	**$ (15,711,785)**	**$ 6,128,879**	**$ 21,415**	**$ 4,161,403**	**$ —**	**$ 71,598,207**	**$ (33,250,648)**	**$ 32,947,471**

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

Year Ended June 30, 2015

	Education				Support					
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Adminis- tration	Student Services	Learning Resources	Physical Plant	General Institution	Total
Revenue										
State appropriations	$ 6,593,871	$ 2,811,962	$ 1,135,940	$ —	$ 15,068	$ —	$ 171	$ —	$ —	$ 10,557,012
Tuition and fees	6,238,971	2,342,868	1,675,726	—	538,378	41,600	—	—	—	10,837,543
Property tax	—	—	—	—	1,301,993	—	—	—	—	1,301,993
Federal appropriations	—	—	—	—	5,205	679	—	—	—	5,884
Sales and services	4,519	12,942	75,951	1,247	—	—	212	78,620	—	173,491
Interest on investments	—	—	—	—	13,587	—	—	—	73	13,660
Gifts	—	34,998	18,688	—	—	—	149	—	120,673	174,508
Miscellaneous	64,325	205,796	43,545	—	39,138	19,458	131	90,688	44,642	507,723
Total Revenue	**12,901,686**	**5,408,566**	**2,949,850**	**1,247**	**1,913,369**	**61,737**	**663**	**169,308**	**165,388**	**23,571,814**
Expenditures										
Salaries and benefits	5,073,991	2,939,125	1,660,805	27,226	1,070,962	2,728,265	479,521	977,731	985,121	15,942,747
Services	289,876	384,387	1,017,601	17,904	191,742	287,460	24,261	1,074,491	1,386,244	4,673,966
Materials and supplies	54,745	179,525	104,277	—	26,394	71,262	147,046	205,162	75,225	863,636
Travel	17,709	21,770	24,857	80	30,836	62,335	168	—	20,390	178,145
Plant asset acquisitions	—	23,000	—	—	—	—	—	—	10,200	33,200
Loan cancellations and bad debts	—	—	—	—	339,603	—	—	—	—	339,603
Miscellaneous	—	—	—	—	116,886	503,818	—	—	14	620,718
Total Expenditures	**5,436,321**	**3,547,807**	**2,807,540**	**45,210**	**1,776,423**	**3,653,140**	**650,996**	**2,257,384**	**2,477,194**	**22,652,015**
Revenue Over (Under) Expenditures	**7,465,365**	**1,860,759**	**142,310**	**(43,963)**	**136,946**	**(3,591,403)**	**(650,333)**	**(2,088,076)**	**(2,311,806)**	**919,799**
Transfers										
Nonmandatory transfers in	—	—	—	748	—	539	—	—	—	1,287
Nonmandatory transfers out	—	(60,499)	—	—	—	(750,000)	—	—	(18,055)	(828,554)
Total Transfers	**—**	**(60,499)**	**—**	**748**	**—**	**(749,461)**	**—**	**—**	**(18,055)**	**(827,267)**
Net	**$ 7,465,365**	**$ 1,800,260**	**$ 142,310**	**$ (43,215)**	**$ 136,946**	**$ (4,340,864)**	**$ (650,333)**	**$ (2,088,076)**	**$ (2,329,861)**	**92,532**
Fund Balances - Beginning of Year										6,072,723
Fund Balances - End of Year										**$ 6,165,255**

