

**NORTHEAST IOWA COMMUNITY COLLEGE
CALMAR, IOWA**

FINANCIAL REPORT

JUNE 30, 2017

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NORTHEAST IOWA COMMUNITY COLLEGE

BOARD OF TRUSTEES AND COLLEGE OFFICIALS

Board of Trustees

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------|----------------|---------------------|
| Ken Reimer | President | 2019 |
| Jim Anderson | Vice-President | 2019 |
| Larry Blatz | Member | 2019 |
| Dan White | Member | 2019 |
| Gene Fuelling | Member | 2017 |
| Kathy Gunderson | Member | 2017 |
| Sue Runyon | Member | 2017 |
| Dave Schueller | Member | 2017 |
| Bob Shafer | Member | 2017 |

Community College Officials

| | |
|-------------------|--|
| Liang Chee Wee | President |
| Dave Dahms | Vice-President, Finance & Administration |
| Wendy Mihm-Herold | Vice-President, Business & Community Solutions |
| Kathy Nacos-Burds | Vice-President, Learning & Student Success |
| Wendy Knight | Vice-President, Institutional Effectiveness |
| Julia Sollien | Board Secretary |
| Heidi Herold | Board Treasurer, Executive Director of Finance |

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 4f, the schedule of the college's proportionate share of the net pension liability, the schedule of college contributions and the schedule of funding progress for the retiree health plan on pages 37 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017, on our consideration of Northeast Iowa Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Northeast Iowa Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Iowa Community College's internal control over financial reporting and compliance.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
October 3, 2017

NORTHEAST IOWA COMMUNITY COLLEGE
CALMAR, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2017

This section of Northeast Iowa Community College's annual financial report presents the College's management discussion and analysis of the College's financial activities during the fiscal year ending June 30, 2017.

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

2017 FINANCIAL HIGHLIGHTS

College operating revenues decreased overall by 3.46% from fiscal year 2016 due to decreases in federal appropriations and sales and service along with an increase in miscellaneous income. Nonoperating revenues increased by 1.78%.

College operating expenses were 6.50% lower from fiscal year 2016. The College had a 31.29% decrease in learning resources expenses, 27.62% decrease in adult education expenses, 25.82% decrease in other expenses, and 20.65% decrease in scholarships and grants expenses. The College had moderate changes in all the other expenses. See page 4d for explanations.

The College's financial statement and table below reflect total net position increased 2.86% from fiscal year 2016.

CHANGE IN NET POSITION COMPARISON BY FUND

| | Unrestricted | Auxiliary | Restricted | Scholarship | Plant | Total Net Position |
|-----------|--------------|-----------|------------|-------------|------------|--------------------|
| FY 2017 | (3,675,390) | 2,158,975 | 1,156,996 | 379,390 | 36,794,756 | 36,814,727 |
| FY 2016 | (3,033,408) | 3,059,662 | 1,961,116 | 192,103 | 33,612,913 | 35,792,386 |
| \$ Change | (641,982) | (900,687) | (804,120) | 187,287 | 3,181,843 | 1,022,341 |

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

NET POSITION COMPARISON BY FUND

| | Unrestricted | Auxiliary | Restricted | Scholarship | Plant | Total Net Position |
|---------|--------------|-----------|------------|-------------|------------|--------------------|
| FY 2017 | (3,675,390) | 2,158,975 | 1,156,996 | 379,390 | 36,794,756 | 36,814,727 |
| FY 2016 | (3,033,408) | 3,059,662 | 1,961,116 | 192,103 | 33,612,913 | 35,792,386 |
| FY 2015 | (1,924,875) | 3,855,856 | 5,835,415 | 201,454 | 29,948,121 | 37,915,971 |
| FY 2014 | 5,967,177 | 4,770,714 | 5,078,957 | | 26,934,590 | 42,751,438 |
| FY 2013 | 5,690,773 | 4,581,679 | 4,093,546 | | 24,849,816 | 39,215,814 |

USING THIS ANNUAL REPORT

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

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

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

Notes to financial statements provide additional information 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 the 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. The schedule of expenditures of federal awards provides details of various federal programs benefiting the College.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

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 noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources and net position. Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net position. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets which can be used to satisfy those liabilities.

Comparison of Net Position

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

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)

Comparison of Net Position (Continued)

| | Condensed Statement of Net Position (Expressed in Thousands) | |
|----------------------------------|---|-------------------|
| | 2017 | 2016 |
| Current and other assets | \$ 54,556 | \$ 51,964 |
| Other noncurrent assets | 10,416 | 10,124 |
| Capital assets | 49,054 | 50,090 |
| Total assets | <u>\$ 114,026</u> | <u>\$ 112,178</u> |
| | | |
| Deferred outflows of resources | <u>\$ 3,507</u> | <u>\$ 2,293</u> |
| | | |
| Current liabilities | \$ 12,689 | \$ 13,541 |
| Noncurrent liabilities | 46,384 | 45,130 |
| Total liabilities | <u>\$ 59,073</u> | <u>\$ 58,671</u> |
| | | |
| Deferred inflows of resources | <u>\$ 21,645</u> | <u>\$ 20,007</u> |
| | | |
| Net position: | | |
| Net investment in capital assets | \$ 37,996 | \$ 35,617 |
| Restricted | 1,588 | 2,203 |
| Unrestricted (deficit) | <u>(2,769)</u> | <u>(2,027)</u> |
| Total net position | <u>\$ 36,815</u> | <u>\$ 35,793</u> |

Statement of Revenues, 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 revenues, expenses and changes in net position. The purpose of the statement is to present the revenues earned by the College, both operating and nonoperating, the expenses incurred by the College, both operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the College.

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

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

In fiscal year 2017, operating revenues resulted in the following changes:

- Revenues decreased due to enrollment decrease.
- The decrease in federal appropriations is due to the College completing the H-1B Training Grant and Trade Adjustment Assistance Community College and Career Training Grant along with receiving less in student financial aid.
- The New Jobs Training Program received miscellaneous revenue in fiscal year 2017. Other programs in the restricted fund received less miscellaneous revenues.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)

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

| | Changes in Net Position (Expressed in Thousands) | |
|---|---|-----------|
| | 2017 | 2016 |
| OPERATING REVENUES | | |
| Tuition and fees | \$ 8,999 | \$ 9,269 |
| Federal appropriations | 9,616 | 11,247 |
| Iowa Industrial New Jobs Training Program | 3,809 | 3,998 |
| Sales and services | 2,961 | 3,886 |
| Miscellaneous | 3,215 | 1,226 |
| | <hr/> | <hr/> |
| Total operating revenues | 28,600 | 29,626 |
| | <hr/> | <hr/> |
| Total operating expenses | 53,468 | 57,185 |
| | <hr/> | <hr/> |
| Operating loss | (24,868) | (27,559) |
| | <hr/> | <hr/> |
| NONOPERATING REVENUES (EXPENSES) | | |
| State appropriations | 12,359 | 12,263 |
| Pell Grant | 4,272 | 4,843 |
| Property taxes | 10,376 | 9,545 |
| Investment income | 343 | 312 |
| Loss on sale of capital assets | (14) | (24) |
| Donated plant assets received | 52 | 177 |
| Interest on indebtedness | (1,498) | (1,680) |
| | <hr/> | <hr/> |
| Net nonoperating revenues (expenses) | 25,890 | 25,436 |
| | <hr/> | <hr/> |
| Increase (decrease) in net position | 1,022 | (2,123) |
| | <hr/> | <hr/> |
| Net position, Beginning of Year | 35,793 | 37,916 |
| | <hr/> | <hr/> |
| Net position, End of Year | \$ 36,815 | \$ 35,793 |
| | <hr/> | <hr/> |

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)

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

| | Operating Expenses (Expressed in Thousands) | |
|---------------------------|--|-----------|
| | 2017 | 2016 |
| Education and support: | | |
| Liberal arts and sciences | \$ 6,713 | \$ 7,509 |
| Vocational technical | 7,644 | 7,809 |
| Adult education | 3,252 | 4,493 |
| Cooperative services | 7,189 | 7,061 |
| General administration | 1,363 | 1,522 |
| Student services | 2,057 | 2,338 |
| Learning resources | 885 | 1,288 |
| Physical plant | 3,966 | 4,222 |
| General institution | 7,094 | 6,344 |
| Auxiliary enterprises | 4,272 | 4,084 |
| Scholarships and grants | 5,590 | 7,045 |
| Depreciation | 3,015 | 2,893 |
| Other | 428 | 577 |
| | <hr/> | <hr/> |
| Total operating expenses | \$ 53,468 | \$ 57,185 |

In fiscal year 2017, operating expenses resulted in the following changes:

- Decrease in learning resources expenses due to decrease in health insurance and information technology expenses.
- Decrease in adult education expenses is due to less activity throughout the year.
- Decrease in other expenses is due to purchasing new technology in fiscal year 2016. There were also less repair expenses in fiscal year 2017 due to renovation projects being completed in recent years.
- Decrease in scholarship and grants expenses due to decrease in students.

Statement of Cash Flows

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

| | Cash Flows (Expressed in Thousands) | |
|--|--|-------------|
| | 2017 | 2016 |
| Cash provided by (used in): | | |
| Operating activities | \$ (19,924) | \$ (22,778) |
| Non-capital financing activities | 26,971 | 26,640 |
| Capital and related financing activities | (4,794) | (9,654) |
| Investing activities | 16,879 | (456) |
| | <hr/> | <hr/> |
| Net increase (decrease) in cash | 19,132 | (6,248) |
| | <hr/> | <hr/> |
| Cash, beginning of year | 10,361 | 16,609 |
| | <hr/> | <hr/> |
| Cash, end of year | \$ 29,493 | \$ 10,361 |

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)

Statement of Cash Flows (Continued)

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. Cash used in capital and related financing activities represents the proceeds from debt, the principal and interest payments on debt and the purchase and proceeds from the sale of capital assets. Cash provided by/used in investing activities includes investment income received and the purchase of investments.

CAPITAL ASSETS

At June 30, 2017, the College had approximately \$85.5 million invested in capital assets, less accumulated depreciation of \$37.2 million. Depreciation expense totaled \$3,015,377 and \$2,893,294 for fiscal years 2017 and 2016, respectively. Details of capital assets are shown below:

| | Capital Assets, Net | |
|-----------------------------------|--------------------------|-----------|
| | (Expressed in Thousands) | |
| | 2017 | 2016 |
| Land | \$ 683 | \$ 683 |
| Buildings | 42,453 | 42,434 |
| Construction in progress | 93 | 1,269 |
| Other structures and improvements | 1,871 | 1,968 |
| Equipment and vehicles | 3,954 | 3,736 |
| Total | \$ 49,054 | \$ 50,090 |

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

DEBT

At June 30, 2017, the College had \$45.0 million in debt outstanding, a decrease of \$.6 million from 2016. The table below summarizes these amounts by type:

| | Long-term Debt | |
|--------------------------|--------------------------|-----------|
| | (Expressed in Thousands) | |
| | 2017 | 2016 |
| Notes payable | \$ 1,675 | \$ 1,950 |
| Certificates payable | 26,465 | 23,900 |
| Bonds payable | 15,435 | 18,655 |
| Early retirement payable | 1,440 | 1,105 |
| Total | \$ 45,015 | \$ 45,610 |

More detailed information about the College's outstanding debt is presented in Note 7 to the financial statements.

NORTHEAST IOWA COMMUNITY COLLEGE ECONOMIC FACTORS

The College takes pride in managing its financial position during the current fiscal year. The economic factors of the College are impacted by the State's overall economy and educational funding to the College, both of which remain a priority of the College officials. The College is prepared to address the economic challenges we face in the future. We offer the following highlights in support of this statement:

