

**NORTHEAST IOWA COMMUNITY COLLEGE
CALMAR, IOWA**

FINANCIAL REPORT

JUNE 30, 2019

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NORTHEAST IOWA COMMUNITY COLLEGE
BOARD OF TRUSTEES AND COLLEGE OFFICIALS

Board of Trustees

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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, 2019, 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, 2019, 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 changes in the College's total OPEB liability, related ratios and notes on pages 38 through 41 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 29, 2019, 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 29, 2019

NORTHEAST IOWA COMMUNITY COLLEGE
CALMAR, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Northeast Iowa Community College provides this management's discussion and analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019.

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.

2019 FINANCIAL HIGHLIGHTS

Operating revenues increased overall by 0.19% from fiscal year 2018 due to an increase in tuition and fees and Iowa Industrial New Jobs Training Program fees. Nonoperating revenues increased by 4.76% due to increase in property taxes.

Operating expenses were 4.72% lower from fiscal year 2018. The College had a 27.30% decrease in general institution expenses, 18.93% increase in student services expenses, 25.62% decrease in other expenses, 5.62% increase in auxiliary enterprises expenses, and 12.12% decrease in vocational technical 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 from fiscal year 2018.

CHANGE IN NET POSITION COMPARISON BY FUND

	Unrestricted	Auxiliary	Restricted	Scholarship	Plant	Total Net Position
FY 2019	(1,622,041)	2,659,265	4,164,480	469,831	41,336,712	47,008,247
FY 2018	(2,794,581)	2,162,227	2,155,111	415,434	38,325,735	40,263,926
\$ Change	1,172,540	497,038	2,009,369	54,397	3,010,977	6,744,321

2019 FINANCIAL HIGHLIGHTS (Continued)

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 2019	(1,622,041)	2,659,265	4,164,480	469,831	41,336,712	47,008,247
FY 2018	(2,794,581)	2,162,227	2,155,111	415,434	38,325,735	40,263,926
FY 2017, restated	(3,345,681)	2,158,975	1,156,996	379,390	36,794,753	37,144,433
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

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 changes in the College’s total OPEB liability, related ratios and notes.

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.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)

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 net investments in capital assets decreased approximately \$1,737 over the prior year, primarily due to depreciation. 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.

	Condensed Statement of Net Position	
	(Expressed in Thousands)	
	2019	2018
Current and other assets	\$ 70,220	\$ 56,329
Other noncurrent assets	4,818	7,785
Capital assets, net	46,718	46,426
Total assets	<u>\$ 121,756</u>	<u>\$ 110,540</u>
Deferred outflows of resources	<u>\$ 2,587</u>	<u>\$ 3,404</u>
Current liabilities	\$ 12,313	\$ 13,213
Noncurrent liabilities	43,490	38,519
Total liabilities	<u>\$ 55,803</u>	<u>\$ 51,732</u>
Deferred inflows of resources	<u>\$ 21,532</u>	<u>\$ 21,948</u>
Net position:		
Net investment in capital assets	\$ 34,054	\$ 35,791
Restricted	4,668	2,600
Unrestricted	<u>8,286</u>	<u>1,873</u>
Total net position	<u>\$ 47,008</u>	<u>\$ 40,264</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.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)

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

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 2019, operating revenues resulted in the following changes:

- Revenues increased due to reclassification of NECAS income to auxiliary fund.
- The New Jobs Training Program received more revenue in fiscal year 2019 versus 2018.

	Changes in Net Position (Expressed in Thousands)	
	2019	2018
OPERATING REVENUES		
Tuition and fees	\$ 8,513	\$ 8,395
Federal appropriations	8,721	9,552
Iowa Industrial New Jobs Training Program	4,917	4,395
Sales and services	2,591	2,771
Miscellaneous	4,092	3,665
Total operating revenues	28,834	28,778
Total operating expenses	51,583	54,138
Operating loss	(22,749)	(25,360)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	12,295	12,336
Pell Grant	4,497	4,539
Property taxes	13,230	12,540
Investment income	727	446
Gain (loss) on sale of capital assets	31	(11)
Loan cancellation and plant assets with Dairy Foundation	(176)	
Interest on indebtedness	(1,111)	(1,370)
Net nonoperating revenues (expenses)	29,493	28,480
Increase in net position	6,744	3,120
Net position, Beginning of Year, as restated	40,264	37,144
Net position, End of Year	\$ 47,008	\$ 40,264

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (Continued)

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

	Operating Expenses (Expressed in Thousands)	
	2019	2018
Education and support:		
Liberal arts and sciences	\$ 6,128	\$ 6,285
Vocational technical	6,318	7,189
Adult education	3,576	3,647
Cooperative services	7,470	6,696
General administration	1,275	1,149
Student services	2,494	2,097
Learning resources	813	838
Physical plant	4,354	4,143
General institution	6,484	8,919
Auxiliary enterprises	3,685	3,489
Scholarships and grants	5,278	5,705
Depreciation	2,962	2,978
Other	746	1,003
	<u>51,583</u>	<u>54,138</u>
Total operating expenses	<u>\$ 51,583</u>	<u>\$ 54,138</u>

In fiscal year 2019, operating expenses resulted in the following changes:

- Decrease in general institution expenses is a result of decreasing the amount payable for current early retirement programs.
- Increase in student services expenses due to increase in payroll expenses.
- Decrease in other expenses due to less purchases of technology services and software.
- Expenses for auxiliary enterprises increased due to reclassification of NECAS to the auxiliary fund.
- Expenses for vocational technical decrease due to decrease in salaries and benefits.