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

Year Ended June 30, 2015

	Trade and Industry	Farm	Food Services	Auditorium	Dormitories	Athletics	Tech-Prep	BookZone	Miscellaneous	Total
Revenue										
Sales and services	$ 99,604	$ 160,370	$ 1,262,002	$ 529,263	$ 1,935,420	$ 297,337	$ —	$ 1,099,918	$ 11,089	$ 5,395,003
Interest on investments	63	—	923	136	15,338	—	—	—	700	17,160
Gifts	200	46,573	—	—	—	149,999	—	—	—	196,772
Miscellaneous	2,103	1,147	9,768	17,599	58,438	6,593	—	82,384	—	178,032
Total Revenue	**101,970**	**208,090**	**1,272,693**	**546,998**	**2,009,196**	**453,929**	**—**	**1,182,302**	**11,789**	**5,786,967**
Expenditures										
Salaries and benefits	—	248	488,645	138,258	142,681	36,685	—	114,735	—	921,252
Services	278	148,644	77,345	385,117	974,455	80,749	—	76,785	—	1,743,373
Materials and supplies	99,911	113,266	678,022	4,886	604,484	174,365	—	961,226	—	2,636,160
Travel	—	46	7,926	4,932	132	313,173	—	—	—	326,209
Plant asset acquisitions	—	—	—	—	5,843,929	—	—	—	—	5,843,929
Loan cancellations and bad debts	—	—	—	—	52,001	—	—	51,851	—	103,852
Interest on indebtedness	—	—	—	—	1,243,415	—	—	—	—	1,243,415
Miscellaneous	—	—	3,179	11,976	1,027,182	376,114	—	5,097	—	1,423,548
Total Expenditures	**100,189**	**262,204**	**1,255,117**	**545,169**	**9,888,279**	**981,086**	**—**	**1,209,694**	**—**	**14,241,738**
Revenue Over (Under) Expenditures	**1,781**	**(54,114)**	**17,576**	**1,829**	**(7,879,083)**	**(527,157)**	**—**	**(27,392)**	**11,789**	**(8,454,771)**
Transfers										
Nonmandatory transfers in	—	60,498	—	—	250,000	511,143	—	—	—	821,641
Nonmandatory transfers out	—	—	—	—	—	—	—	—	(11,143)	(11,143)
Total Transfers	**—**	**60,498**	**—**	**—**	**250,000**	**511,143**	**—**	**—**	**(11,143)**	**810,498**
Net	**1,781**	**6,384**	**17,576**	**1,829**	**(7,629,083)**	**(16,014)**	**—**	**(27,392)**	**646**	**(7,644,273)**
Fund Balances - Beginning of Year	55,542	(3,310)	618,844	53,573	(14,770,186)	(561,097)	9,368	210,828	153,671	(14,232,767)
Fund Balances - End of Year	**$ 57,323**	**$ 3,074**	**$ 636,420**	**$ 55,402**	**$ (22,399,269)**	**$ (577,111)**	**$ 9,368**	**$ 183,436**	**$ 154,317**	**$ (21,877,040)**