- There continues to be positive indicators for business and workforce growth in Northeast Iowa. The District has experienced steady and/or stable job growth and has a diverse sector of industry which includes manufacturing, business, financial, information technology, and healthcare. In June 2017, the College completed a 5 million dollar bond sale for Iowa New Jobs Training Program (260E). This project will produce an estimated 560 jobs for 13 projects in Northeast Iowa. The College's Business & Community Solutions Division continues to successfully work with area employers to take advantage of the Iowa Training Programs. In FY17, the College trained 315 employees at 17 businesses using Iowa Jobs Training Program (260F) and 462 employees at 20 businesses using Workforce Training and Economic Development Funds.
- The College continues to experience declining enrollment. Our eight county district has some of the lowest unemployment rates in the State of Iowa ranging from 2.2% to 3.1%. These rates affect the number of adult learners re-entering college. In addition, high school enrollments in our district have been declining. As part of the College's strategic priorities, a Strategic Management Plan was implemented focusing our recruiting efforts on conversion of high school students, adult learners, and underrepresented populations. As a part of this plan, the College has increased its targeted marketing efforts to each of these groups. The College is also developing ways to diversify its methods of education through earn/learn models and higher levels of short-term training for businesses.
- The cost of maintaining current levels of services and operations along with the decline in enrollment continue to be challenges for the College. The College's Board of Trustees approved a 7.2% increase in tuition and fee per credit cost for FY17 and a 3.4% increase in FY18 to help offset the loss of revenue from the enrollment decline. The College continues to refine its financial forecasting process to assist management and the Board in making strategic decisions in order to maintain financial solvency.
- State general aid represented approximately 37% of the College's unrestricted fund revenue in FY17. In February 2017, the State of Iowa reduced the community colleges' state general aid for FY17 by \$3 million. This resulted in a reduction to the College of approximately \$234,000 for the fiscal year. Adequate state general aid funding is an on-going concern for the College.
- The property tax base for the College, which is fourth largest amongst the community colleges in Iowa, continues to exhibit steady growth.
- The College continues its efforts to control healthcare costs. College employee contributions toward healthcare costs were increased both in FY17 and FY18 in an effort to offset rising healthcare costs.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
June 30, 2017

| | Business-type Activities | Component Unit Foundation | | Business-type Activities | Component Unit Foundation |
|--|-----------------------------|---------------------------------|--|-----------------------------|---------------------------------|
| CURRENT ASSETS | | | CURRENT LIABILITIES | | |
| Cash | \$ 29,492,960 | \$ 18,358 | Liabilities: | | |
| Investments | 4,000,000 | | Accounts payable | \$ 791,831 | \$ 42,801 |
| Receivables: | | | Northeast Iowa Community-Based Dairy Foundation | 482,787 | |
| Accounts, less allowance of \$1,744,246 | 5,126,674 | | Salaries and benefits payable | 1,875,077 | |
| Promises, net discount | | 227,740 | Deposits held in custody for others | 216,422 | |
| Accrued interest | 15,941 | | Accrued interest payable | 132,816 | |
| Property tax: | | | Long-term liabilities due within one year: | | |
| Current year delinquent | 91,233 | | Compensated absences | 105,851 | |
| Succeeding year | 12,523,514 | | Early retirement payable | 563,987 | |
| Due from other governments | 1,542,728 | | Notes payable | 275,000 | |
| Inventories | 316,744 | | Bonds payable | 3,280,000 | |
| Prepaid expenses | 363,782 | | Certificates payable | 4,965,000 | |
| Lease receivable | 160,135 | | | | |
| Due from Iowa Industrial New Jobs Training Program | 922,622 | | Total current liabilities | 12,688,771 | 42,801 |
| Total current assets | 54,556,333 | 246,098 | | | |
| NONCURRENT ASSETS | | | Noncurrent liabilities: | | |
| Investments | | 3,080,263 | Long-term liabilities due over one year: | | |
| Promises, net discount | | 48,158 | Net OPEB liability | 646,966 | |
| Note receivable | 1,100,151 | | Net pension liability | 9,805,761 | |
| Lease receivable | 1,489,865 | | Early retirement payable | 876,275 | |
| Due from Iowa Industrial New Jobs Training Program | 7,824,995 | | Notes payable | 1,400,000 | |
| Capital assets, non-depreciable | 775,927 | | Bonds payable | 12,155,000 | |
| Capital assets, net accumulated depreciation | 48,278,067 | | Certificates payable | 21,500,000 | |
| Total noncurrent assets | 59,469,005 | 3,128,421 | Total noncurrent liabilities | 46,384,002 | - |
| DEFERRED OUTFLOWS OF RESOURCES | | | Total liabilities | 59,072,773 | 42,801 |
| Pension related deferred outflows | 3,507,335 | | Deferred Inflows of Resources: | | |
| | | | Succeeding year property tax | 12,523,514 | |
| | | | Pension related deferred inflows | 117,028 | |
| | | | Other | 9,004,631 | |
| | | | Total deferred inflows of resources | 21,645,173 | - |
| | | | Net position: | | |
| | | | Net investment in capital assets | 37,996,379 | |
| | | | Restricted: | | |
| | | | Restricted for specific purposes | 1,587,737 | 2,406,459 |
| | | | Unrestricted | (2,769,389) | 925,259 |
| | | | Total net position | 36,814,727 | 3,331,718 |
| Total assets and deferred outflows of resources | \$ 117,532,673 | \$ 3,374,519 | Total liabilities, deferred inflows of resources and net position | \$ 117,532,673 | \$ 3,374,519 |

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

| | Business-type Activities | Component Unit Foundation |
|--|-----------------------------|---------------------------------|
| OPERATING REVENUES | | |
| Tuition and fees, net of scholarship allowances of \$5,497,013 | \$ 8,998,952 | |
| Federal appropriations | 9,616,067 | |
| Iowa Industrial New Jobs Training Program | 3,809,580 | |
| Sales and services, net of scholarship allowances of \$893,129 | 2,960,691 | |
| Miscellaneous | 3,215,218 | \$ 1,001,964 |
| Total operating revenues | 28,600,508 | 1,001,964 |
| OPERATING EXPENSES | | |
| Education and support: | | |
| Liberal arts and sciences | 6,713,289 | |
| Vocational technical | 7,644,272 | |
| Adult education | 3,251,667 | |
| Cooperative services | 7,189,002 | |
| General administration | 1,363,372 | 32,930 |
| Student services | 2,057,071 | |
| Learning resources | 885,016 | |
| Physical plant | 3,965,725 | |
| General institution | 7,094,104 | |
| Auxiliary enterprises | 4,271,593 | |
| Scholarships and grants | 5,590,237 | 357,684 |
| Depreciation | 3,015,377 | |
| Other | 427,962 | 923,593 |
| Total operating expenses | 53,468,687 | 1,314,207 |
| Operating (loss) | (24,868,179) | (312,243) |
| NONOPERATING REVENUES (EXPENSES) | | |
| State appropriations | 12,358,774 | |
| Pell Grant | 4,272,416 | |
| Property taxes | 10,376,338 | |
| Investment income | 343,472 | 357,715 |
| Loss on sale of capital assets | (14,539) | |
| Donated plant assets received (transferred) | 52,500 | (52,500) |
| Interest on indebtedness | (1,498,441) | |
| Net nonoperating revenues (expenses) | 25,890,520 | 305,215 |
| Change in net position | 1,022,341 | (7,028) |
| NET POSITION | | |
| Beginning of year | 35,792,386 | 3,338,746 |
| End of year | \$ 36,814,727 | \$ 3,331,718 |

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES
June 30, 2017

| ASSETS | Current Funds | | | | Plant Fund | Total |
|--|----------------------|---------------------|----------------------|-------------------|----------------------|-----------------------|
| | Unrestricted | Auxiliary | Restricted | Scholarships | | |
| Current assets: | | | | | | |
| Cash | \$ 4,484,863 | \$ 2,140,314 | \$ 19,434,387 | \$ 53,609 | \$ 3,379,787 | \$ 29,492,960 |
| Investments | | | 4,000,000 | | | 4,000,000 |
| Receivables: | | | | | | |
| Accounts, less allowance of \$1,744,246 | 4,641,499 | 207,190 | 255,530 | 8,200 | 14,255 | 5,126,674 |
| Accrued interest | | 175 | 15,655 | | 111 | 15,941 |
| Property tax: | | | | | | |
| Current year delinquent | 19,390 | | 20,492 | | 51,351 | 91,233 |
| Succeeding year | 2,260,154 | | 4,344,513 | | 5,918,847 | 12,523,514 |
| Due from other governments | 684,795 | 4,112 | 532,331 | 321,490 | | 1,542,728 |
| Inventories | 300 | 316,444 | | | | 316,744 |
| Prepaid expenses | | | 363,782 | | | 363,782 |
| Lease receivable | | 160,135 | | | | 160,135 |
| Due from Iowa Industrial New Jobs Training Program | | | 922,622 | | | 922,622 |
| Total current assets | 12,091,001 | 2,828,370 | 29,889,312 | 383,299 | 9,364,351 | 54,556,333 |
| Noncurrent assets: | | | | | | |
| Due from Iowa Industrial New Jobs Training Program | | | 7,824,995 | | | 7,824,995 |
| Note receivable | | | | | 1,100,151 | 1,100,151 |
| Lease receivable | | 1,489,865 | | | | 1,489,865 |
| Capital assets, non-depreciable | | | | | 775,927 | 775,927 |
| Capital assets, net | | | | | 48,278,067 | 48,278,067 |
| Total noncurrent assets | - | 1,489,865 | 7,824,995 | - | 50,154,145 | 59,469,005 |
| Total assets | 12,091,001 | 4,318,235 | 37,714,307 | 383,299 | 59,518,496 | 114,025,338 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Pension related deferred outflows | 3,507,335 | | | | | 3,507,335 |
| Total assets and deferred outflows of resources | \$ 15,598,336 | \$ 4,318,235 | \$ 37,714,307 | \$ 383,299 | \$ 59,518,496 | \$ 117,532,673 |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 426,560 | \$ 2,706 | \$ 322,490 | \$ 3,909 | \$ 36,166 | \$ 791,831 |
| Northeast Iowa Community-Based Dairy Foundation | | 482,787 | | | | 482,787 |
| Salaries and benefits payable | 1,425,077 | | 450,000 | | | 1,875,077 |
| Deposits held in custody for others | 216,422 | | | | | 216,422 |
| Accrued interest payable | | 14,004 | | | 118,812 | 132,816 |
| Long-term liabilities due within one year: | | | | | | |
| Compensated absences | 96,088 | 9,763 | | | | 105,851 |
| Early retirement payable | | | 563,987 | | | 563,987 |
| Notes payable | | | | | 275,000 | 275,000 |
| Bonds payable | | 85,000 | | | 3,195,000 | 3,280,000 |
| Certificates payable | | | 4,965,000 | | | 4,965,000 |
| Total current liabilities | 2,164,147 | 594,260 | 6,301,477 | 3,909 | 3,624,978 | 12,688,771 |
| Noncurrent liabilities: | | | | | | |
| Long-term liabilities due over one year: | | | | | | |
| Net OPEB liability | 646,966 | | | | | 646,966 |
| Net pension liability | 9,805,761 | | | | | 9,805,761 |
| Early retirement payable | | | 876,275 | | | 876,275 |
| Notes payable | | | | | 1,400,000 | 1,400,000 |
| Bonds payable | | 1,565,000 | | | 10,590,000 | 12,155,000 |
| Certificates payable | | | 21,500,000 | | | 21,500,000 |
| Total noncurrent liabilities | 10,452,727 | 1,565,000 | 22,376,275 | - | 11,990,000 | 46,384,002 |
| Total liabilities | 12,616,874 | 2,159,260 | 28,677,752 | 3,909 | 15,614,978 | 59,072,773 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Succeeding year property tax | 2,260,154 | | 4,344,513 | | 5,918,847 | 12,523,514 |
| Pension related deferred inflows | 117,028 | | | | | 117,028 |
| Other | 4,279,670 | | 3,535,046 | | 1,189,915 | 9,004,631 |
| Total deferred inflows of resources | 6,656,852 | - | 7,879,559 | - | 7,108,762 | 21,645,173 |
| NET POSITION | | | | | | |
| Net investment in capital assets | | | | | 37,996,379 | 37,996,379 |
| Restricted for specific purposes | | | 1,156,996 | 379,390 | 51,351 | 1,587,737 |
| Unrestricted (deficit) | (3,675,390) | 2,158,975 | | | (1,252,974) | (2,769,389) |
| Total net position (deficit) | (3,675,390) | 2,158,975 | 1,156,996 | 379,390 | 36,794,756 | 36,814,727 |
| Total liabilities, deferred inflows of resources and net position | \$ 15,598,336 | \$ 4,318,235 | \$ 37,714,307 | \$ 383,299 | \$ 59,518,496 | \$ 117,532,673 |

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2017

| | Current Funds | | | | Plant Fund | Total |
|--|---------------------|------------------|--------------------|------------------|--------------------|---------------------|
| | Unrestricted | Auxiliary | Restricted | Scholarships | | |
| OPERATING REVENUES | | | | | | |
| General: | | | | | | |
| Tuition and fees | \$ 8,713,341 | \$ 38,476 | \$ 247,135 | | | \$ 8,998,952 |
| Federal appropriations | 1,275,861 | 921,570 | 1,871,376 | \$ 5,344,194 | \$ 203,066 | 9,616,067 |
| Iowa Industrial New Jobs Training Program | | | 3,809,580 | | | 3,809,580 |
| Sales and services | 68,045 | 2,811,314 | | | 81,332 | 2,960,691 |
| Miscellaneous | 231,523 | 210,423 | 2,357,319 | 330,350 | 85,603 | 3,215,218 |
| Total operating revenues | 10,288,770 | 3,981,783 | 8,285,410 | 5,674,544 | 370,001 | 28,600,508 |
| OPERATING EXPENSES | | | | | | |
| Education and support: | | | | | | |
| Liberal arts and sciences | 6,712,587 | | 702 | | | 6,713,289 |
| Vocational technical | 6,902,754 | | 741,518 | | | 7,644,272 |
| Adult education | 3,095,650 | | 156,017 | | | 3,251,667 |
| Cooperative services | 2,893,657 | | 4,295,345 | | | 7,189,002 |
| General administration | 1,363,372 | | | | | 1,363,372 |
| Student services | 2,054,715 | | 2,356 | | | 2,057,071 |
| Learning resources | 651,397 | | 233,619 | | | 885,016 |
| Physical plant | 2,363,219 | | 1,602,506 | | | 3,965,725 |
| General institution | 5,283,747 | | 1,810,357 | | | 7,094,104 |
| Auxiliary enterprises | | 4,271,593 | | | | 4,271,593 |
| Scholarships and grants | | | | 5,590,237 | | 5,590,237 |
| Depreciation | | | | | 3,015,377 | 3,015,377 |
| Other | | | | | 427,962 | 427,962 |
| Total operating expenses | 31,321,098 | 4,271,593 | 8,842,420 | 5,590,237 | 3,443,339 | 53,468,687 |
| Operating (loss) income | (21,032,328) | (289,810) | (557,010) | 84,307 | (3,073,338) | (24,868,179) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| State appropriations | 9,953,277 | 22,715 | 2,150,274 | 102,466 | 130,042 | 12,358,774 |
| Pell Grant | 4,272,416 | | | | | 4,272,416 |
| Property taxes | 2,181,975 | | 2,308,680 | | 5,885,683 | 10,376,338 |
| Investment income | 284,503 | 24,107 | 16,269 | 17,831 | 762 | 343,472 |
| Loss on sale of capital assets | | | | | (14,539) | (14,539) |
| Donated plant assets received | | | | | 52,500 | 52,500 |
| Interest on indebtedness | | (77,495) | (578,853) | | (842,093) | (1,498,441) |
| Net nonoperating revenues (expenses) | 16,692,171 | (30,673) | 3,896,370 | 120,297 | 5,212,355 | 25,890,520 |
| Change in net position before transfers | (4,340,157) | (320,483) | 3,339,360 | 204,604 | 2,139,017 | 1,022,341 |
| Transfers | 3,698,175 | (580,204) | (4,143,480) | (17,317) | 1,042,826 | - |
| Change in net position | (641,982) | (900,687) | (804,120) | 187,287 | 3,181,843 | 1,022,341 |
| NET POSITION (deficit) | | | | | | |
| Beginning of year | (3,033,408) | 3,059,662 | 1,961,116 | 192,103 | 33,612,913 | 35,792,386 |
| End of year | \$ (3,675,390) | \$ 2,158,975 | \$ 1,156,996 | \$ 379,390 | \$ 36,794,756 | \$ 36,814,727 |