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)	
	2019	2018
Cash provided by (used in):		
Operating activities	\$ (19,874)	\$ (18,521)
Non-capital financing activities	29,833	29,458
Capital and related financing activities	3,891	(10,242)
Investing activities	(635)	(1,739)
	<u>13,215</u>	<u>(1,044)</u>
Net increase (decrease) in cash	<u>13,215</u>	<u>(1,044)</u>
Cash, beginning of year	<u>28,449</u>	<u>29,493</u>
Cash, end of year	<u>\$ 41,664</u>	<u>\$ 28,449</u>

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) provided by 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, 2019, the College had approximately \$87.9 million invested in capital assets, less accumulated depreciation of \$42.7 million. Depreciation expense totaled \$2,961,720 and \$2,977,070 for fiscal years 2019 and 2018, respectively. Details of net capital assets are shown below:

	Capital Assets, Net (Expressed in Thousands)	
	<u>2019</u>	<u>2018</u>
Land	\$ 1,055	\$ 655
Buildings	40,017	40,585
Construction in progress	415	
Other structures and improvements	1,811	1,815
Intangibles	48	
Furniture and equipment	3,372	3,371
	<u>3,372</u>	<u>3,371</u>
Total	<u>\$ 46,718</u>	<u>\$ 46,426</u>

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

DEBT

At June 30, 2019, the College had \$43.1 million in debt outstanding, an increase of \$5.7 million from 2018. The table below summarizes these amounts by type.

	Long-term Debt (Expressed in Thousands)	
	<u>2019</u>	<u>2018</u>
Certificates payable	\$ 21,550	\$ 21,500
Notes payable	1,125	1,400
Bonds payable	18,327	12,155
Capital leases payable	327	46
Early retirement payable	1,920	2,424
	<u>1,920</u>	<u>2,424</u>
Total	<u>\$ 43,249</u>	<u>\$ 37,525</u>

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

NORTHEAST IOWA COMMUNITY COLLEGE ECONOMIC FACTORS

The College takes 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, enrollment trends, and educational funding to the College. These factors remain a priority to 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 stable job growth and has a diverse sector of industry which includes manufacturing, business, financial, information technology, and healthcare. Our eight-county district has unemployment rates ranging from 1.7% to 3.1%. Through the Iowa New Jobs Training Program last year, we completed two bonds sales totaling \$5,160,000 for 690 jobs. New Jobs Training funds along with Workforce Training and Economic Development funds, allowed the College to provide customized contracted training services along with recertification and up-skilling for 21,766 individuals, serving 450 businesses throughout our district.

The property tax base for the College, which is the fourth largest amongst the Iowa community colleges, continues to exhibit steady growth.

The Student Services and Strategic Enrollment Management teams have been effective in stabilizing enrollment by refining our student management process to improve earlier connections and more personalized outreach at key times during the enrollment lifecycle. They have launched a comprehensive and multi-faceted non-attendance process and removed financial barriers with improved scholarship programs including Golden Ticket, Begin Again, and Opportunity while minimizing registration restrictions related to outstanding balances. Through the guided pathway model, we will continue to focus efforts on retention and persistence of students so recruitment efforts can focus on gaining new enrollments at a healthy rate in shrinking markets. Our strategy for combatting declining high school enrollment is to increase customized Earn/Learn training programs to address business skills demands and by partnering with the State of Iowa on their Future Ready Iowa Initiative to work towards a goal of 70% of Iowans having up to a 2-year degree or certificate. This year alone we were able to secure state funding for 403 students for \$537,919.

On September 11, 2018, the voters within our district passed our \$39 million bond levy. This levy will allow the College to improve its infrastructure, enhance security, update our technology, and create innovative and collaborative learning spaces across our district.

The College continues its efforts to control rising operating expenses and provide for a balanced budget. The Senior Leadership Team comprised of our four Vice Presidents, Assoc. Vice President of Operations, and the Executive Director of Human Resources is managing all hiring and replacements of staff and faculty. The College administration has integrated the annual budget process throughout the College by engaging budget managers' input for their respective department's budget. The College budgets for two years out on a monthly basis. The College reviews monthly with its Board of Trustees its YTD financial progress related to budget and projections for the remaining part of the fiscal year.

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 to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact David 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, 2019

	Business-type Activities	Component Unit Foundation		Business-type Activities	Component Unit Foundation
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 41,664,273	\$ 123,994	Liabilities:		
Investments	8,029,631		Accounts payable	\$ 2,066,407	\$ 10,764
Receivables:			Salaries and benefits payable	1,061,444	
Accounts, less allowance of \$1,609,617	5,437,431		Deposits held in custody for others	49,524	
Promises, net discount		70,113	Accrued interest payable	27,327	
Accrued interest	26,122		Long-term liabilities due within one year:		
Property tax:			Compensated absences payable	108,283	
Current year delinquent	74,526		Early retirement payable	933,673	
Succeeding year	12,770,419		Notes payable	275,000	
Due from other governments	1,205,322		Bonds payable	3,330,000	
Inventories	226,867		Capital leases payable	76,109	
Notes receivable	6,265		Certificates payable	4,385,000	
Due from Iowa Industrial New Jobs Training Program	778,755				
			Total current liabilities	12,312,767	10,764
Total current assets	70,219,611	194,107			
			Noncurrent liabilities:		
NONCURRENT ASSETS			Long-term liabilities due over one year:		
Investments		4,401,439	Total OPEB liability	295,087	
Promises, net discount		144,522	Net pension liability	8,945,161	
Notes receivable	20,196		Early retirement payable	986,389	
Due from Iowa Industrial New Jobs Training Program	4,798,083		Notes payable	850,000	
Capital assets, non-depreciable	1,473,712		Bonds payable	14,996,870	
Capital assets, net accumulated depreciation	45,244,588		Capital leases payable	251,326	
			Certificates payable	17,165,000	
Total noncurrent assets	51,536,579	4,545,961	Total noncurrent liabilities	43,489,833	-
			Total liabilities	55,802,600	10,764
DEFERRED OUTFLOWS OF RESOURCES			Deferred inflows of resources:		
Pension related deferred outflows	2,563,236		Succeeding year property tax	12,770,419	
OPEB related deferred outflows	23,982		Pension related deferred inflows	1,125,013	
			OPEB related deferred inflows	85,103	
Total deferred outflows of resources	2,587,218	-	Other	7,552,026	
			Total deferred inflows of resources	21,532,561	-
			Net position:		
Total assets and deferred outflows of resources	\$ 124,343,408	\$ 4,740,068	Net investment in capital assets	34,053,995	
			Restricted:		
			Restricted for specific purposes	4,667,801	2,909,465
			Unrestricted	8,286,451	1,819,839
			Total net position	47,008,247	4,729,304
			Total liabilities, deferred inflows of resources and net position	\$ 124,343,408	\$ 4,740,068