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

Year Ended June 30, 2015

							Iowa Workforce Development Contract							
	Scholarships and Grants	Equipment Replace-ment	Insurance	Early Retirement	Unemploy-ment Compen-sation	Cash Reserve	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	Iowa Small Business New Jobs Training Program	Miscel-laneous	Total
Revenue														
State appropriations	$ —	$ 6,697	$ 3,498	$ 4,864	$ 1,737	$ —	$ —	$ —	$ —	$ —	$ 730	$ —	$ 800,155	$ 817,681
Property tax	—	578,665	302,072	420,455	150,713	—	—	—	—	—	64,047	—	—	1,515,952
Federal appropriations	3,579,447	—	—	—	—	—	524,174	212,818	8,955	—	—	—	1,264,165	5,589,559
Sales and services	—	—	—	—	—	—	—	—	—	—	—	—	5,689	5,689
Interest on investments	2	1,623	277	34	101	—	—	—	32	11,716	7,983	959	1,306	24,033
Iowa Industrial New Jobs Training Program	—	—	—	—	—	—	—	—	—	—	1,503,867	349,398	—	1,853,265
Gifts	—	—	—	—	—	—	—	—	—	—	—	—	236,915	236,915
Miscellaneous	—	37,045	11,779	—	—	—	—	—	—	312,897	—	229,216	169,163	760,100
Total Revenue	**3,579,449**	**624,030**	**317,626**	**425,353**	**152,551**	**—**	**524,174**	**212,818**	**8,987**	**324,613**	**1,576,627**	**579,573**	**2,477,393**	**10,803,194**
Expenditures														
Salaries and benefits	—	—	—	299,338	32,602	—	409,582	167,627	15,514	138,629	—	—	1,557,492	2,620,784
Services	—	—	377,170	—	—	—	103,218	41,455	3,623	43,760	1,279,194	296,450	281,874	2,426,744
Materials and supplies	—	245,653	—	—	—	—	2,584	2,726	126	3,837	—	—	133,962	388,888
Travel	—	—	—	—	—	—	8,790	1,010	1,233	5,224	—	—	44,808	61,065
Plant asset acquisitions	—	259,698	—	—	—	—	—	—	—	—	—	—	147,818	407,516
Federal Pell Grant Program	3,494,648	—	—	—	—	—	—	—	—	—	—	—	—	3,494,648
Federal Supplemental Educational Opportunity Grants	84,799	—	—	—	—	—	—	—	—	—	—	—	—	84,799
Loan cancellations and bad debts	—	—	—	—	—	—	—	—	—	—	—	—	17,425	17,425
Interest on indebtedness	—	—	—	—	—	—	—	—	—	—	241,711	—	—	241,711
Miscellaneous	—	—	—	—	—	—	—	—	—	—	—	—	26,575	26,575
Total Expenditures	**3,579,447**	**505,351**	**377,170**	**299,338**	**32,602**	**—**	**524,174**	**212,818**	**20,496**	**191,450**	**1,520,905**	**296,450**	**2,209,954**	**9,770,155**
Revenue Over (Under) Expenditures	**2**	**118,679**	**(59,544)**	**126,015**	**119,949**	**—**	**—**	**—**	**(11,509)**	**133,163**	**55,722**	**283,123**	**267,439**	**1,033,039**
Transfers														
Nonmandatory transfers in	—	—	—	—	—	—	—	—	—	74,507	—	—	5,000	79,507
Nonmandatory transfers out	—	—	—	—	—	—	—	—	—	—	(55,722)	(729)	(5,748)	(62,199)
Total Transfers	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**74,507**	**(55,722)**	**(729)**	**(748)**	**17,308**
Net	**2**	**118,679**	**(59,544)**	**126,015**	**119,949**	**—**	**—**	**—**	**(11,509)**	**207,670**	**—**	**282,394**	**266,691**	**1,050,347**
Fund Balances - Beginning 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
Fund Balances - End of Year	**$ 2,023**	**$ 1,485,813**	**$ 62,457**	**$ (351,294)**	**$ 142,696**	**$ 285,793**	**$ (7,325)**	**$ —**	**$ 27,630**	**$ 2,995,493**	**$ —**	**$ 282,394**	**$ 1,203,199**	**$ 6,128,879**

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

Year Ended June 30, 2015

	Fine Arts	Student Organi-zations	Iowa Small Business New Jobs Training Program	Federal Direct Student Loan Program	Miscel-laneous	Total
Balances - Beginning of Year	**$ 13,316**	**$ 105,408**	**$ 229,216**	**$ —**	**$ 179,564**	**$ 527,504**
Additions						
State appropriations	—	—	—	—	101,094	101,094
Tuition and fees	3,500	92,597	—	—	—	96,097
Federal appropriations	—	—	—	4,820,866	—	4,820,866
Sales and services	56,370	17,167	—	—	2,186	75,723
Interest on investments	47	121	—	—	594	762
Gifts	—	3,760	—	—	15,000	18,760
Miscellaneous	2,855	672	—	—	152,431	155,958
Total Additions	**62,772**	**114,317**	**—**	**4,820,866**	**271,305**	**5,269,260**
Deductions						
Salaries and benefits	2,264	—	—	—	42,599	44,863
Services	31,789	58,426	—	4,820,866	199,310	5,110,391
Materials and supplies	12,035	21,133	—	—	2,194	35,362
Travel	1,008	38,671	—	—	1,534	41,213
Miscellaneous	87	5,568	229,216	—	—	234,871
Total Deductions	**47,183**	**123,798**	**229,216**	**4,820,866**	**245,637**	**5,466,700**
Balances - End of Year	**$ 28,905**	**$ 95,927**	**$ —**	**$ —**	**$ 205,232**	**$ 330,064**