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2017

| | Current Funds | | | | Plant Fund | Total |
|---|---------------|--------------|---------------|--------------|--------------|---------------|
| | Unrestricted | Auxiliary | Restricted | Scholarships | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Tuition and fees | \$ 9,283,272 | \$ 38,476 | \$ 972,298 | | | \$ 10,294,046 |
| Federal appropriations | 1,105,820 | 917,458 | 1,803,604 | \$ 1,695,446 | \$ 203,066 | 5,725,394 |
| Iowa Industrial New Jobs Training Program | | | 4,932,212 | | | 4,932,212 |
| Payments to employees for salaries and benefits | (20,384,256) | (1,023,275) | (1,394,527) | | | (22,802,058) |
| Payments to suppliers for goods and services | (4,687,722) | (310,055) | (3,867,803) | | (427,962) | (9,293,542) |
| Payments to NJTP recipients | | | (2,798,351) | | | (2,798,351) |
| Cost of goods sold | | (2,383,184) | | | | (2,383,184) |
| Scholarships | | | | (1,918,024) | | (1,918,024) |
| Auxiliary enterprise receipts | | 2,677,628 | | | | 2,677,628 |
| Other operating payments paid on employees' behalf | (6,412,676) | (299,497) | (934,270) | | | (7,646,443) |
| Other operating receipts | 299,568 | 210,423 | 2,357,319 | 322,150 | 98,710 | 3,288,170 |
| Net cash (used in) provided by operating activities | (20,795,994) | (172,026) | 1,070,482 | 99,572 | (126,186) | (19,924,152) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| State appropriations | 9,953,277 | 22,715 | 2,150,274 | 102,466 | 130,042 | 12,358,774 |
| Pell Grant | 4,272,416 | | | | | 4,272,416 |
| Property tax | 2,180,416 | | 2,301,821 | | 5,884,073 | 10,366,310 |
| (Increase) decrease in due from other funds | 1,578,803 | | | | | 1,578,803 |
| (Decrease) increase in due to other funds | | | (1,429,860) | (148,943) | | (1,578,803) |
| Transfers | 3,698,175 | (580,204) | (4,143,480) | (17,317) | 1,042,826 | - |
| Federal direct lending receipts | 5,316,496 | 893,129 | 112,698 | 3,669,892 | | 9,992,215 |
| Federal direct lending disbursements | (5,316,496) | (893,129) | (112,698) | (3,669,892) | | (9,992,215) |
| Miscellaneous agency fund receipts | 579,474 | | | | | 579,474 |
| Miscellaneous agency fund disbursements | (605,603) | | | | | (605,603) |
| Net cash provided by (used in) noncapital financing activities | 21,656,958 | (557,489) | (1,121,245) | (63,794) | 7,056,941 | 26,971,371 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Proceeds from issuance of debt | | | 7,465,000 | | | 7,465,000 |
| Acquisition of capital assets | | | | | (2,368,292) | (2,368,292) |
| Principal paid on debt and leases | | (80,000) | (4,900,000) | | (3,415,000) | (8,395,000) |
| Interest paid on debt and leases | | (77,666) | (575,921) | | (842,093) | (1,495,680) |
| Net cash (used in) provided by capital and related financing activities | - | (157,666) | 1,989,079 | - | (6,625,385) | (4,793,972) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchase of investments | | | (4,000,000) | | | (4,000,000) |
| Payments made on note receivable | | | | | 60,000 | 60,000 |
| Advances made on note receivable | | | | | (5,291) | (5,291) |
| Payments made on lease receivable | | 80,000 | | | | 80,000 |
| Sale of investments | | | 20,095,356 | | 305,542 | 20,400,898 |
| Interest on investments | 284,503 | 24,107 | 16,269 | 17,831 | 654 | 343,364 |
| Net cash provided by investing activities | 284,503 | 104,107 | 16,111,625 | 17,831 | 360,905 | 16,878,971 |
| Net increase (decrease) in cash | 1,145,467 | (783,074) | 18,049,941 | 53,609 | 666,275 | 19,132,218 |
| CASH, beginning of year | 3,339,396 | 2,923,388 | 1,384,446 | - | 2,713,512 | 10,360,742 |
| CASH, end of year | \$ 4,484,863 | \$ 2,140,314 | \$ 19,434,387 | \$ 53,609 | \$ 3,379,787 | \$ 29,492,960 |

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (Continued)
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2017

| | Current Funds | | | | Plant Fund | Total |
|---|-----------------|--------------|--------------|--------------|----------------|-----------------|
| | Unrestricted | Auxiliary | Restricted | Scholarships | | |
| Reconciliation of operating (loss) income to net cash (used in) provided by operating activities: | | | | | | |
| Operating (loss) income | \$ (21,032,328) | \$ (289,810) | \$ (557,010) | \$ 84,307 | \$ (3,073,338) | \$ (24,868,179) |
| Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities: | | | | | | |
| Depreciation | | | | | 3,015,377 | 3,015,377 |
| Changes in assets and liabilities: | | | | | | |
| Decrease (increase) in accounts receivable | 987,348 | (137,798) | 263,740 | (8,200) | (13,514) | 1,091,576 |
| Decrease in NJTP receivable | | | 1,122,632 | | | 1,122,632 |
| Decrease (increase) in due from other governments | (170,041) | | (67,772) | 21,144 | | (216,669) |
| Decrease in inventories | 354 | 255,561 | | | | 255,915 |
| Increase (decrease) in accounts payable and accrued liabilities | (577,584) | 788 | (487,674) | 2,321 | | (1,062,149) |
| Increase in postemployment benefits | 2,575 | | | | | 2,575 |
| Decrease in net pension liability | 2,147,414 | | | | | 2,147,414 |
| Decrease in deferred outflows of resources | (1,214,177) | | | | | (1,214,177) |
| Increase in deferred inflows of resources | (520,347) | | | | | (520,347) |
| (Decrease) increase in deferred revenue | (417,417) | | 461,419 | | (54,711) | (10,709) |
| Decrease in compensated absences | (1,791) | (767) | 335,147 | | | 332,589 |
| Net cash (used in) provided by operating activities | \$ (20,795,994) | \$ (172,026) | \$ 1,070,482 | \$ 99,572 | \$ (126,186) | \$ (19,924,152) |

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The College accepted donated capital assets with a fair value of \$52,500 during the year ended June 30, 2017.

NORTHEAST IOWA COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Northeast Iowa Community College (College) is a publicly supported school established and operated by Merged Area I under the provisions of Chapter 260C of the Code of Iowa. The College offers programs of adult and continuing education, lifelong learning and community education. The College also offers up to two years of liberal arts, pre-professional or occupational instruction, which confers an associate degree and partially fulfills the requirements for a baccalaureate degree; but confers no more than an associate degree. The College also offers up to two years of career and technical education, training or retraining to persons who are preparing to enter the labor market. The College maintains campuses in Calmar and Peosta, Iowa, and has its administrative offices in Calmar. The College is governed by a Board of Trustees whose members are elected from each director district within Merged Area 1.

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

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Northeast Iowa Community 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; or the organization is fiscally dependent on the primary government. In addition, any other organizations due to the nature or significance of their relationship with the College should be included in the financial statements as component units.

The College has one component unit that meets the Governmental Accounting Standards Board (GASB) criteria. The Northeast Iowa Community College Foundation (College Foundation) is a nonprofit corporation that is governed by a separate Board of Directors. The College Foundation's purpose is to support the College through donations to provide scholarships to students and for the enhancement and extension of facilities, equipment and services. The activities of the College Foundation are reported using the discrete method. The College Foundation issues a separate financial report. The independent auditor's report on the component unit financial statements for year ending June 30, 2017 expresses an unmodified opinion dated October 19, 2017. Audited financial statements of Northeast Iowa Community College Foundation are available at the Northeast Iowa Community College District Office located at Hwy 150 South, Calmar, IA 52132.

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

b. Significant Accounting Policies (Continued)

Scope of Reporting Entity (Continued)

The College Foundation is a nonprofit organization that reports under accounting standards established by the Financial Accounting Standards Board (FASB). The College Foundation's financial statements were prepared in accordance with the provisions of *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 College Foundation's financial information in the College's financial reporting for these differences. The College Foundation reports net assets, which is equivalent to net position reported by the College.

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

Fund Financial Statements

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

The funds of the financial reporting entity are described below:

Current Funds

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

Unrestricted Fund

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

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

Auxiliary Funds

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

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Current Funds (Continued)

Restricted Funds

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

Scholarship Fund

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

Plant Fund

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

Measurement Focus

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus. This means that all assets and liabilities, deferred outflows of resources and deferred inflows of resources whether current or noncurrent associated with their activity are included on their statement of net position.

Basis of Accounting

The financial statements of the College have been prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

b. Significant Accounting Policies (Continued)

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

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

Cash and Investments

Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The College's policy is to classify non-negotiable certificates of deposit as investments on the financial statements.

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

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

Accounts Receivable

Accounts receivable consists of payments due from students and third parties for tuition and reimbursements.

The College considers accounts receivable under 120 days to be fully collectible; accordingly, allowance for doubtful accounts includes accounts over 120 days. The College does not deem student accounts uncollectible if the student re-enrolls. The account must be paid in full before the student can re-enroll.

Due to/from Affiliate

The College acts as a fiscal agent for the College Foundation. Transactions between the College and the College Foundation are accounted through due to/from affiliate.

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

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

b. Significant Accounting Policies (Continued)

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

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, 2017 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets

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

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

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

| <u>Asset Class</u> | <u>Amount</u> |
|----------------------------|---------------|
| Equipment and vehicles | \$ 5,000 |
| Intangible assets | 200,000 |
| Buildings and improvements | 25,000 |

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

| <u>Asset Class</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 30 |
| Intangible assets | 25 |
| Equipment | 5-10 |
| Vehicles | 5-10 |

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

Deferred Outflows of Resources

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

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

b. Significant Accounting Policies (Continued)

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

Salaries and Benefits Payable

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

Compensated Absences

College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities of the appropriate fund and have been computed based on rates of pay in effect as of June 30, 2017.

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 applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consists of succeeding year property tax, unearned administrative costs for NJTP, advanced student tuition, and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Net Position

Net Investment in Capital Assets

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

Restricted Net Position

Nonexpendable

Net position subject to externally imposed stipulations requiring that they be maintained permanently by the College, including the College's permanent endowment funds.

Expendable

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

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

b. Significant Accounting Policies (Continued)

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

Net Position (Continued)

Unrestricted Net Position

Net position not subject to externally imposed situations. Resources may be designated for specific purposes by action of management or by the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Auxiliary Enterprise Revenues

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

Summer Session

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

Tuition and Fees

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

Operating and Nonoperating Activities

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

Use of Estimates

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

Scholarship Allowances and Student Aid

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

NOTES TO FINANCIAL STATEMENTS

2. Cash and Investments

The College's deposits in banks at June 30, 2017 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 ensure there will be no loss of public funds.

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. At June 30, 2017, the College had investments in the Iowa Schools Joint Investment Trust (ISJIT), as follows:

| | Amortized Cost |
|-----------------------|-------------------|
| Diversified portfolio | \$ 49,162 |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

The College had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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.

The College's petty cash and deposit accounts as of June 30, 2017 consist of the following:

| | |
|------------------------|---------------|
| Petty cash | \$ 3,055 |
| Other deposit accounts | 29,489,905 |
| | \$ 29,492,960 |

The College's investments as of June 30, 2017 consist of the following:

| | |
|-------------------------|--------------|
| Certificates of deposit | \$ 4,000,000 |
|-------------------------|--------------|

NOTES TO FINANCIAL STATEMENTS

2. Cash and Investments (Continued)

The Northeast Iowa Community College Foundation's investments are stated at fair value, are subject to risk categorization and consist of the following:

| Investments | Fair Value | Quoted Prices in Active Market for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|-------------------|--------------|--|--|
| Money market fund | \$ 70,040 | \$ 70,040 | |
| Bond fund | 1,077,562 | 1,077,562 | |
| Corporate bonds | 90,330 | 86,560 | \$ 3,770 |
| Common stock | 1,468,722 | 1,468,722 | |
| Preferred stock | 75,647 | 75,647 | |
| Mutual funds | 297,962 | 297,962 | |
| | \$ 3,080,263 | \$ 3,076,493 | \$ 3,770 |

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

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

The following schedule summarizes the College Foundation's investment return and its classification in the statement of revenues, expenses and changes in net position for the year ended June 30, 2017:

| | |
|-----------------------------------|------------|
| Interest and dividend income | \$ 98,729 |
| Net realized and unrealized gains | 258,986 |
| Total investment return | \$ 357,715 |

Funds have been contributed on behalf of the College in the amount of \$20,979 to the Community Foundation of Greater Dubuque and \$76,000 to the Community Foundation of Northeast Iowa. Each organization manages the money. The College receives unrestricted allocated earnings from these assets.