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2019

	Business-type Activities	Component Unit Foundation
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$6,028,992	\$ 8,512,735	
Federal appropriations	8,721,103	
Iowa Industrial New Jobs Training Program	4,917,599	
Sales and services, net of scholarship allowances of \$607,010	2,590,820	
Miscellaneous	4,092,072	\$ 1,382,386
Total operating revenues	<u>28,834,329</u>	<u>1,382,386</u>
OPERATING EXPENSES		
Education and support:		
Liberal arts and sciences	6,127,445	
Vocational technical	6,317,850	
Adult education	3,576,329	
Cooperative services	7,469,479	
General administration	1,275,410	17,774
Student services	2,494,062	
Learning resources	812,952	
Physical plant	4,354,466	
General institution	6,484,115	
Auxiliary enterprises	3,684,743	
Scholarships and grants	5,278,387	172,809
Depreciation	2,961,720	
Other	746,021	933,312
Total operating expenses	<u>51,582,979</u>	<u>1,123,895</u>
Operating (loss) income	<u>(22,748,650)</u>	<u>258,491</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	12,294,936	
Pell Grant	4,496,503	
Property taxes	13,230,509	
Investment income	727,025	312,897
Loan cancellation and plant assets with Dairy Foundation	(175,521)	
Gain on sale of capital assets	30,953	
Interest on indebtedness	(1,111,415)	
Net nonoperating revenues (expenses)	<u>29,492,990</u>	<u>312,897</u>
Change in net position	6,744,340	571,388
NET POSITION		
Beginning of year	<u>40,263,907</u>	<u>4,157,916</u>
End of year	<u>\$ 47,008,247</u>	<u>\$ 4,729,304</u>

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
 STATEMENT OF NET POSITION
 BUSINESS-TYPE ACTIVITIES
 June 30, 2019

ASSETS	Current Funds					Total
	Unrestricted	Auxiliary	Restricted	Scholarships	Plant Fund	
Current assets:						
Cash	\$ 7,857,229	\$ 1,980,659	\$ 16,916,175	\$ 387,226	\$ 14,522,984	\$ 41,664,273
Investments			8,029,631			8,029,631
Receivables:						
Accounts, less allowance of \$1,609,617	4,476,932	496,884	437,425	23,836	2,354	5,437,431
Accrued interest		789	24,841		492	26,122
Property tax:						
Current year delinquent	13,637		27,399		33,490	74,526
Succeeding year	2,459,899		4,113,289		6,197,231	12,770,419
Due from other governments	714,169	3,501	419,182	61,421	7,049	1,205,322
Inventories		226,867				226,867
Notes receivable		6,265				6,265
Due from Iowa Industrial New Jobs Training Program			778,755			778,755
Total current assets	15,521,866	2,714,965	30,746,697	472,483	20,763,600	70,219,611
Noncurrent assets:						
Due from Iowa Industrial New Jobs Training Program			4,798,083			4,798,083
Notes receivable		20,196				20,196
Capital assets, non-depreciable					1,473,712	1,473,712
Capital assets, net					45,244,588	45,244,588
Total noncurrent assets	-	20,196	4,798,083	-	46,718,300	51,536,579
Total assets	15,521,866	2,735,161	35,544,780	472,483	67,481,900	121,756,190
	DEFERRED OUTFLOWS OF RESOURCES					
Pension related deferred outflows	2,563,236					2,563,236
OPEB related deferred outflows	23,982					23,982
Total deferred outflows of resources	2,587,218	-	-	-	-	2,587,218
Total assets and deferred outflows of resources	\$ 18,109,084	\$ 2,735,161	\$ 35,544,780	\$ 472,483	\$ 67,481,900	\$ 124,343,408
	LIABILITIES					
Current liabilities:						
Accounts payable	\$ 946,290	\$ 42,826	\$ 920,912	\$ 2,652	\$ 153,727	\$ 2,066,407
Salaries and benefits payable	1,035,169	13,564	11,109		1,602	1,061,444
Deposits held in custody for others	49,524					49,524
Accrued interest payable		14,004			13,323	27,327
Long-term liabilities due within one year:						
Compensated absences payable	102,781	5,502				108,283
Early retirement payable			933,673			933,673
Notes payable					275,000	275,000
Bonds payable					3,330,000	3,330,000
Capital leases payable					76,109	76,109
Certificates payable			4,385,000			4,385,000
Total current liabilities	2,133,764	75,896	6,250,694	2,652	3,849,761	12,312,767

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES
June 30, 2019

	Current Funds					Total
	Unrestricted	Auxiliary	Restricted	Scholarships	Plant Fund	
LIABILITIES (Continued)						
Noncurrent liabilities:						
Long-term liabilities due over one year:						
Total OPEB liability	\$ 295,087					\$ 295,087
Net pension liability	8,945,161					8,945,161
Early retirement payable			\$ 986,389			986,389
Notes payable					\$ 850,000	850,000
Bonds payable					14,996,870	14,996,870
Capital leases payable					251,326	251,326
Certificates payable					17,165,000	17,165,000
Total noncurrent liabilities	9,240,248	\$ -	18,151,389	\$ -	16,098,196	43,489,833
Total liabilities	11,374,012	75,896	24,402,083	2,652	19,947,957	55,802,600
DEFERRED INFLOWS OF RESOURCES						
Succeeding year property tax	2,459,899		4,113,289		6,197,231	12,770,419
Pension related deferred inflows	1,125,013					1,125,013
OPEB related deferred inflows	85,103					85,103
Other	4,687,098		2,864,928			7,552,026
Total deferred inflows of resources	8,357,113	-	6,978,217	-	6,197,231	21,532,561
NET POSITION						
Net investment in capital assets					34,053,995	34,053,995
Restricted for specific purposes			4,164,480	469,831	33,490	4,667,801
Unrestricted (deficit)	(1,622,041)	2,659,265			7,249,227	8,286,451
Total net position (deficit)	(1,622,041)	2,659,265	4,164,480	469,831	41,336,712	47,008,247
Total liabilities, deferred inflows of resources and net position	\$ 18,109,084	\$ 2,735,161	\$ 35,544,780	\$ 472,483	\$ 67,481,900	\$ 124,343,408