Schedule of Credit and Contact Hours

Year Ended June 30, 2015

Category	Credit Hours: Eligible for Aid	Credit Hours: Not Eligible for Aid	Credit Hours: Total	Contact Hours: Eligible for Aid	Contact Hours: Not Eligible for Aid	Contact Hours: Total
Arts and sciences	43,429	—	43,429	—	—	—
Vocational education	16,797	—	16,797	—	—	—
Adult education/ continuing education	—	—	—	169,952	43,831	213,783
Total	**60,226**	**—**	**60,226**	**169,952**	**43,831**	**213,783**

Schedule of Tax and Intergovernmental Revenue

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Local (property tax)................................	$ 4,119,993	$ 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
State..	12,170,192	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
Federal..	5,595,443	5,654,392	6,099,915	7,294,583	9,040,763	9,659,983	6,657,951	5,548,711	4,534,172	4,094,963
Total	**$ 21,885,628**	**$ 21,382,937**	**$ 20,422,564**	**$ 21,267,995**	**$ 23,128,790**	**$ 21,886,938**	**$ 20,592,270**	**$ 19,539,863**	**$ 17,286,204**	**$ 16,149,836**

Schedule of Current Funds Revenue by Source and Expenditures by Function

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue										
State appropriations	$ 11,374,693	$ 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
Tuition and fees	10,837,543	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
Property tax	2,817,945	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
Federal appropriations	5,595,443	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
Sales and services	179,180	164,077	162,574	204,290	236,640	221,024	220,654	239,945	251,662	364,703
Interest on investments	37,693	32,995	59,047	99,099	141,571	204,398	409,282	750,316	763,926	489,162
Iowa Industrial New Jobs Training Program	1,853,265	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
Auxiliary enterprises	5,786,967	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
Miscellaneous	1,679,246	1,550,393	1,445,713	1,299,162	1,247,548	1,170,835	1,397,021	1,926,115	2,046,803	1,784,495
Total Revenue	**$ 40,161,975**	**$ 39,340,299**	**$ 38,178,519**	**$ 40,347,207**	**$ 41,100,104**	**$ 39,085,501**	**$ 36,622,506**	**$ 34,610,744**	**$ 32,407,706**	**$ 30,297,709**
Expenditures										
Liberal arts and sciences	$ 5,626,406	$ 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
Vocational technical	4,512,198	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
Adult education	3,783,570	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
Cooperative services	2,715,466	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
Administration	1,864,811	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
Student services	4,268,246	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
Learning resources	675,063	502,705	593,798	574,818	577,133	534,090	561,378	569,277	529,873	540,632
Physical plant	2,406,369	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
General institution	2,748,883	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
Auxiliary enterprises	12,998,323	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
Scholarships and grants	3,579,447	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
Iowa Workforce Development contract	—	—	—	—	—	—	2,202,003	1,189,384	999,964	975,731
Interest on indebtedness	1,485,126	1,244,225	362,018	332,690	378,464	416,447	461,414	480,212	517,985	457,792
Total Expenditures	**$ 46,663,908**	**$ 53,211,991**	**$ 40,153,644**	**$ 39,063,304**	**$ 39,202,069**	**$ 38,200,678**	**$ 34,583,200**	**$ 33,501,277**	**$ 30,728,414**	**$ 29,546,575**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number(s)	Expenditures
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		$ 267,859*
Pass-Through Hawkeye Community College			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		41,915*
Pass-Through Iowa Workforce Development			
Workforce Investment Act (WIA/WIOA) Cluster			
WIA/WIOA Adult Program	17.258	13-W-02-FR-0	153,055
WIA/WIOA Youth Activities	17.259	13-W-02-FR-0	198,247
WIA/WIOA Dislocated Worker Formula Grants	17.278	13-W-02-FR-0	172,872
Total Workforce Investment Act (WIA/WIOA) Cluster			524,174
Total U.S. Department of Labor			**833,948**
Small Business Administration - Indirect			
Pass-Through Iowa State University			
Small Business Development Centers	59.037		**48,943**
U.S. Department of Veterans Affairs - Direct			
Vocational Rehabilitation for Disabled Veterans	64.116		**679**
U.S. Department of Education			
Direct			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		84,799
Federal Work-Study Program	84.033		75,072
Federal Pell Grant Program	84.063		3,499,853
Federal Direct Student Loans	84.268		4,820,866
Total Student Financial Assistance Cluster			8,480,590**
Higher Education - Institutional Aid	84.031		259,498
TRIO - Student Support Services	84.042		294,487
Total U.S. Department of Education - Direct			9,034,575
Indirect			
Pass-Through Iowa Department of Education			
Adult Education - Basic Grants to States	84.002	G50019/G50034	103,398
Career and Technical Education - Basic Grants to States	84.048	G40602/G50180	120,950
Total Pass-Through Iowa Department of Education			224,348
Total U.S. Department of Education			**9,258,923**

Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number(s)	Expenditures
U.S. Department of Health and Human Services - Indirect			
Pass-Through Iowa Department of Education			
Student Financial Assistance Cluster			
Nursing Student Loans	93.364		$ 39,424**
Pass-Through Iowa Workforce Development			
Temporary Assistance for Needy Families	93.558	14-02-PF-PH-01	212,818
Total U.S. Department of Health and Human Services			**252,242**
Corporation for National and Community Service - Direct			
Retired and Senior Volunteer Program	94.002		**52,043**
Social Security Administration - Direct			
Social Security - Work Incentives Planning and Assistance Program	96.008		**20,495**
Total			**$ 10,467,273**

* Total CFDA Number 17.282 - $309,774.
** Total Student Financial Assistance Cluster - $8,520,014.

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, 2015.

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

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, 2015, 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 7, 2016.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that 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.

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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*. However, we noted an immaterial instance of noncompliance or other matter which is described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2015 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.

North Iowa Area Community College's Responses to the Findings
North Iowa Area Community College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. North Iowa Area Community College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 7, 2016

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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, 2015. 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, 2015.

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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 7, 2016

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

<u>Part I: Summary of Independent Auditor's Results</u>

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	__ yes	_X_ no
Significant deficiency identified not considered to be material weakness?	__ yes	_X_ none reported
Noncompliance material to financial statements noted?	__ yes	_X_ no

Federal Awards

Internal control over major programs:		
Material weakness identified?	__ yes	_X_ no
Significant deficiency identified not considered to be material weakness?	__ yes	_X_ 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	_X_ no

Identification of major programs:

CFDA Numbers	**Name of Federal Program or Cluster**
17.258	Workforce Investment Act (WIA/WIOA) Cluster
17.259	WIA/WIOA Adult Program
17.278	WIA/WIOA Youth Activities
	WIA/WIOA Dislocated Worker Formula Grants
	Student Financial Assistance Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
93.364	Nursing Student Loans

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	_X_ yes	__ no

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

15-IV-A **Certified Budget** - While two categories of the budget were overexpended, in total, expenditures for the year ended June 30, 2015 did not exceed the amount budgeted.

15-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.

15-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.

15-IV-D **Business Transactions** - No business transactions between the College and College officials or employees were noted.

15-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.

15-IV-F **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.

15-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.

15-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.

15-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, 2015 were supported by detailed records maintained by the College, except for an understatement of 744 credit hours, as shown below:

	Reported	**Total Per Supporting Documentation**	**Difference**
Arts and Sciences			
Credit hours..................................	43,429	44,173	(744)
Vocational Education			
Credit hours..................................	16,797	16,797	—

Auditor's Recommendation - The College should develop procedures to ensure that the report submitted to the Iowa Department of Education is supported by detailed records.

College's Response - The College has made corrections and will continue to monitor credit/contact hours to ensure that all reports submitted are supported by the College's detailed records.

Auditor's Conclusion - Response accepted.