3. Inventories

The College's inventories as of June 30, 2017 are as follows:

| Type | Amount |
|-----------------------------|------------|
| Supplies and materials | \$ 65,340 |
| Beef livestock | 32,200 |
| Merchandise held for resale | 219,204 |
| Total | \$ 316,744 |

NOTES TO FINANCIAL STATEMENTS

4. Capital Lease, Financing Obligation-Sale-Leaseback

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

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

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

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

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

| Year ending June 30, | Purchase Reserve Payment | Annual Service Fees | Total |
|---|--------------------------------|---------------------------|----------------------------|
| 2018 | \$ 105,135 | \$ 55,000 | \$ 160,135 |
| 2019 | 101,475 | 55,600 | 157,075 |
| 2020 | 102,815 | 56,200 | 159,015 |
| 2021 | 103,570 | 56,800 | 160,370 |
| 2022 | 104,123 | 57,400 | 161,523 |
| 2023-2027 | 530,337 | 296,000 | 826,337 |
| 2028-2031 | 435,080 | 247,600 | 682,680 |
| Minimum lease payments | \$ 1,482,535 | \$ 824,600 | 2,307,135 |
| Less imputed interest/service fees | | | (657,135) |
| | | | <u>\$ 1,650,000</u> |

NOTES TO FINANCIAL STATEMENTS

5. Note Receivable

In July 2015, the Dairy Foundation completed the construction of its robotics building with a note payable from Northeast Iowa Community College. The Dairy Foundation has assigned approximately \$5,663 of their monthly milk sales to make the annual payments. Both the Dairy Foundation and the College have agreed to suspend the assignment as of July 1, 2016 due to low milk prices. Payments resumed in September 2017. A summary of the principal and interest maturities are as follows:

| Year ending June 30, | Principal | Interest | Total |
|------------------------------|---------------------|------------------|---------------------|
| 2018 | \$ 46,213 | \$ 8,150 | \$ 54,363 |
| 2019 | 57,504 | 7,730 | 65,234 |
| 2020 | 57,937 | 7,297 | 65,234 |
| 2021 | 58,373 | 6,861 | 65,234 |
| 2022 | 58,812 | 6,422 | 65,234 |
| 2023-2027 | 299,768 | 26,402 | 326,170 |
| 2028-2032 | 312,256 | 13,914 | 326,170 |
| 2033-2036 | 209,288 | 2,651 | 211,939 |
| Minimum note payments | \$ 1,100,151 | \$ 79,427 | \$ 1,179,578 |

6. Capital Assets

Capital assets activity for the year ended June 30, 2017 is as follows:

| | Balance June 30, 2016 | Additions | Deletions | Balance June 30, 2017 |
|---|--------------------------|--------------|--------------|--------------------------|
| Capital non-depreciable assets: | | | | |
| Land | \$ 683,366 | | | \$ 683,366 |
| Construction in progress | 1,269,446 | \$ 867,936 | \$ 2,044,821 | 92,561 |
| Capital assets, non-depreciable | 1,952,812 | 867,936 | 2,044,821 | 775,927 |
| Capital assets, being depreciated: | | | | |
| Buildings | 70,311,565 | 2,050,152 | | 72,361,717 |
| Other structures and improvements | 3,718,584 | 14,103 | | 3,732,687 |
| Furniture and equipment | 8,434,245 | 1,106,930 | 138,349 | 9,402,826 |
| Gross capital assets being depreciated | 82,464,394 | 3,171,185 | 138,349 | 85,497,230 |
| Less accumulated depreciation: | | | | |
| Buildings | 27,878,787 | 2,029,827 | | 29,908,614 |
| Other structures and improvements | 1,750,531 | 111,026 | | 1,861,557 |
| Furniture and equipment | 4,698,278 | 874,524 | 123,810 | 5,448,992 |
| Total accumulated depreciation | 34,327,596 | 3,015,377 | 123,810 | 37,219,163 |
| Net capital assets being depreciated | 48,136,798 | 155,808 | 14,539 | 48,278,067 |
| Capital assets, net | \$ 50,089,610 | \$ 1,023,744 | \$ 2,059,360 | \$ 49,053,994 |

NOTES TO FINANCIAL STATEMENTS

7. Long-term Obligations

Long-term liability activity for the year ended June 30, 2017 was as follows:

| | Balance June 30, 2016 | Additions | Reductions | Balance June 30, 2017 | Amounts Due Within One Year |
|--------------------------|--------------------------|--------------|--------------|--------------------------|-----------------------------------|
| Certificates payable | \$ 23,900,000 | \$ 7,610,000 | \$ 5,045,000 | \$ 26,465,000 | \$ 4,965,000 |
| Notes payable | 1,950,000 | | 275,000 | 1,675,000 | 275,000 |
| Bonds payable | 18,655,000 | | 3,220,000 | 15,435,000 | 3,280,000 |
| Other liabilities: | | | | | |
| Early retirement payable | 1,105,115 | 714,059 | 378,912 | 1,440,262 | 563,987 |
| Long-term liabilities | \$ 45,610,115 | \$ 8,324,059 | \$ 8,918,912 | \$ 45,015,262 | \$ 9,083,987 |

a. Certificates Payable

In accordance with agreements dated between July 1, 2011 and June 30, 2017, the College issued certificates totaling \$26,465,000 with interest rates ranging from 1.45% to 3.85% per annum. The debt was incurred to fund the development and training costs 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 annual debt service requirements on these certificates payable are as follows:

| Year ending June 30, | Principal | Interest | Total |
|----------------------|---------------|--------------|---------------|
| 2018 | \$ 4,965,000 | \$ 601,703 | \$ 5,566,703 |
| 2019 | 4,935,000 | 514,882 | 5,449,882 |
| 2020 | 3,995,000 | 414,615 | 4,409,615 |
| 2021 | 3,095,000 | 323,145 | 3,418,145 |
| 2022 | 2,805,000 | 248,593 | 3,053,593 |
| 2023-2027 | 6,670,000 | 441,069 | 7,111,069 |
| | \$ 26,465,000 | \$ 2,544,007 | \$ 29,009,007 |

b. Notes Payable

The College has issued notes payable for the purchase and construction of College properties. As of June 30, 2017, the notes payable outstanding consist of the following:

\$1,675,000 Refunding Certificates of Participation Evidencing Undivided Proportionate Interests in Base Lease Payments Pursuant to a Lease Purchase Agreement, due annually in varying installments December 1, 2017 through December 1, 2022 plus interest semiannually with interest rates of the lease varying from 1.40% to 2.30%. The lease was issued to refund the lease to purchase the Town Clock Center.

\$ 1,675,000

NOTES TO FINANCIAL STATEMENTS

7. **Long-term Obligations (Continued)**

b. **Notes Payable (Continued)**

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

| <u>Year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2018 | \$ 275,000 | \$ 29,475 | \$ 304,475 |
| 2019 | 275,000 | 25,350 | 300,350 |
| 2020 | 275,000 | 20,675 | 295,675 |
| 2021 | 300,000 | 15,200 | 315,200 |
| 2022 | 300,000 | 8,975 | 308,975 |
| 2023 | 250,000 | 2,875 | 252,875 |
| | <u>\$ 1,675,000</u> | <u>\$ 102,550</u> | <u>\$ 1,777,550</u> |

c. **Bonded Indebtedness**

\$9,510,000 General Obligation School Bonds Series 2009A, due annually in varying installments June 1, 2018 through June 1, 2021 plus interest semiannually with interest rates varying from 5.25% to 5.50%. These bonds were issued to renovate, erect and equip the buildings at the Calmar and Peosta campuses.

\$4,275,000 General Obligation School Bonds, Series 2009B, are due annually in varying installments June 1, 2018 through June 1, 2022 plus interest semiannually with interest rates varying from 3.25% to 3.90%. Bonds are callable after June 1, 2017. These bonds were issued to renovate, erect and equip the buildings at the Calmar and Peosta campuses.

\$1,650,000 Certificates of Participation, Series 2012A, are due annually in varying installments May 1, 2018 through May 1, 2031 plus interest semiannually with interest rates varying from 3.60% to 5.00%. These bonds were issued to purchase the buildings and equipment of the Dairy Foundation. Bonds are callable after May 1, 2018.

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

| <u>Year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 2018 | \$ 3,280,000 | \$ 738,828 | \$ 4,018,828 |
| 2019 | 3,315,000 | 587,030 | 3,902,030 |
| 2020 | 3,335,000 | 583,970 | 3,918,970 |
| 2021 | 3,410,000 | 564,825 | 3,974,825 |
| 2022 | 900,000 | 154,322 | 1,054,322 |
| 2023-2027 | 590,000 | 236,338 | 826,338 |
| 2028-2031 | 605,000 | 77,680 | 682,680 |
| Total | <u>\$ 15,435,000</u> | <u>\$ 2,942,993</u> | <u>\$ 18,377,993</u> |

7. Long-term Obligations (Continued)

d. Operating Leases

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2018 and 2020 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year following June 30, 2017:

| | |
|---|-------------------|
| Year ending June 30, | |
| 2018 | \$ 75,000 |
| 2019 | 30,000 |
| 2020 | <u>30,000</u> |
| Minimum lease payments for all operating leases | <u>\$ 135,000</u> |

Rents for fiscal year 2017 totaled \$93,536 for all operating leases, except those with terms of a month or less that were not renewed.

8. Early Retirement

The College offered a voluntary early retirement plan to its employees for the academic year ending June 30, 2016. An eligible employee may retire on or before June 30, 2016 or August 16, 2016 (faculty) or select a retirement date in the employment year of 2017 or 2018. Employees qualifying for early retirement must have completed at least ten years of full-time staff and regular part-time service to the College, and must have reached the age of 55 on or before July 1 of the year of their retirement (professional and support staff and non-teaching faculty) or August 16 (instructional staff and counselors). The application for early retirement was subject to approval by the Board of Trustees during the year the plan was offered.

Those eligible employees who were approved to receive benefits under the early retirement plan received a cash payment equal to 50% plus an additional .75% of their regular contractual salary for each full year of consecutive service beyond ten years. Retirees receive their cash payment over a three-year period.

A staff member accepting early retirement has two options to choose from as to when the cash benefits would be received. The College also contributes a set amount toward single plan health insurance for the retiree, if the retiree chooses to remain in the employer's health insurance plan. This contribution continues until the day the retiree is eligible under another group plan or until the end of the month prior to the month in which the retiree becomes eligible for Medicare. The plan is funded on a pay-as-you-go basis through property tax levies. At June 30, 2017, the College has obligations to thirty-three participants with a total early retirement liability of \$1,440,262. Actual early retirement expenditures for the year ended June 30, 2017 totaled \$378,912.

9. Iowa Public Employees' Retirement System (IPERS)*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.

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, any time 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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 the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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 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.

9. Iowa Public Employees' Retirement System (IPERS) (Continued)

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the College contributed 8.93% of covered payroll, for a total rate of 14.88%.

The College's contributions to IPERS for the year ended June 30, 2017 totaled \$1,039,294.

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

At June 30, 2017, the College reported a liability of \$9,805,761 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the College's proportion was 0.155812%, which was an increase of 0.00080% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the College recognized pension expense of \$1,444,919. At June 30, 2017, 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 | \$ 86,664 | \$ 117,028 |
| Changes of assumptions | 149,605 | |
| Net difference between projected and actual earnings on IPERS' investments | 1,397,011 | |
| Changes in proportion and differences between College contributions and the College's proportionate share of contributions | 834,761 | |
| College contributions subsequent to the measurement date | 1,039,294 | |
| Total | \$ 3,507,335 | \$ 117,028 |

NOTES TO FINANCIAL STATEMENTS

9. Iowa Public Employees' Retirement System (IPERS) (Continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$1,039,294 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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, | | |
|----------------------|----|-----------|
| 2017 | \$ | 470,847 |
| 2018 | | 470,847 |
| 2019 | | 934,018 |
| 2020 | | 474,594 |
| 2021 | | 707 |
| Total | \$ | 2,351,013 |

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

| | |
|--|---|
| Rate of inflation (effective June 30, 2014) | 3.00% per annum. |
| Rates of salary increase (effective June 30, 2010) | 4.00 to 17.00% average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 1996) | 7.50% compounded annually, net of investment expense, including inflation. |
| Wage growth (effective June 30, 1990) | 4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation. |

The actuarial assumptions used in the June 30, 2016 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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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.

NOTES TO FINANCIAL STATEMENTS

9. Iowa Public Employees' Retirement System (IPERS) (Continued)

Actuarial Assumptions (Continued)

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 |
|------------------------|------------------|---|
| Core plus fixed income | 28% | 1.90% |
| Domestic equity | 24 | 5.85 |
| International equity | 16 | 6.32 |
| Private equity/debt | 11 | 10.31 |
| Real estate | 8 | 3.87 |
| Credit opportunities | 5 | 4.48 |
| U.S. TIPS | 5 | 1.36 |
| Other real assets | 2 | 6.42 |
| Cash | 1 | (0.26) |
| Total | 100% | |

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the College will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.50%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|--------------------------|------------------------|
| College's proportionate share of the net pension liability | \$ 15,864,392 | \$ 9,805,761 | \$ 4,692,195 |

IPERS' Fiduciary Net Position

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

Payables to IPERS

At June 30, 2017, the College reported payables to IPERS of \$167,854 for legally required College contributions and \$78,030 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

10. Teachers Insurance and Annuity Association (TIAA)

The College contributes to the TIAA retirement program, which is a defined contribution pension plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed.