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, 2019

	Current Funds					Total
	Unrestricted	Auxiliary	Restricted	Scholarships	Plant Fund	
OPERATING REVENUES						
General:						
Tuition and fees	\$ 8,480,917	\$ 31,818				\$ 8,512,735
Federal appropriations	1,539,159	634,447	\$ 1,347,797	\$ 5,071,226	\$ 128,474	8,721,103
Iowa Industrial New Jobs Training Program			4,917,599			4,917,599
Sales and services	33,304	2,557,516				2,590,820
Miscellaneous	572,551	657,471	2,392,623	113,054	356,373	4,092,072
Total operating revenues	10,625,931	3,881,252	8,658,019	5,184,280	484,847	28,834,329
OPERATING EXPENSES						
Education and support:						
Liberal arts and sciences	6,127,445					6,127,445
Vocational technical	5,457,845		860,005			6,317,850
Adult education	3,075,319		501,010			3,576,329
Cooperative services	2,252,754		5,216,725			7,469,479
General administration	1,275,410					1,275,410
Student services	2,490,547		3,515			2,494,062
Learning resources	638,515		174,437			812,952
Physical plant	2,443,861		1,910,605			4,354,466
General institution	5,184,274		1,299,841			6,484,115
Auxiliary enterprises		3,684,743				3,684,743
Scholarships and grants				5,278,387		5,278,387
Depreciation					2,961,720	2,961,720
Other					746,021	746,021
Total operating expenses	28,945,970	3,684,743	9,966,138	5,278,387	3,707,741	51,582,979
Operating loss	(18,320,039)	196,509	(1,308,119)	(94,107)	(3,222,894)	(22,748,650)
NONOPERATING REVENUES (EXPENSES)						
State appropriations	10,121,083	507	1,970,057	85,719	117,570	12,294,936
Pell Grant	4,496,503					4,496,503
Property taxes	2,393,567		4,814,798		6,022,144	13,230,509
Investment income	582,678	3,228	97,053		44,066	727,025
Loan cancellation and plant assets with Dairy Foundation		(665,852)			490,331	(175,521)
Gain on sale of capital assets					30,953	30,953
Interest on indebtedness			(573,023)		(538,392)	(1,111,415)
Net nonoperating revenues (expenses)	17,593,831	(662,117)	6,308,885	85,719	6,166,672	29,492,990
Change in net position before transfers	(726,208)	(465,608)	5,000,766	(8,388)	2,943,778	6,744,340
Transfers	1,898,761	962,646	(2,991,391)	62,783	67,201	-
Change in net position	1,172,553	497,038	2,009,375	54,395	3,010,979	6,744,340
NET POSITION (deficit)						
Beginning of year	(2,794,594)	2,162,227	2,155,105	415,436	38,325,733	40,263,907
End of year	\$ (1,622,041)	\$ 2,659,265	\$ 4,164,480	\$ 469,831	\$ 41,336,712	\$ 47,008,247

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2019

	Current Funds					Total
	Unrestricted	Auxiliary	Restricted	Scholarships	Plant Fund	
CASH FLOWS FROM OPERATING ACTIVITIES						
Tuition and fees	\$ 8,900,399	\$ 31,818				\$ 8,932,217
Federal appropriations	1,128,107	633,466	\$ 1,595,252	\$ 1,851,358	\$ 128,873	5,337,056
Iowa Industrial New Jobs Training Program			5,584,089			5,584,089
Payments to employees for salaries and benefits	(18,066,693)	(1,105,517)	(1,805,966)			(20,978,176)
Payments to suppliers for goods and services	(4,755,000)	(844,558)	(3,165,314)		(652,777)	(9,417,649)
Payments to NJTP recipients			(3,462,896)			(3,462,896)
Cost of goods sold		(1,848,550)				(1,848,550)
Scholarships				(1,747,315)		(1,747,315)
Auxiliary enterprise receipts		2,112,028				2,112,028
Other operating payments paid on employees' behalf	(5,659,109)	(334,133)	(1,376,316)			(7,369,558)
Other operating receipts	605,855	657,471	2,392,623	89,220	(760,021)	2,985,148
Net cash (used in) provided by operating activities	(17,846,441)	(697,975)	(238,528)	193,263	(1,283,925)	(19,873,606)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
State appropriations	10,121,083	507	1,970,057	85,719	117,570	12,294,936
Pell Grant	4,496,503					4,496,503
Property taxes	2,391,552		4,809,739		6,022,433	13,223,724
Transfers	1,898,761	962,646	(2,991,391)	62,783	67,201	-
Federal direct lending receipts	5,340,479	607,010	94,819	3,535,749		9,578,057
Federal direct lending disbursements	(5,340,479)	(607,010)	(94,819)	(3,535,749)		(9,578,057)
Miscellaneous agency fund receipts	331,304					331,304
Miscellaneous agency fund disbursements	(512,697)					(512,697)
Net cash provided by non-capital financing activities	18,726,506	963,153	3,788,405	148,502	6,207,204	29,833,770
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from issuance of debt			4,985,000		17,178,672	22,163,672
Proceeds from sale of capital assets					51,825	51,825
Acquisition of capital assets					(1,172,513)	(1,172,513)
Principal paid on debt and leases			(4,935,000)		(11,000,083)	(15,935,083)
Interest paid on debt and leases			(573,023)		(643,881)	(1,216,904)
Net cash (used in) provided by capital and related financing activities	-	-	(523,023)	-	4,414,020	3,890,997
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments			(8,029,631)			(8,029,631)
Payments made on note receivable		(347,420)			1,026,910	679,490
Sale of investments			6,000,000			6,000,000
Interest on investments	582,678	2,997	85,069		43,925	714,669
Net cash provided by (used in) investing activities	582,678	(344,423)	(1,944,562)	-	1,070,835	(635,472)
Net increase (decrease) in cash	1,462,743	(79,245)	1,082,292	341,765	10,408,134	13,215,689
CASH, beginning of year	6,394,486	2,059,904	15,833,883	45,461	4,114,850	28,448,584
CASH, end of year	\$ 7,857,229	\$ 1,980,659	\$ 16,916,175	\$ 387,226	\$ 14,522,984	\$ 41,664,273