Benefit terms, including contribution requirements, for TIAA are established and specified by the plan with TIAA 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 for the years ended June 30, 2017, 2016, and 2015, respectively. Each employee is required to contribute 5.95% for the years ended June 30, 2017, 2016, and 2015, respectively. Contributions made by both the College and employees vest immediately. For the employees' required and actual contributions to TIAA for the years ended June 30, 2017, 2016, and 2015 were \$542,200, \$576,934, and \$552,315, respectively. The College's required and actual contributions to TIAA for the years ended June 30, 2017, 2016, and 2015 were \$813,756, \$865,886, and \$828,937, respectively.

At June 30, 2017, the College reported payables to the TIAA of \$39,524 for legally required College contributions and none for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA.

11. Other Postemployment Benefits (OPEB)

Plan Description

The College operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 339 active and 19 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

NOTES TO FINANCIAL STATEMENTS

11. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the College's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

| | | |
|--|----|-----------------------|
| Annual required contribution | \$ | 44,212 |
| Interest on net OPEB obligation | | 32,220 |
| Adjustment to annual required contribution | | <u>(41,920)</u> |
| | | |
| Annual OPEB cost | | 34,512 |
| Contributions made | | <u>(31,937)</u> |
| | | |
| Increase in net OPEB obligation | | 2,575 |
| | | |
| Net OPEB obligation beginning of year | | <u>644,391</u> |
| | | |
| Net OPEB obligation end of year | \$ | <u><u>646,966</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the College contributed \$31,937 to the medical plan. Plan members eligible for benefits contributed none of the premium costs for the OPEB obligation.

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

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------------|---------------------|--|------------------------|
| 2015 | \$ 75,966 | 35.6% | \$ 595,467 |
| 2016 | 75,966 | 35.6% | 644,391 |
| 2017 | 34,512 | 92.5% | 646,966 |

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$310,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$310,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$16,198,000 and the ratio of the UAAL to covered payroll was 1.9%. As of June 30, 2017, there were no trust fund assets.

11. Other Postemployment Benefits (OPEB) (Continued)*Actuarial Methods and Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress 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 July 1, 2016 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the College's funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 0.5% each year until reaching the 5.0% ultimate trend rate. An inflation rate of 3.0% is assumed for the purpose of this computation.

Mortality rates are from the RP-2014 Mortality Tables with Scale MP-2016, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014. Turnover rates are based on T-6 of the actuary's pension handbook.

Projected claim costs of the medical plan are \$9,142 for base plan or \$10,121 for optional plan per month for retirees less than age 65 and for retirees who have attained age 65 there is no monthly cost. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTES TO FINANCIAL STATEMENTS

12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

| | Transfers In | Transfers Out |
|---------------------------|--------------|---------------|
| Unrestricted fund: | | |
| Restricted fund | \$ 2,360,259 | \$ 67,853 |
| Scholarship fund | 3,744 | |
| Auxiliary fund | 604,933 | 3,126 |
| Plant fund | 800,218 | |
| | 3,769,154 | 70,979 |
| Auxiliary fund: | | |
| Unrestricted fund | 3,126 | 604,933 |
| Restricted fund | 38,982 | 17,379 |
| | 42,108 | 622,312 |
| Restricted fund: | | |
| Unrestricted fund | 67,853 | 2,360,259 |
| Auxiliary fund | 17,379 | 38,982 |
| Scholarship fund | 13,573 | |
| Plant fund | 12,126 | 1,855,170 |
| | 110,931 | 4,254,411 |
| Scholarship fund: | | |
| Unrestricted fund | | 3,744 |
| Restricted fund | | 13,573 |
| | None | 17,317 |
| Plant fund: | | |
| Unrestricted fund | | 800,218 |
| Restricted fund | 1,855,170 | 12,126 |
| | 1,855,170 | 812,344 |
| Total | \$ 5,777,363 | \$ 5,777,363 |

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

13. Related Organizations

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

Significant financial data for the year ended June 30, 2017, which is audited, is as follows:

| | |
|-------------------|--------------|
| Total assets | \$ 4,743,916 |
| Total liabilities | \$ 3,238,165 |
| Total equity | \$ 1,505,751 |
| Total revenue | \$ 2,379,318 |
| Total expenses | \$ 2,585,248 |

14. New Jobs Training Programs

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area I in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated 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 309 projects. There are 212 projects that have been completed and 97 are currently open.

The College also administers the Iowa Jobs Training Program (IJTP) in Area I in accordance with the Code of Iowa. IJTP's purpose is to provide tax-aided training or retraining for existing employees of businesses. Approved businesses receive forgivable loans from the Iowa Economic Development Authority, a state administered fund. Since inception, the College has administered 408 projects with 17 new projects in the year ending June 30, 2017.

15. Commitments

The College is a member of ACCES, Inc. (Alliance for Community Colleges for Electronic Sharing), a computer consortium of ten (10) Iowa community colleges. The College will continue to be a member of ACCES, Inc. for the foreseeable future. ACCES, Inc. has changed its mission from a consortium for providing administrative software services to a buying consortium for the acquisition and maintenance of Datatel Colleague and other administrative software. The ongoing expenditures for the Datatel Colleague software and maintenance will be paid through ACCES Consortium. The College is committed to paying ACCES, Inc. consortium \$131,418 for software, licensing and maintenance for fiscal year 2018.

The College is also a member of CAST, Inc. (College Alliance Sharing Technology), a computer consortium composed of three (3) Iowa community colleges. Its purpose is to provide administrative support and sharing of computer services. The College is committed to be a member of CAST until July 1, 2018. The percentage of the total annual expenditures of CAST, Inc. is to be paid based on the percentage of unrestricted general fund expenditures of the preceding fiscal year compared to the total of all participating colleges’ general fund expenditures for the preceding fiscal year. The College’s payments to CAST, Inc. for fiscal year 2018 are estimated to be \$344,425 for the consortium, which represents approximately 46% of the budget for CAST, Inc.

NOTES TO FINANCIAL STATEMENTS

15. Commitments (Continued)

As of June 30, 2017, the College has entered into various agreements for equipment for a total amount of \$139,529.

The College entered into an operational agreement on August 20, 2015 with the Dairy Foundation. The Dairy Foundation will provide some animals from the existing dairy herd for the NICC Beef Facility. Ownership of the dairy beef animals at the NICC Beef Facility will be retained by the Dairy Foundation. The Dairy Foundation will provide labor, feed and bedding for the beef cow/calf herd.

16. Contingent Liabilities

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If the grantor government disallows expenses due to noncompliance with grant program regulations, the College may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenses have not been audited by granting authorities, but the College believes that disallowed expenses, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the College.

17. Risk Management Policies

The College carries commercial insurance coverage for coverage associated with property and inland marine, general liability, automobile liability, automobile physical damage, fidelity bonds, health and worker's compensation. The College also carries coverage for operating equipment protection insurance up to \$1.26 million of costs. The College is self-insured with respect to their health insurance coverage. The College maintains reinsurance that carries a specific stop loss of \$100,000 per employee covered and an aggregate stop loss of 125% of total estimated claims. Claims payable include all known claims and an amount for claims that have been incurred but not reported (IBNR).

The changes in the aggregate liabilities for claims included in salaries and benefits payable for the years ended June 30, 2017 and 2016 are as follows:

| | 2017 | 2016 |
|-----------------------------------|-------------|-------------|
| Claims payable, beginning of year | \$ 776,288 | \$ 509,688 |
| Claims recognized | 3,544,261 | 6,193,659 |
| Claim payments | (3,870,549) | (5,927,059) |
| Claims payable, end of year | \$ 450,000 | \$ 776,288 |

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

18. Net Position

The statement of net position reports \$1,587,737 of restricted net position, of which \$1,156,996 is restricted by enabling legislation.

19. Net Position Deficit

The unrestricted fund has a deficit net position as of June 30, 2017. The deficit was incurred due to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*.

NOTES TO FINANCIAL STATEMENTS

20. Tax Abatements

Governmental Accounting Standards Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

College Tax Abatements

The College provides tax abatements for industrial new jobs training projects with the tax increment financing as provided for in Section 403.19 of the Code of Iowa and/or state income tax withholding as provided for in Section 260E.5 of the Code of Iowa. For these types of projects, the College enters into agreements with employers which require the College, after employers meet the terms of the agreements, to pay the employers for the costs of on-the-job training not to exceed 50% of the annual gross payroll costs for up to one year of the new jobs. No other commitments were made by the College as part of these agreements.

For the year ended June 30, 2017, the College had no abatements of property tax and \$3,809,585 of state income tax withholding under the projects.

Tax Abatements of Other Entities

Property tax revenues of the College were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

| Entity | Tax Abatement Program | Amount of Tax Abated |
|---------------------|-----------------------------|-------------------------|
| City of Cascade | Other tax abatement program | \$ 954 |
| City of Clermont | Other tax abatement program | 289 |
| City of Dubuque | Other tax abatement program | 72,184 |
| Dubuque County | Other tax abatement program | 3,527 |
| City of Dyersville | Other tax abatement program | 8,844 |
| City of Edgewood | Other tax abatement program | 332 |
| City of Elkader | Other tax abatement program | 1,620 |
| | Urban renewal and economic | 494 |
| City of Farley | Other tax abatement program | 4,425 |
| | Urban renewal and economic | 2,951 |
| City of Fayette | Other tax abatement program | 369 |
| Fayette County | Other tax abatement program | 3,479 |
| City of Hawkeye | Other tax abatement program | 251 |
| Howard County | Other tax abatement program | 53,150 |
| City of Lansing | Other tax abatement program | 628 |
| City of Manchester | Other tax abatement program | 602 |
| City of McGregor | Other tax abatement program | 187 |
| City of Monona | Other tax abatement program | 1,015 |
| City of New Hampton | Other tax abatement program | 8,586 |
| City of Oelwein | Other tax abatement program | 1,174 |
| City of Peosta | Other tax abatement program | 3,222 |
| City of Riceville | Other tax abatement program | 134 |
| City of Waukon | Other tax abatement program | 1,270 |
| City of West Union | Other tax abatement program | 834 |

21. New Accounting Pronouncement

The College adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The notes to financial statements include information about tax abatements of other entities which impact the College.

22. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued two statements not yet implemented by the College. These statements which might impact the College are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the fiscal year ended June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the statement of net position is expected to include a significant liability for the government's other postemployment benefits.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the fiscal year ended June 30, 2020. The Statement increases the usefulness of governments' financial statement by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

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

23. Subsequent Events

Management has evaluated subsequent events through October 3, 2017, the date on which the financial statements were available to be issued.

The College entered into a eighteen month promissory note with the Dairy Foundation to finance the Dairy Foundation's June 30, 2017 bills.

NORTHEAST IOWA COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 For the Last Three Years*
 (In Thousands)

| | 2017 | 2016 | 2015 |
|--|-----------|-----------|-----------|
| College's proportion of the net pension liability | 0.155812% | 0.155012% | 0.143749% |
| College's proportionate share of the net pension liability | \$ 9,806 | \$ 7,658 | \$ 5,701 |
| College's covered-employee payroll | \$ 11,254 | \$ 10,621 | \$ 9,410 |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 87.13% | 72.10% | 60.58% |
| IPERS' net position as a percentage of the total pension liability | 81.82% | 84.19% | 86.60% |

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Notes to Required Pension Liability Information and Independent Auditor's Report.

NORTHEAST IOWA COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF COLLEGE CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 For the Last Ten Years
 (In Thousands)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|----------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contribution | \$ 1,039 | \$ 1,005 | \$ 948 | \$ 840 | \$ 730 | \$ 635 | \$ 544 | \$ 532 | \$ 507 | \$ 450 |
| Contributions in relation to the statutorily required contribution | <u>(1,039)</u> | <u>(1,005)</u> | <u>(948)</u> | <u>(840)</u> | <u>(730)</u> | <u>(635)</u> | <u>(544)</u> | <u>(532)</u> | <u>(507)</u> | <u>(450)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| College's covered-employee payroll | \$ 11,630 | \$ 11,254 | \$ 10,621 | \$ 9,410 | \$ 8,420 | \$ 7,869 | \$ 7,827 | \$ 8,000 | \$ 7,984 | \$ 7,438 |
| Contributions as a percentage of covered-employee payroll | 8.93% | 8.93% | 8.93% | 8.93% | 8.67% | 8.07% | 6.95% | 6.65% | 6.35% | 6.05% |

See Notes to Required Pension Liability Information and Independent Auditor's Report.

NORTHEAST IOWA COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2017

Changes of Benefit Terms

Legislation enacted in 2010 modified benefit terms for 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.

Legislative action in 2008 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.

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) 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.

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

| 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) |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 2011 | July 1, 2010 | - | \$ 517 | \$ 517 | 0.0% | \$ 11,506 | 4.5% |
| 2012 | July 1, 2010 | - | \$ 517 | \$ 517 | 0.0% | \$ 12,725 | 4.1% |
| 2013 | July 1, 2012 | - | \$ 481 | \$ 481 | 0.0% | \$ 11,661 | 4.1% |
| 2014 | July 1, 2012 | - | \$ 481 | \$ 481 | 0.0% | \$ 14,595 | 3.3% |
| 2015 | July 1, 2014 | - | \$ 628 | \$ 628 | 0.0% | \$ 16,447 | 3.8% |
| 2016 | July 1, 2014 | - | \$ 628 | \$ 628 | 0.0% | \$ 16,419 | 3.8% |
| 2017 | July 1, 2016 | - | \$ 310 | \$ 310 | 0.0% | \$ 16,198 | 1.9% |

See Note 11 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Northeast Iowa Community College, as of and for the year ended June 30, 2017, and our report thereon dated October 3, 2017, which expressed unmodified opinions on the financial statements, appears on pages 2 through 3. Our audit was conducted for the purpose of forming opinions on such financial statements as a whole. The supplementary information included in Schedules 1 through 10, and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis using regulatory basis of accounting and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the June 30, 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements for the year ended June 30, 2017, as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. Those audits were conducted for purposes of forming opinions on the basic financial statements as a whole. The Schedules 7 and 8 using regulatory basis of accounting are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the prior nine years basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedules 7 and 8 are fairly stated, in all material respects, in relation to the basic financial statements from which it has been derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 3, 2017

NORTHEAST IOWA COMMUNITY COLLEGE
BALANCE SHEET
June 30, 2017

| ASSETS | Current Funds | | | | Plant Funds | | Investment in Plant | GAAP Adjustments | GAAP Basis |
|--|---------------|--------------|---------------|--------------|--------------|----------------------------|---------------------|------------------|----------------|
| | Unrestricted | Auxiliary | Restricted | Scholarships | Unexpended | Refirement of Indebtedness | | | |
| Cash | \$ 4,484,863 | \$ 2,140,314 | \$ 19,434,387 | \$ 53,609 | \$ 3,379,787 | | | | \$ 29,492,960 |
| Investments | | | 4,000,000 | | | | | | 4,000,000 |
| Receivables: | | | | | | | | | |
| Accounts, less allowance of \$1,744,246 | 4,641,499 | 207,190 | 255,530 | 8,200 | 14,255 | | | | 5,126,674 |
| Accrued interest | | 175 | 15,655 | | 111 | | | | 15,941 |
| Property tax: | | | | | | | | | |
| Current year delinquent | 19,390 | | 20,492 | | | \$ 51,351 | | | 91,233 |
| Succeeding year | 2,260,154 | | 4,344,513 | | | 5,918,847 | | | 12,523,514 |
| Due from other governments | 684,795 | 4,112 | 532,331 | 321,490 | | | | | 1,542,728 |
| Inventories | 300 | 316,444 | | | | | | | 316,744 |
| Due from Iowa Industrial New Jobs Training Program | | | 8,747,617 | | | | | | 8,747,617 |
| Prepaid expenses | | | 363,782 | | | | | | 363,782 |
| Note receivable | | | | | 1,100,151 | | | | 1,100,151 |
| Lease receivable | | 1,650,000 | | | | | | | 1,650,000 |
| Capital assets: | | | | | | | | | |
| Land | | | | | | | \$ 683,366 | | 683,366 |
| Construction in progress | | | | | | | 92,561 | | 92,561 |
| Buildings | | | | | | | 72,361,717 | | 72,361,717 |
| Other structures and improvements | | | | | | | 3,732,688 | | 3,732,688 |
| Furniture and equipment, including assets acquired | | | | | | | 9,402,827 | | 9,402,827 |
| Accumulated depreciation | | | | | | | (37,219,165) | | (37,219,165) |
| Total assets | 12,091,001 | 4,318,235 | 37,714,307 | 383,299 | 4,494,304 | 5,970,198 | 49,053,994 | \$ - | 114,025,338 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | | | |
| Pension related deferred outflows | | | | | | | | 3,507,335 | 3,507,335 |
| Total assets and deferred outflows of resources | \$ 12,091,001 | \$ 4,318,235 | \$ 37,714,307 | \$ 383,299 | \$ 4,494,304 | \$ 5,970,198 | \$ 49,053,994 | \$ 3,507,335 | \$ 117,532,673 |
| LIABILITIES | | | | | | | | | |
| Accounts payable | \$ 426,560 | \$ 2,706 | \$ 322,490 | \$ 3,909 | \$ 36,166 | | | | \$ 791,831 |
| Northeast Iowa Community-Based Dairy Foundation | | 482,787 | | | | | | | 482,787 |
| Salaries and benefits payable | 1,425,077 | | 450,000 | | | | | | 1,875,077 |
| Accrued interest payable | | 14,004 | | | | 118,812 | | | 132,816 |
| Deposits held in custody for others | 216,422 | | | | | | | | 216,422 |
| Compensated absences | 96,088 | 9,763 | | | | | | | 105,851 |
| Early retirement payable | | | 1,440,262 | | | | | | 1,440,262 |
| Net OPEB liability | | | | | | | | \$ 646,966 | 646,966 |
| Net pension liability | | | | | | | | 9,805,761 | 9,805,761 |
| Notes payable | | | | | | | \$ 1,675,000 | | 1,675,000 |
| Bonds payable | | 1,650,000 | | | 4,402,385 | | 9,382,615 | | 15,435,000 |
| Certificates payable | | | 26,465,000 | | | | | | 26,465,000 |
| Total liabilities | 2,164,147 | 2,159,260 | 28,677,752 | 3,909 | 4,557,363 | \$ - | 11,057,615 | 10,452,727 | 59,072,773 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | |
| Succeeding year property tax | 2,260,154 | | 4,344,513 | | | | 5,918,847 | | 12,523,514 |
| Pension related deferred inflows | | | | | | | | 117,028 | 117,028 |
| Other | 4,279,670 | | 3,535,046 | | 1,189,915 | | | | 9,004,631 |
| Total deferred inflows of resources | 6,539,824 | - | 7,879,559 | - | 1,189,915 | 5,918,847 | - | 117,028 | 21,645,173 |
| FUND BALANCE | | | | | | | | | |
| Net investment in capital assets | | | | | | | 37,996,379 | | 37,996,379 |
| Fund balances: | | | | | | | | | |
| Restricted for specific purposes | | | 1,156,996 | 379,390 | | 51,351 | | | 1,587,737 |
| Unrestricted (deficit) | 3,387,030 | 2,158,975 | | | (1,252,974) | | | (7,062,420) | (2,769,389) |
| Total fund equity (deficit) | 3,387,030 | 2,158,975 | 1,156,996 | 379,390 | (1,252,974) | 51,351 | 37,996,379 | (7,062,420) | 36,814,727 |
| Total liabilities, deferred inflows of resources and fund equity | \$ 12,091,001 | \$ 4,318,235 | \$ 37,714,307 | \$ 383,299 | \$ 4,494,304 | \$ 5,970,198 | \$ 49,053,994 | \$ 3,507,335 | \$ 117,532,673 |

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
 SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
 For the Year Ended June 30, 2017

| | Current Funds | | | | Plant Funds | | | GAAP Adjustments | GAAP Basis |
|--|-------------------|------------------|-------------------|-------------------|------------------|-------------------------------|------------------------|---------------------|-------------------|
| | Unrestricted | Auxiliary | Restricted | Scholarships | Unexpended | Retirement of Indebtedness | Investment in Plant | | |
| REVENUES AND OTHER ADDITIONS | | | | | | | | | |
| General: | | | | | | | | | |
| State appropriations | \$ 9,953,277 | \$ 22,715 | \$ 2,150,274 | \$ 372,617 | \$ 130,042 | | | \$ (270,151) | \$ 12,358,774 |
| Tuition and fees | 14,210,354 | 38,476 | 247,135 | | | | | (5,497,013) | 8,998,952 |
| Property taxes | 2,181,975 | | 2,308,680 | | 1,626,980 | \$ 4,258,703 | | | 10,376,338 |
| Federal appropriations | 51,264 | 28,441 | 1,871,376 | 11,351,620 | 203,066 | | | 382,716 | 13,888,483 |
| Investment income | 284,503 | 24,107 | 16,269 | 17,831 | 762 | | | | 343,472 |
| Iowa Industrial New Jobs Training Program | | | 3,809,580 | | | | | | 3,809,580 |
| Sales and services | 68,045 | | | | 81,332 | | | | 149,377 |
| Miscellaneous | 231,523 | | 2,357,319 | 442,915 | 85,603 | | | (112,565) | 3,004,795 |
| | 26,980,941 | 113,739 | 12,760,633 | 12,184,983 | 2,127,785 | 4,258,703 | \$ - | (5,497,013) | 52,929,771 |
| Auxiliary enterprises: | | | | | | | | | |
| Sales and services | | 3,704,443 | | | | | | (893,129) | 2,811,314 |
| Miscellaneous | | 210,423 | | | | | | | 210,423 |
| | - | 3,914,866 | - | - | - | - | - | (893,129) | 3,021,737 |
| Total revenues and other additions | 26,980,941 | 4,028,605 | 12,760,633 | 12,184,983 | 2,127,785 | 4,258,703 | - | (6,390,142) | 55,951,508 |
| EXPENDITURES AND OTHER DEDUCTIONS | | | | | | | | | |
| Education and support: | | | | | | | | | |
| Liberal arts and sciences | 6,712,587 | | 702 | | | | | | 6,713,289 |
| Vocational technical | 6,902,754 | | 1,396,863 | | | | | (707,845) | 7,591,772 |
| Adult education | 3,095,650 | | 156,017 | | | | | | 3,251,667 |
| Cooperative services | 2,893,657 | | 5,259,920 | | | | | (964,575) | 7,189,002 |
| General administration | 1,363,372 | | | | | | | | 1,363,372 |
| Student services | 2,054,715 | | 2,356 | | | | | | 2,057,071 |
| Learning resources | 651,397 | | 233,619 | | | | | | 885,016 |
| Physical plant | 2,363,219 | | 1,602,506 | | | | | | 3,965,725 |
| General institution | 4,868,282 | | 1,824,460 | | | | | 371,597 | 7,064,339 |
| | 30,905,633 | - | 10,476,443 | - | - | - | - | (1,300,823) | 40,081,253 |
| Auxiliary enterprises | | | | | | | | | |
| Scholarships and grants | | 4,349,088 | | 11,980,379 | | | | (77,495) | 4,271,593 |
| Plant asset acquisitions | | | | | 886,629 | | | (6,390,142) | 5,590,237 |
| Interest on indebtedness | | | | | | 842,093 | | (856,865) | 29,764 |
| Other | | | | | 427,963 | | | 656,348 | 1,498,441 |
| Expended for plant assets | | | | | | | (1,941,800) | | 427,963 |
| Retirement of indebtedness | | | | | | 3,415,000 | (3,415,000) | 1,941,800 | - |
| Disposal of plant assets | | | | | | | 14,539 | | - |
| Depreciation | | | | | | | 3,015,377 | | 14,539 |
| Donated plant assets received | | | | | | | (52,500) | 52,500 | 3,015,377 |
| | - | 4,349,088 | - | 11,980,379 | 1,314,592 | 4,257,093 | (2,379,384) | (4,673,854) | 14,847,914 |
| Total expenditures and other deductions | 30,905,633 | 4,349,088 | 10,476,443 | 11,980,379 | 1,314,592 | 4,257,093 | (2,379,384) | (5,974,677) | 54,929,167 |

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE (Continued)
For the Year Ended June 30, 2017

| | Current Funds | | | | Plant Funds | | GAAP Adjustments | GAAP Basis | |
|---|------------------|------------------|--------------------|-----------------|-----------------|-------------------------------|---------------------|----------------|------------------------|
| | Unrestricted | Auxiliary | Restricted | Scholarships | Unexpended | Retirement of Indebtedness | | | Investment in Plant |
| (Deficiency) excess of revenues and other additions (under) over expenditures and other deductions | \$ (3,924,692) | \$ (320,483) | \$ 2,284,190 | \$ 204,604 | \$ 813,193 | \$ 1,610 | \$ 2,379,384 | \$ (415,465) | \$ 1,022,341 |
| TRANSFERS | | | | | | | | | |
| Mandatory | 1,080,974 | (4,000) | (9,551,166) | | (12,126) | | | | (8,486,318) |
| Nonmandatory | 2,617,201 | (576,204) | 6,462,856 | (17,317) | (218) | | | | 8,486,318 |
| Total transfers | 3,698,175 | (580,204) | (3,088,310) | (17,317) | (12,344) | - | - | - | - |
| Net (decrease) increase in fund balance | (226,517) | (900,687) | (804,120) | 187,287 | 800,849 | 1,610 | 2,379,384 | (415,465) | 1,022,341 |
| FUND BALANCE (deficit) | | | | | | | | | |
| Beginning of year | 3,613,547 | 3,059,662 | 1,961,116 | 192,103 | (2,053,823) | 49,741 | 35,616,995 | (6,646,955) | 35,792,386 |
| End of year | \$ 3,387,030 | \$ 2,158,975 | \$ 1,156,996 | \$ 379,390 | \$ (1,252,974) | \$ 51,351 | \$ 37,996,379 | \$ (7,062,420) | \$ 36,814,727 |