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2019

	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarships		
Reconciliation of operating loss to net cash (used in) provided by operating activities:						
Operating loss	\$ (18,320,039)	\$ 196,509	\$ (1,308,119)	\$ (94,107)	\$ (3,222,894)	\$ (22,748,650)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:						
Depreciation					2,961,720	2,961,720
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	421,938	(445,486)	(101,656)	(23,836)	289	(148,751)
Decrease in NJTP receivable			572,592			572,592
(Increase) decrease in due from other governments	(411,052)	(981)	247,455	315,881	399	151,702
Decrease in inventories	550	31,208				31,758
Increase (decrease) in accounts payable and accrued liabilities	57,604	(480,283)	659,753	(4,675)	93,244	325,643
(Decrease) in postemployment benefits	(66,151)					(66,151)
(Decrease) in net pension liability	(1,305,801)					(1,305,801)
Decrease in deferred outflows of resources	817,034					817,034
Increase (decrease) in deferred inflows of resources	939,854		195,555		(1,116,683)	18,726
(Decrease) in early retirement payable			(504,108)			(504,108)
(Increase) in compensated absences payable	19,622	1,058				20,680
Net cash (used in) provided by operating activities	\$ (17,846,441)	\$ (697,975)	\$ (238,528)	\$ 193,263	\$ (1,283,925)	\$ (19,873,606)

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The College did not accept any donated capital assets during the year ended June 30, 2019.

The College reported transactions that were noncash as follows:

Acquisitions of capital assets \$1,827,394 from Northeast Iowa Community-Based Dairy Foundation debt cancellation and took over the debt of \$1,565,000.

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, community education and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. The College also offers up to two years of 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 also has service locations in Cresco, Dubuque, Manchester, New Hampton, Oelwein, and Waukon. 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.

These financial statements present Northeast Iowa Community College (the primary government) and its component unit. The component unit discussed below is included in the College's reporting entity because of the significance of its operational or financial relationship with the College. Certain disclosures about the component unit is not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the Northeast Iowa Community College District Office located at Hwy 150 South, Calmar, Iowa 52132.

Discrete Component Unit

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 independent auditor's report on the component unit financial statements for year ended June 30, 2019 expresses an unmodified opinion dated November 4, 2019.

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

b. Significant Accounting Policies (Continued)

Discrete Component Unit (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.

Related Party

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.

Restricted Funds

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

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Current Funds (Continued)

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.

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, interest expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating activities include state appropriations; Pell Grant, property tax and investment income.

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 reported as a deferred inflow of resources 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 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, 2019 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets

Capital assets, which include property, intangibles, buildings, other structures and improvements, and furniture and equipment are recorded at cost or estimated historical cost if actual historical cost records are not available. Donated capital 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:

Asset Class	Amount
Furniture and equipment	\$ 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:

Asset Class	Years
Furniture and equipment	5-10
Intangible assets	25
Buildings and improvements	30

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 and OPEB 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, 2019.

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.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on Northeast Iowa Community College's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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 in the statement of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned administrative costs for NJTP, advanced student tuition, unrecognized items not yet charge to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Net Position

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

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.

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)

Restricted Net Position:

Nonexpendable

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

Expendable

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

Unrestricted Net Position

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.

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 Grants, property tax and interest income.

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.

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.

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)

Scholarship Allowances and Student Aid

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

2. Cash and Investments

The College's deposits in banks at June 30, 2019 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, 2019, the College had investments in the Iowa Schools Joint Investment Trust (ISJIT), as follows:

Investments	Amortized Cost
Diversified portfolio	\$ 16,810,333

The investments are valued at an amortized cost. There were no limitations or restrictions on withdrawals for the ISJIT investments. The investments in ISJIT were rated AAA by Standard & Poor's Financial Services.

Interest Rate Risk

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

NOTES TO FINANCIAL STATEMENTS

2. Cash and Investments (Continued)

The College's petty cash and deposit accounts as of June 30, 2019 consist of the following:

Petty cash	\$ 3,155
Other deposit accounts	<u>41,661,118</u>
	<u>\$ 41,664,273</u>

The College's investments as of June 30, 2019 consist of the following:

Certificates of deposit	<u>\$ 8,029,631</u>
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Component Unit

The 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 funds	\$ 90,827	\$ 90,827	
Bond fund	1,184,093	1,184,093	
Corporate bonds	17,773	11,136	\$ 6,637
Common stock	1,691,109	1,691,109	
Preferred stock	148,694	148,694	
Mutual funds	449,305	449,305	
Alternative assets	57,495	57,495	
	<u>\$ 3,639,296</u>	<u>\$ 3,632,659</u>	<u>\$ 6,637</u>

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 College Foundation had \$762,143 of investments held in a trust with the Community Foundation of Greater Dubuque and Community Foundation of Northeast Iowa. This amount is not included in the above table.

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, 2019:

Interest and dividend income	\$ 109,730
Net realized and unrealized gains	229,315
Investment expense	<u>(26,148)</u>
Total investment return	<u>\$ 312,897</u>

Funds have been contributed on behalf of the College in the amount of \$9,176 to the Community Foundation of Greater Dubuque and \$None to the Community Foundation of Northeast Iowa. Each organization manages the money. The College receives unrestricted allocated earnings from these assets.