NORTHEAST IOWA COMMUNITY COLLEGE
 SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
 EDUCATION AND SUPPORT UNRESTRICTED CURRENT FUNDS
 For the Year Ended June 30, 2017

| | Education | | | Support | | | | | Total | |
|---|---------------------------|----------------------|-------------------|----------------------|------------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
| | Liberal Arts and Sciences | Vocational Technical | Adult Education | Cooperative Services | General Administration | Student Services | Learning Resources | Physical Plant | | General Institution |
| REVENUES AND OTHER ADDITIONS | | | | | | | | | | |
| State appropriations | \$ 4,251,306 | \$ 4,352,900 | \$ 1,279,805 | | \$ 51,088 | | \$ 417 | \$ 17,761 | | \$ 9,953,277 |
| Tuition and fees | 3,995,432 | 6,204,827 | 2,008,324 | \$ 1,981,874 | | \$ 188 | | | \$ 19,709 | 14,210,354 |
| Property taxes | | | | | 2,181,975 | | | | | 2,181,975 |
| Federal appropriations | | 6,775 | | 44,190 | | | | 299 | | 51,264 |
| Investment income | | | | | 284,503 | | | | | 284,503 |
| Sales and services | | | 31,578 | 900 | | | 12,000 | | 23,567 | 68,045 |
| Miscellaneous | | 8,174 | 72,580 | 102,457 | 4,850 | | 30,773 | 2,384 | 10,305 | 231,523 |
| Total revenues and other additions | 8,246,738 | 10,572,676 | 3,392,287 | 2,129,421 | 2,522,416 | 188 | 43,190 | 20,444 | 53,581 | 26,980,941 |
| EXPENDITURES AND OTHER DEDUCTIONS | | | | | | | | | | |
| Salaries and wages | 5,133,263 | 4,878,297 | 1,926,456 | 2,082,720 | 797,177 | 1,401,496 | 439,210 | 699,754 | 2,262,191 | 19,620,564 |
| Employee fringe benefits | 1,445,223 | 1,550,783 | 507,215 | 636,797 | 289,156 | 542,019 | 162,055 | 328,818 | 950,610 | 6,412,676 |
| Services | 22,247 | 155,495 | 551,881 | 99,564 | 240,403 | 69,955 | 1,574 | 1,150,201 | 1,475,650 | 3,766,970 |
| Materials and supplies | 36,016 | 215,494 | 48,879 | 58,344 | 1,956 | 34,629 | 48,154 | 183,837 | 143,614 | 770,923 |
| Travel | 11,455 | 28,536 | 48,243 | 16,232 | 22,564 | 6,616 | 404 | 609 | 34,097 | 168,756 |
| Loan cancellations and bad debts | 29,413 | 44,119 | 12,976 | | 5,236 | | | | | 91,744 |
| Miscellaneous | 34,970 | 30,030 | | | 6,880 | | | | 2,120 | 74,000 |
| Total expenditures and other deductions | 6,712,587 | 6,902,754 | 3,095,650 | 2,893,657 | 1,363,372 | 2,054,715 | 651,397 | 2,363,219 | 4,868,282 | 30,905,633 |
| Excess (deficiency) of revenues and other additions over (under) expenditures and other deductions | 1,534,151 | 3,669,922 | 296,637 | (764,236) | 1,159,044 | (2,054,527) | (608,207) | (2,342,775) | (4,814,701) | (3,924,692) |
| TRANSFERS | | | | | | | | | | |
| Mandatory | | 222,813 | (52,764) | 830,622 | 51,185 | | | | 29,118 | 1,080,974 |
| Nonmandatory | | 321,626 | 406,530 | 98,176 | 119,975 | | | 944,484 | 726,410 | 2,617,201 |
| Total transfers | - | 544,439 | 353,766 | 928,798 | 171,160 | - | - | 944,484 | 755,528 | 3,698,175 |
| Net increase (decrease) in fund balance | \$ 1,534,151 | \$ 4,214,361 | \$ 650,403 | \$ 164,562 | \$ 1,330,204 | \$ (2,054,527) | \$ (608,207) | \$ (1,398,291) | \$ (4,059,173) | (226,517) |
| FUND BALANCE | | | | | | | | | | |
| Beginning of year | | | | | | | | | | 3,613,547 |
| End of year | | | | | | | | | | <u>\$ 3,387,030</u> |

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
 SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
 AUXILIARY ENTERPRISE UNRESTRICTED CURRENT FUNDS
 Year Ended June 30, 2017

| | Bookstore | Food Services | Child Care | Farm | Trade and Industry | Professional Development | Miscellaneous | Total |
|---|------------------|-----------------|------------------|------------------|--------------------|--------------------------|------------------|------------------|
| REVENUES AND OTHER ADDITIONS | | | | | | | | |
| State appropriations | | | \$ 22,715 | | | | \$ | 22,715 |
| Tuition and fees | | | | | | \$ 37,696 | \$ 780 | 38,476 |
| Federal appropriations | | | 28,441 | | | | | 28,441 |
| Sales and services | \$ 2,277,457 | \$ 364,390 | 769,440 | \$ 196,950 | \$ 68,085 | | 28,121 | 3,704,443 |
| Investment income | | | | 23,638 | | | 469 | 24,107 |
| Miscellaneous | 13,340 | 200 | 38,191 | 5,856 | | 25 | 152,811 | 210,423 |
| Total revenues and other additions | 2,290,797 | 364,590 | 858,787 | 226,444 | 68,085 | 37,721 | 182,181 | 4,028,605 |
| EXPENDITURES AND OTHER DEDUCTIONS | | | | | | | | |
| Salaries and wages | 114,105 | 175,878 | 732,525 | | | | | 1,022,508 |
| Employee fringe benefits | 42,501 | 54,199 | 202,797 | | | | | 299,497 |
| Services | 13,760 | 6,089 | 3,757 | 144,972 | 1,845 | 13,894 | 158,091 | 342,408 |
| Materials and supplies | 2,036 | 18,290 | 73,254 | 5,126 | 26,743 | 185 | 29,768 | 155,402 |
| Travel | 262 | | | | | 36,252 | 3,028 | 39,542 |
| Cost of goods sold | 1,998,980 | 192,366 | | 137,350 | 47,271 | | 7,217 | 2,383,184 |
| Interest on indebtedness | | | | 77,495 | | | | 77,495 |
| Miscellaneous | 27,047 | | | | | | 2,005 | 29,052 |
| Total expenditures and other deductions | 2,198,691 | 446,822 | 1,012,333 | 364,943 | 75,859 | 50,331 | 200,109 | 4,349,088 |
| Excess (deficiency) of revenues and other additions over (under) expenditures and other deductions | 92,106 | (82,232) | (153,546) | (138,499) | (7,774) | (12,610) | (17,928) | (320,483) |
| TRANSFERS | | | | | | | | |
| Mandatory | | | | | | | (4,000) | (4,000) |
| Nonmandatory | (162,046) | | 489 | | (22,021) | 5,663 | (398,289) | (576,204) |
| | (162,046) | - | 489 | - | (22,021) | 5,663 | (402,289) | (580,204) |
| Net (decrease) in fund balance | (69,940) | (82,232) | (153,057) | (138,499) | (29,795) | (6,947) | (420,217) | (900,687) |
| FUND BALANCE (deficit) | | | | | | | | |
| Beginning of year | 1,750,564 | (22,214) | (23,437) | (168,485) | 178,465 | 89,045 | 1,255,724 | 3,059,662 |
| End of year | \$ 1,680,624 | \$ (104,446) | \$ (176,494) | \$ (306,984) | \$ 148,670 | \$ 82,098 | \$ 835,507 | \$ 2,158,975 |

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
RESTRICTED CURRENT FUNDS
Year Ended June 30, 2017

| | Restricted Property Tax Levies | Iowa Industrial New Jobs Training Program | Other Federal Programs | Miscellaneous | Total |
|---|--------------------------------------|--|---------------------------|--------------------|--------------------|
| REVENUES AND OTHER ADDITIONS | | | | | |
| State appropriations | \$ 51,088 | \$ 258,648 | \$ 868,557 | \$ 971,981 | \$ 2,150,274 |
| Tuition and fees | | | | 247,135 | 247,135 |
| Property taxes | 2,308,680 | | | | 2,308,680 |
| Federal appropriations | | | 991,058 | 880,318 | 1,871,376 |
| Investment income | 15,655 | 145 | 469 | | 16,269 |
| Iowa Industrial New Jobs Training Program | | 3,809,580 | | | 3,809,580 |
| Miscellaneous | 1,330,630 | 553,425 | 205,854 | 267,410 | 2,357,319 |
| Total revenues and other additions | 3,706,053 | 4,621,798 | 2,065,938 | 2,366,844 | 12,760,633 |
| EXPENDITURES AND OTHER DEDUCTIONS | | | | | |
| Salaries and wages | | | 587,472 | 815,132 | 1,402,604 |
| Employee fringe benefits | 832,668 | | 178,564 | (76,962) | 934,270 |
| Services | 1,986,169 | 2,798,351 | 282,775 | 255,322 | 5,322,617 |
| Materials and supplies | 521,185 | | 182,523 | 107,725 | 811,433 |
| Travel | | | 50,960 | 29,919 | 80,879 |
| Plant asset acquisitions | 508,205 | | 245,546 | 301,419 | 1,055,170 |
| Interest on indebtedness | | 578,849 | | | 578,849 |
| Miscellaneous | | 242,725 | 21,567 | 26,329 | 290,621 |
| Total expenditures and other deductions | 3,848,227 | 3,619,925 | 1,549,407 | 1,458,884 | 10,476,443 |
| (Deficiency) excess of revenues and other additions (under) over expenditures and other deductions | (142,174) | 1,001,873 | 516,531 | 907,960 | 2,284,190 |
| TRANSFERS | | | | | |
| Mandatory | | (9,362,029) | (222,686) | 33,549 | (9,551,166) |
| Nonmandatory | (389,692) | 8,427,162 | (346,116) | (1,228,498) | 6,462,856 |
| Total transfers | (389,692) | (934,867) | (568,802) | (1,194,949) | (3,088,310) |
| Net (decrease) increase in fund balance | (531,866) | 67,006 | (52,271) | (286,989) | (804,120) |
| FUND BALANCE | | | | | |
| Beginning of year | 1,109,385 | - | 505,731 | 346,000 | 1,961,116 |
| End of year | \$ 577,519 | \$ 67,006 | \$ 453,460 | \$ 59,011 | \$ 1,156,996 |

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS
AGENCY FUNDS
Year Ended June 30, 2017

| | Student Organizations | Other Programs | Retraining | Dairy Center | Total |
|--------------------------------------|--------------------------|----------------|------------|--------------|------------|
| Balance, beginning of year (deficit) | \$ 156,180 | \$ 4,028 | \$ 82,547 | \$ (204) | \$ 242,551 |
| Additions: | | | | | |
| Tuition and fees | 77,442 | | | | 77,442 |
| Federal appropriations | | | | 5,000 | 5,000 |
| Miscellaneous | 470,230 | | | 673 | 470,903 |
| Total additions | 547,672 | - | - | 5,673 | 553,345 |
| Deductions: | | | | | |
| Salaries and wages | 123,723 | | | | 123,723 |
| Employee fringe benefits | 40,599 | | | | 40,599 |
| Services | 83,732 | | | 5,000 | 88,732 |
| Materials and supplies | 116,357 | | | | 116,357 |
| Travel | 79,989 | | | | 79,989 |
| Cost of goods sold | 3,277 | | | | 3,277 |
| Miscellaneous | 39,753 | 4,028 | 82,547 | 469 | 126,797 |
| Total deductions | 487,430 | 4,028 | 82,547 | 5,469 | 579,474 |
| Balance, end of year | \$ 216,422 | \$ - | \$ - | \$ - | \$ 216,422 |

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

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Local (property tax) | \$ 10,376,338 | \$ 9,544,851 | \$ 9,328,085 | \$ 8,900,292 | \$ 9,319,214 | \$ 9,722,498 | \$ 9,168,987 | \$ 8,338,873 | \$ 4,437,962 | \$ 4,710,263 |
| State appropriations | 12,358,774 | 12,262,797 | 12,468,392 | 11,659,341 | 10,490,504 | 8,976,053 | 10,590,494 | 8,561,576 | 9,926,999 | 9,582,594 |
| Federal appropriations | 13,888,483 | 17,072,041 | 21,953,991 | 27,040,609 | 28,726,546 | 26,677,663 | 28,950,131 | 26,409,295 | 18,342,004 | 15,164,519 |
| Total | \$ 36,623,595 | \$ 38,879,689 | \$ 43,750,468 | \$ 47,600,242 | \$ 48,536,264 | \$ 45,376,214 | \$ 48,709,612 | \$ 43,309,744 | \$ 32,706,965 | \$ 29,457,376 |

See Independent Auditor's Report on the Supplementary Information.