NOTES TO FINANCIAL STATEMENTS

3. Inventories

The College's inventories as of June 30, 2019 are as follows:

Type	Amount
Supplies and materials	\$ 19,281
Beef livestock	22,700
Merchandise held for resale	184,886
Total	\$ 226,867

4. Note Receivable

In March 2018, the Dairy Foundation entered a five year note payable with the College. The note payable is due in monthly payments of \$589 with an interest rate of 3.5% for the purchase of a New Holland skid loader. A summary of the principal and interest maturities are as follows:

Year ending June 30,	Total	
	Principal	Interest
2020	\$ 6,265	\$ 808
2021	6,487	585
2022	6,718	355
2023	6,991	116
Minimum note payments	\$ 26,461	\$ 1,864

5. Capital Assets

Capital assets activity for the year ended June 30, 2019 is as follows:

	Balance			Balance	
	June 30, 2018	Additions	Deletions	June 30, 2019	
Capital non-depreciable assets:					
Land	\$ 655,366	\$ 400,000		\$ 1,055,366	
Construction in progress		449,517	\$ 31,171	418,346	
Capital assets, non-depreciable	655,366	849,517	31,171	1,473,712	
Capital assets, being depreciated:					
Buildings	72,504,900	1,450,047		73,954,947	
Other structures and improvements	3,789,344	112,836		3,902,180	
Intangibles		48,369		48,369	
Furniture and equipment	9,477,417	844,859	278,335	10,043,941	
Gross capital assets being depreciated	85,771,661	2,456,111	278,335	87,949,437	
Less accumulated depreciation:					
Buildings	31,920,395	2,021,781		33,942,176	
Other structures and improvements	1,974,471	116,392		2,090,863	
Furniture and equipment	6,105,727	823,547	257,464	6,671,810	
Total accumulated depreciation	40,000,593	2,961,720	257,464	42,704,849	
Net capital assets being depreciated	45,771,068	(505,609)	20,871	45,244,588	
Capital assets, net	\$ 46,426,434	\$ 343,908	\$ 52,042	\$ 46,718,300	

NOTES TO FINANCIAL STATEMENTS

6. **Long-term Obligations**

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Certificates payable	\$ 21,500,000	\$ 4,985,000	\$ 4,935,000	\$ 21,550,000	\$ 4,385,000
Notes payable	1,400,000		275,000	1,125,000	275,000
Bonds payable	12,155,000	16,580,000	10,675,000	18,060,000	3,330,000
Premium on bonds		266,870		266,870	
Capital leases payable	45,717	331,802	50,084	327,435	76,109
Other liabilities:					
Early retirement payable	2,424,170	684,218	1,188,326	1,920,062	933,673
Long-term liabilities	\$ 37,524,887	\$ 22,847,890	\$ 17,123,410	\$ 43,249,367	\$ 8,999,782

a. **Capital Leases**

The College entered into nineteen agreements to lease nineteen fleet vehicles. The agreements are for a period of four years. The leases expire in 2022 and 2023 which requires the payment of normal maintenance charges.

The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments under the agreement described above in effect at June 30, 2019:

Year ending June 30,	Total
2020	\$ 93,395
2021	93,395
2022	117,400
2023	79,382
Total minimum lease payments	383,572
Less amount representing interest	(56,137)
Present value of minimum lease payments	\$ 327,435

b. **Certificates Payable**

In accordance with agreements dated between July 1, 2013 and June 30, 2019, the College issued certificates totaling \$21,550,000 with interest rates ranging from 1.50% 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.

NOTES TO FINANCIAL STATEMENTS

6. Long-term Obligations (Continued)

b. Certificates Payable (Continued)

The certificates will mature as follows:

Year ending June 30,	Principal	Interest	Total
2020	\$ 4,385,000	\$ 567,561	\$ 4,952,561
2021	3,555,000	467,345	4,022,345
2022	3,295,000	378,718	3,673,718
2023	2,570,000	295,728	2,865,728
2024	2,310,000	225,667	2,535,667
2025-2029	5,435,000	365,240	5,800,240
	\$ 21,550,000	\$ 2,300,259	\$ 23,850,259

c. Notes Payable

The College has issued notes payable for the purchase and construction of College properties. As of June 30, 2019, the notes payable outstanding consist of the following:

\$1,125,000 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, 2019 through December 1, 2022 plus interest semiannually with interest rates of the lease varying from 1.80% to 2.30%. The lease was issued to refund the lease to purchase the Town Clock Center.

\$ 1,125,000

Details of the College's notes payable indebtedness are as follows:

Year ending June 30,	Principal	Interest	Total
2020	\$ 275,000	\$ 20,675	\$ 295,675
2021	300,000	15,200	315,200
2022	300,000	6,100	306,100
2023	250,000	5,750	255,750
	\$ 1,125,000	\$ 47,725	\$ 1,172,725

d. Bonded Indebtedness

\$16,580,000 General Obligation School Refunding Bonds Series 2019, due annually in varying installments June 1, 2020 through June 1, 2036 plus interest semiannually with interest rates of 3.00%. The proceeds of these bonds were used to refinance existing debt and provide resources to improve the College's infrastructure, security, technology, and create innovative learning spaces.

\$1,480,000 Certificates of Participation, Series 2012A, are due annually in varying installments May 1, 2020 through May 1, 2031 plus interest semiannually with interest rates varying from 4.05% to 5.00%. These bonds were issued to purchase the buildings and equipment of the Dairy Foundation. Bonds are callable after May 1, 2018.

NOTES TO FINANCIAL STATEMENTS

6. Long-term Obligations (Continued)

d. Bonded Indebtedness (Continued)

Details of the College's bonded indebtedness are as follows:

Year ending June 30,	Principal	Interest	Total
2020	\$ 3,330,000	\$ 540,163	\$ 3,870,163
2021	3,000,000	465,570	3,465,570
2022	1,650,000	374,573	2,024,573
2023	105,000	323,873	428,873
2024	110,000	319,305	429,305
2025-2029	660,000	1,512,440	2,172,440
2030-2034	4,550,000	1,333,900	5,883,900
2035-2039	4,655,000	172,500	4,827,500
Total	\$ 18,060,000	\$ 5,042,324	\$ 23,102,324

e. Operating Leases

The College leases 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 2020 and 2023 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, 2019:

Year ending June 30,	Total
2020	\$ 90,000
2021	90,000
2022	90,000
2023	60,000
Minimum lease payments for all operating leases	\$ 330,000

Rents for fiscal year 2019 totaled \$134,335 for all operating leases.

7. Early Retirement

In December of 2017, the College offered a voluntary early retirement plan with options to retire between June 30, 2018 and August 15, 2019.

In the plan, employees qualifying for early retirement must have completed at least ten years of full-time staff and regular part-time (minimum of 80% FTE) service and must have reached the minimum age of 55 years. 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 in the 2018 plan receive their cash payout in their choice of one year (26 biweekly payments) or two years (two lump sum payments).

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, 2019, the College has obligations to seventy-five participants with a total early retirement liability of \$1,920,062. Actual early retirement expenditures for the year ended June 30, 2019 totaled \$1,188,326.

8. 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 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.

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

Pension Benefits (Continued)

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 the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

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

Contributions

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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the College contributed 9.44% of covered payroll, for a total rate of 15.73%.

The College's contributions to IPERS for the year ended June 30, 2019 totaled \$967,121.

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

At June 30, 2019, the College reported a liability of \$8,945,161 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the College's proportion was 0.141353%, which was a decrease of 0.01254% from its proportion measured as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

8. 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)

For the year ended June 30, 2019, the College recognized pension expense of \$1,332,146. At June 30, 2019, 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	\$ 49,045	\$ 202,175
Changes of assumptions	1,276,083	
Net difference between projected and actual earnings on IPERS' investments		245,785
Changes in proportion and differences between College contributions and the College's proportionate share of contributions	270,987	677,053
College contributions subsequent to the measurement date	967,121	
Total	\$ 2,563,236	\$ 1,125,013

\$967,121 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, 2020. 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,	Amount
2020	\$ 648,818
2021	222,298
2022	(209,390)
2023	(145,178)
2024	(45,446)
Total	\$ 471,102

There were no non-employer contributing entities to IPERS.

NOTES TO FINANCIAL STATEMENTS

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

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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. 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
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100.0%	

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of the net pension liability	\$ 15,181,736	\$ 8,945,161	\$ 3,713,602

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, 2019, the College reported payables to IPERS of \$114,756 for legally required College contributions and \$49,646 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

9. 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 9.44% of annual salary, including overtime pay, to an individual employee account for the year ended June 30, 2019, and 8.93% for the years ended June 30, 2018, and 2017, respectively. Each employee is required to contribute 6.29% for the year ended June 30, 2019, and 5.95% for the years ended June 30, 2018, and 2017, 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, 2019, 2018, and 2017 were \$489,953, \$512,015, and \$542,200, respectively. The College's required and actual contributions to TIAA for the years ended June 30, 2019, 2018, and 2017 were \$736,002, \$768,452, and \$813,756, respectively.

At June 30, 2019, the College reported payables to the TIAA of \$31,082 for legally required College contributions on salaries payable.

10. Other Postemployment Benefits (OPEB)

Plan Description

The College administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by the College are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2019, there were 296 active employees covered by the benefit terms.

Total OPEB Liability

The College's total OPEB liability of \$295,087 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2019)	3.00% per annum.
Rates of salary increase (effective June 30, 2019)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2019)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2019)	7.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP 2018 generational projection of future mortality improvement.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

NOTES TO FINANCIAL STATEMENTS

10. Other Postemployment Benefits (OPEB) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 361,238
Changes for the year:	
Service cost	22,253
Interest cost	11,090
Difference between expected and actual experience	(88,024)
Changes in assumptions	(6,330)
Benefit payments	(5,140)
Net changes	(66,151)
Total OPEB liability end of year	\$ 295,087

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2018 to 3.87% in fiscal year 2019.

Sensitivity of the College's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 315,325	\$ 295,087	\$ 276,147

Sensitivity of the College's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.00%) or 1% higher (8.00%) than the current healthcare cost trend rates.

	1% Decrease 6.0% decreasing to 4.0%	Current Healthcare Cost Trend Rate 7.0% decreasing to 5.0%	1% Increase 8.0% decreasing to 6.0%
Total OPEB liability	\$ 267,090	\$ 295,087	\$ 327,403

NOTES TO FINANCIAL STATEMENTS

10. Other Postemployment Benefits (OPEB) (Continued)

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the College recognized OPEB expense of \$27,248. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ (79,394)	
Changes in assumptions	(5,709)	\$ 23,982
Total	\$ (85,103)	\$ 23,982

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2020	\$ (6,095)
2021	(6,095)
2022	(6,095)
2023	(6,095)
2024	(6,095)
Thereafter	(30,646)
 Total	 \$ (61,121)

11. 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, Iowa 52132.

Significant financial data for the year ended June 30, 2019, which is audited, is as follows:

Total assets	\$ 917,268
Total liabilities	\$ 411,862
Total equity	\$ 505,406
Total revenue	\$ 1,880,390
Total expenses	\$ 2,543,304

NOTES TO FINANCIAL STATEMENTS

12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

	Transfers In	Transfers Out
Unrestricted fund:		
Restricted fund	\$ 3,080,050	\$ 493,271
Scholarship fund	9,132	21,375
Auxiliary fund	100,881	776,656
	3,190,063	1,291,302
 Auxiliary fund:		
Unrestricted fund	776,656	100,881
Restricted fund	95,149	72,493
Scholarship fund	2,702	
Plant fund	335,401	73,888
	1,209,908	247,262
 Restricted fund:		
Unrestricted fund	493,271	3,080,050
Auxiliary fund	72,493	95,149
Scholarship fund	1,730	54,972
Plant fund	8,244	336,958
	575,738	3,567,129
 Scholarship fund:		
Unrestricted fund	21,375	9,132
Auxiliary fund		2,702
Restricted fund	54,972	1,730
	76,347	13,564
 Plant fund:		
Auxiliary fund	73,888	335,401
Restricted fund	336,958	8,244
	410,846	343,645
Total	\$ 5,462,902	\$ 5,462,902

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

13. 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 324 projects. There are 239 projects that have been completed and 85 are currently open.