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

| | Statutory Basis | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| REVENUES | | | | | | | | | | |
| State appropriations | \$ 12,498,883 | \$ 12,491,879 | \$ 12,770,142 | \$ 11,982,240 | \$ 10,825,716 | \$ 8,922,833 | \$ 8,901,805 | \$ 8,630,563 | \$ 10,045,748 | \$ 9,646,510 |
| Tuition and fees | 14,495,965 | 15,005,062 | 15,610,737 | 16,572,799 | 17,520,534 | 17,846,943 | 17,610,746 | 17,311,196 | 14,012,003 | 12,617,952 |
| Property taxes | 4,490,655 | 3,639,966 | 3,503,188 | 3,318,633 | 3,718,588 | 4,284,334 | 3,752,235 | 3,232,287 | 2,823,374 | 3,154,039 |
| Federal appropriations | 13,302,701 | 16,322,449 | 21,249,569 | 26,288,608 | 27,084,729 | 25,762,439 | 28,249,100 | 25,972,051 | 18,087,030 | 14,421,197 |
| Investment income | 342,710 | 294,668 | 265,419 | 314,897 | 277,580 | 327,185 | 390,036 | 433,017 | 735,656 | 781,538 |
| Iowa Industrial New Jobs Training Program | 3,809,580 | 3,997,803 | 4,857,292 | 5,524,871 | 5,325,255 | 5,226,224 | 4,939,286 | 3,064,989 | 3,255,689 | 2,942,389 |
| Auxiliary enterprises | 3,914,866 | 4,010,072 | 4,306,681 | 4,265,807 | 4,472,772 | 4,331,066 | 4,457,057 | 4,383,682 | 3,615,807 | 3,364,701 |
| Miscellaneous | 3,099,802 | 1,006,592 | 2,131,992 | 612,913 | 1,641,872 | 770,406 | 4,092,595 | 6,289,740 | 1,199,579 | 1,605,837 |
| | <u>\$ 55,955,162</u> | <u>\$ 56,768,491</u> | <u>\$ 64,695,020</u> | <u>\$ 68,880,768</u> | <u>\$ 70,867,046</u> | <u>\$ 67,471,430</u> | <u>\$ 72,392,860</u> | <u>\$ 69,317,525</u> | <u>\$ 53,774,886</u> | <u>\$ 48,534,163</u> |
| EXPENDITURES | | | | | | | | | | |
| Liberal arts and sciences | \$ 6,713,289 | \$ 7,509,574 | \$ 6,280,039 | \$ 5,384,048 | \$ 5,477,329 | \$ 5,879,893 | \$ 5,348,064 | \$ 5,701,752 | \$ 5,644,522 | \$ 3,132,660 |
| Vocational technical | 8,299,617 | 8,313,748 | 9,678,016 | 8,992,192 | 9,002,457 | 8,845,338 | 9,098,625 | 7,530,248 | 7,332,631 | 9,028,181 |
| Adult education | 3,251,667 | 4,492,912 | 3,929,376 | 3,499,933 | 3,502,795 | 3,293,160 | 3,083,158 | 2,662,436 | 2,502,973 | 2,435,011 |
| Cooperative services | 8,153,577 | 7,750,338 | 8,848,642 | 8,655,705 | 9,027,827 | 9,102,551 | 10,946,821 | 11,532,077 | 6,866,050 | 6,318,846 |
| General administration | 1,363,372 | 1,521,997 | 1,418,394 | 1,415,492 | 1,445,495 | 1,480,985 | 2,507,767 | 1,676,056 | 1,912,926 | 1,788,637 |
| Student services | 2,057,071 | 2,352,556 | 2,215,141 | 2,140,522 | 1,955,567 | 1,776,000 | 1,701,656 | 1,734,854 | 1,775,038 | 1,653,107 |
| Learning resources | 885,016 | 1,288,052 | 879,430 | 977,697 | 877,371 | 1,070,725 | 696,452 | 929,461 | 886,356 | 742,207 |
| Physical plant | 3,965,725 | 4,221,979 | 3,503,794 | 3,165,470 | 3,298,461 | 2,781,858 | 2,554,179 | 2,774,210 | 2,219,838 | 1,910,678 |
| General institution | 6,692,742 | 6,472,382 | 8,063,921 | 9,980,980 | 7,999,519 | 3,845,296 | 4,842,903 | 3,845,175 | 3,503,043 | 3,377,247 |
| Auxiliary enterprises | 4,349,088 | 4,164,126 | 4,622,210 | 4,445,701 | 4,302,533 | 4,220,714 | 4,020,013 | 4,478,723 | 4,337,177 | 3,558,057 |
| Scholarships and grants | 11,980,379 | 13,761,880 | 16,122,715 | 18,494,274 | 20,952,363 | 22,680,816 | 24,988,186 | 23,560,574 | 16,485,045 | 13,315,714 |
| | <u>\$ 57,711,543</u> | <u>\$ 61,849,544</u> | <u>\$ 65,561,678</u> | <u>\$ 67,152,014</u> | <u>\$ 67,841,717</u> | <u>\$ 64,977,336</u> | <u>\$ 69,787,824</u> | <u>\$ 66,425,566</u> | <u>\$ 53,465,599</u> | <u>\$ 47,260,345</u> |

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended June 30, 2017

| Funds/Levy | Original Budget | Actual | Variance Actual and Budget |
|-----------------------|-----------------|---------------|-------------------------------|
| Unrestricted | \$ 32,224,733 | \$ 30,905,633 | \$ 1,319,100 |
| Restricted | 24,475,000 | 6,628,215 | 17,846,785 |
| Unemployment | 20,000 | 23,117 | (3,117) |
| Insurance | 1,035,000 | 2,220,032 | (1,185,032) |
| Early retirement | 500,000 | 646,491 | (146,491) |
| Equipment replacement | 967,351 | 958,588 | 8,763 |
| Total restricted | 26,997,351 | 10,476,443 | 16,520,908 |
| Plant: | | | |
| Plant | 4,679,925 | 1,314,592 | 3,365,333 |
| Bonds and interest | 3,956,958 | 4,257,093 | (300,135) |
| Total plant | 8,636,883 | 5,571,685 | 3,065,198 |
| Total | \$ 67,858,967 | \$ 46,953,761 | \$ 20,905,206 |

Note to Budgetary Reporting:

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

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

For the year ended June 30, 2017, the College's expenditures for the Restricted Fund - Unemployment, Insurance, Early Retirement and Plant Fund, Bonds and Interest Subgroups exceeded the amount budgeted.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses noted.
- (c) No instances of noncompliance material to the financial statements of Northeast Iowa Community College, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (d) No significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) Major programs were as follows:
 - CFDA Number 84.042 – TRIO_Student Support Services
 - Clustered programs:
 - Student Financial Assistance Cluster:
 - CFDA Number 84.007 - Federal Supplemental Educational Opportunity Grants
 - CFDA Number 84.033 - Federal Work - Study Program, Recovery Act
 - CFDA Number 84.063 - Federal Pell Grant Program, Recovery Act
 - CFDA Number 84.268 - Federal Direct Student Loans - Subsidized/Unsubsidized, Plus Loans
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Northeast Iowa Community College did qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Internal control deficiencies: no matters were noted.

Instances of noncompliance: no matters were noted.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Part III: Findings and Questioned Costs for Federal Awards:

Internal control deficiencies: no matters were noted.

Instances of noncompliance:

Department of Education
CFDA Number 84.063 Federal Pell Grant Program, Recovery Act
Grant Period – Year Ended June 30, 2017
2017-001

Questioned
Costs

| | | |
|---|--|-----------|
| Condition: | The Financial Aid Office did not disburse the additional Pell Grant the student was eligible. | |
| Criteria: | Financial aid packages should be adjusted accordingly when enrollment changes occur and student's accounts should reflect the same. | |
| Cause: | The student was incorrectly marked as not attending class. | |
| Effect: | A sample of 68 financial aid files which totaled \$213,713 in Federal Pell Grants was selected for audit from a population of 5,819 financial aid files with a total of \$4,279,191 in Federal Pell Grants. The test found one file not in compliance with questioned costs totaling \$727. The student did not receive the entire amount of the Pell Grant for which they were eligible. Our sample was a statistically valid sample. | \$ 14,500 |
| Recommendation: | We recommend the College carefully review all applications to verify the students are properly classified as attending classes to correctly calculate a student's Pell Grant amount. | |
| Views of Responsible Officials and Planned Correction Actions: | We have corrected the student's file for the Federal Pell Grant underpayment and updated Common Origination and Disbursement (COD) to reflect an increase of the student's Federal Pell Grant award. We have applied the increased Federal Pell Grant award to the student's account. | |

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

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

Instances of noncompliance (continued):

Department of Education

CFDA Number 84.268 Federal Direct Student Loans-Unsubsidized Loans

Grant Period – Year Ended June 30, 2017

2017-002

Questioned
Costs

| | | |
|---|--|-----------|
| Condition: | The Financial Aid Office incorrectly calculated a student's award amount. | |
| Criteria: | Financial aid packages should be adjusted accordingly when enrollment changes occur and student's accounts should reflect the same. | |
| Cause: | The student's enrollment status changed and the Financial Aid Office was not aware of the change. | |
| Effect: | A sample of 68 financial aid files which totaled \$401,359 in Federal Direct Student Loans-Unsubsidized Loans was selected for audit from a population of 5,819 financial aid files with a total of \$6,861,395 in Federal Direct Student Loans-Unsubsidized Loans. The test found one file not in compliance with questioned costs totaling \$967. The student was not offered the total amount of the unsubsidized loan for which they qualified. Our sample was a statistically valid sample. | \$ 16,507 |
| Recommendation: | We recommend the College carefully review all applications to verify the student's enrollment to correctly calculate a student's Federal Direct Student Loans-Unsubsidized Loans. | |
| Views of Responsible Officials and Planned Correction Actions: | We will continue to work with other College offices to ensure student's academic attendance is accurately reported. | |

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated October 3, 2017

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

N/A

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

| Grantor/Program | CFDA Number | Program Expenditures | New Loans and New Loan Guarantees |
|--|----------------|-------------------------|---|
| U.S. Department of Agriculture: | | | |
| Passed through Iowa State University: | | | |
| Sustainable Agriculture Research and Education | 10.215 | \$ 299 | |
| Passed through Winneshiek County Development Inc.: | | | |
| Rural Business Enterprise Grants | 10.769 | 8,432 | |
| Passed through Iowa Department of Education: | | | |
| Child and Adult Care Food Program | 10.558 | 28,441 | |
| Subtotal Department of Agriculture | | <u>37,172</u> | |
| U.S. Department of Commerce: | | | |
| Passed through Iowa State University: | | | |
| Manufacturing Extension Partnership | 11.611 | 44,190 | |
| U.S. Department of Interior: | | | |
| Passed through Silos and Smokestacks National Heritage Area: | | | |
| National Heritage Area Federal Financial Assistance | 15.939 | 5,000 | |
| U.S. Department of Labor: | | | |
| Passed through Des Moines Area Community College: | | | |
| Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | 17.282 | 745 | |
| Passed through Hawkeye Community College: | | | |
| Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | | 222,718 | |
| | | <u>223,463</u> | |
| Passed through Upper Explorerland Regional Planning Commission: | | | |
| Youthbuild | 17.274 | 747,153 | |
| Subtotal U.S. Department of Labor | | <u>970,616</u> | |
| National Science Foundation: | | | |
| Direct: | | | |
| Education and Human Resources | 47.076 | 73,371 | |
| Small Business Development Center: | | | |
| Passed through Iowa State University: | | | |
| Small Business Development Centers | 59.037 | 72,308 | |
| U.S. Department of Veteran Affairs: | | | |
| Direct: | | | |
| Post 9/11 Veterans Educational Assistance, Recovery Act | 64.027 | 145,226 | |
| U.S. Department of Education: | | | |
| Passed through Iowa Department of Education: | | | |
| Adult Education - Basic Grants to States | 84.002 | 127,646 | |
| Direct: | | | |
| TRIO Cluster: | | | |
| TRIO_Student Support Services | 84.042 | 217,551 | |
| Direct: | | | |
| Student Financial Assistance Cluster: | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | 72,583 | |
| Federal Work-Study Program, Recovery Act | 84.033 | 77,396 | |
| Federal Pell Grant Program, Recovery Act | 84.063 | 4,279,191 | |
| Federal Direct Student Loans - Plus Loans | 84.268 | \$ 37,112 | |
| Federal Direct Student Loans - Subsidized Loans | 84.268 | | 3,154,391 |
| Federal Direct Student Loans - Unsubsidized Loans | 84.268 | | 3,669,892 |
| | | <u>4,429,170</u> | <u>6,861,395</u> |

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2017

| Grantor/Program | CFDA Number | Program Expenditures | New Loans and New Loan Guarantees |
|--|----------------|-------------------------|---|
| U.S. Department of Education (Continued): | | | |
| Passed through Iowa Vocational Rehabilitation Services: | | | |
| Rehabilitation Services Vocational Rehabilitation Grants to States | 84.126 | \$ 39,315 | |
| Vocational Education-Basic Grants to States: | | | |
| Passed through Iowa Department of Education: | | | |
| Career and Technical Education-Basic Grants to States | 84.048 | <u>271,871</u> | |
| Subtotal U.S. Department of Education | | <u>5,085,553</u> | \$ 6,861,395 |
| U.S. Department of Health and Human Services: | | | |
| Passed through University of Iowa: | | | |
| Occupational Safety and Health Program | 93.262 | <u>12,870</u> | |
| Total Federal Financial Assistance | | <u>\$ 6,446,306</u> | <u>\$ 6,861,395</u> |

NORTHEAST IOWA COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Northeast Iowa Community College under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Northeast Iowa Community College, it is not intended to and does not present the financial position, changes in net position or cash flows of Northeast Iowa Community College.

Summary of Significant Accounting Policies

- 1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- 2) Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

Northeast Iowa Community College has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Subrecipients

There were no awards passed through to subrecipients.

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

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

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Northeast Iowa Community College's basic financial statements, and have issued our report thereon dated October 3, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the 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.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
October 3, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Northeast Iowa Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northeast Iowa Community College's major federal programs for the year ended June 30, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northeast Iowa Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Iowa Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Northeast Iowa Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

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

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
October 3, 2017

MANAGEMENT LETTER

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

In planning and performing our audit of the basic financial statements of the Northeast Iowa Community College for the year ended June 30, 2017, we considered the College's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the College's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 8 below are compliance comments required by the Iowa Auditor of State. A separate report dated October 3, 2017 contains our report on the College's internal control over financial reporting. This letter does not affect our report dated October 3, 2017, on the basic financial statements of Northeast Iowa Community College. All prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions.

1. **Certified Budget**
Expenditures for the year ended June 30, 2017 did not exceed the amounts budgeted in total.
2. **Questionable Expenditures**
We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.
3. **Travel Expense**
No expenditures of College money for travel expenses of spouses of College officials and/or employees were noted. No travel advances to College officials or employees were noted.
4. **Business Transactions**
No business transactions between the College and College officials and/or employees were noted.
5. **Bond Coverage**
Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
6. **Trustee Minutes**
We noted no transactions requiring Trustee approval, which had not been approved by the Trustees.

7. Publication

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

8. Deposits and Investments

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.

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

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

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

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
October 3, 2017