The College also administers the Iowa Jobs Training Program (IJTP) in Area I in accordance with Chapter 260F of the Code of Iowa. IJTP's purpose is to provide tax-aided training or retraining for existing employees of businesses. Approved businesses received forgivable loans from the Workforce Development Fund, a State administered fund. Since inception, the College has administered 450 projects with 22 new projects in the year ended June 30, 2019.

14. 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 Ellucian Colleague and other administrative software. The ongoing expenditures for the Ellucian Colleague software and maintenance will be paid through ACCES Consortium. The College is committed to paying ACCES, Inc. consortium \$114,944 for software, licensing and maintenance for fiscal year 2020.

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. In June 2018, the College officially informed CAST, Inc. of its election to withdraw its membership. The bylaws of CAST, Inc. require a two-year advance notice and therefore the withdrawal will be effective June 30, 2020. 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 2019 are estimated to be \$294,359 for the consortium, which represents approximately 45% of the budget for CAST, Inc.

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. This agreement ended on June 30, 2019. The College and the Dairy Foundation entered into a new operational agreement.

15. 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, 2019, 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.

NOTES TO FINANCIAL STATEMENTS

16. 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. 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, 2019 and 2018 are as follows:

	2019	2018
Claims payable, beginning of year	\$ 450,000	\$ 450,000
Claims recognized	3,579,756	3,674,175
Claim payments	(3,579,756)	(3,674,175)
Claims payable, end of year	\$ 450,000	\$ 450,000

17. Net Position

The statement of net position reports \$4,667,801 of restricted net position, of which \$3,926,199 is restricted by enabling legislation.

18. Net Position Deficit

The unrestricted fund has a deficit net position as of June 30, 2019. 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*.

19. 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, 2019, the College had no abatements of property tax and \$4,679,548 of state income tax withholding under the projects.

19. Tax Abatements (Continued)

Tax Abatements of Other Entities

Property tax revenues of the College were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Cascade	Other tax abatement program	\$ 1,315
City of Delhi	Other tax abatement program	443
City of Dubuque	Other tax abatement program	70,026
Dubuque County	Other tax abatement program	4,629
City of Dyersville	Other tax abatement program	38,533
City of Edgewood	Other tax abatement program	428
City of Elkader	Other tax abatement program	2,228
City of Elkader	Urban renewal and economic	499
City of Elma	Other tax abatement program	222
City of Farley	Other tax abatement program	5,876
City of Farley	Urban renewal and economic	3,658
City of Fayette	Other tax abatement program	1,471
Fayette County	Other tax abatement program	6,476
City of Hawkeye	Other tax abatement program	347
Howard County	Other tax abatement program	65,789
City of Lansing	Other tax abatement program	928
City of Luana	Other tax abatement program	1,151
City of Manchester	Other tax abatement program	2,650
City of McGregor	Other tax abatement program	187
City of McIntire	Other tax abatement program	1,532
City of Monona	Other tax abatement program	3,325
City of New Hampton	Other tax abatement program	5,636
City of Oelwein	Other tax abatement program	1,560
City of Oelwein	Urban renewal and economic	919
City of Ossian	Urban renewal and economic	413
City of Peosta	Other tax abatement program	5,324
City of Riceville	Other tax abatement program	137
City of Waukon	Other tax abatement program	1,672
City of West Union	Other tax abatement program	2,132
City of Worthington	Other tax abatement program	1,150

NOTES TO FINANCIAL STATEMENTS

20. Prospective Accounting Changes

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. 84, *Fiduciary Activities*, issued January 2017, will be effective for the fiscal year ending June 30, 2020. The revised requirements of this Statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing the specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the fiscal year ending June 30, 2021. 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 these statements will have on the College's financial statements.

21. Subsequent Events

Management has evaluated subsequent events through October 29, 2019, the date on which the financial statements were available to be issued.

22. Northeast Iowa Community-Based Dairy Foundation Debt Cancellation

As of June 30, 2019, the College entered into an agreement with the Dairy Foundation to cancel capital lease, financing obligation-sale-leaseback in exchange for the buildings and land owned by the Dairy Foundation and all the outstanding notes receivable except for the note receivable mentioned in Note 4. The transaction had a net effect of \$(175,521) on the College's net position. The Dairy Foundation will now rent the facilities from the College for \$3,000 a month until June 30, 2022.

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 Five Years*
 (In Thousands)

	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.141353%	0.153889%	0.155812%	0.155012%	0.143749%
College's proportionate share of the net pension liability	\$ 8,945	\$ 10,251	\$ 9,806	\$ 7,658	\$ 5,701
College's covered payroll	\$ 10,616	\$ 11,630	\$ 11,254	\$ 10,621	\$ 9,410
College's proportionate share of the net pension liability as a percentage of its covered payroll	84.26%	88.14%	87.13%	72.10%	60.58%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	84.19%	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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 967	\$ 948	\$ 1,039	\$ 1,005	\$ 948	\$ 840	\$ 730	\$ 635	\$ 544	\$ 532
Contributions in relation to the statutorily required contribution	(967)	(948)	(1,039)	(1,005)	(948)	(840)	(730)	(635)	(544)	(532)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 10,244	\$ 10,616	\$ 11,630	\$ 11,254	\$ 10,621	\$ 9,410	\$ 8,420	\$ 7,869	\$ 7,827	\$ 8,000
Contributions as a percentage of covered payroll	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

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

NORTHEAST IOWA COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
For the Year Ended June 30, 2019

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.

Changes of Assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 CHANGES IN THE COLLEGE'S TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
 For the Last Two Years
 (In Thousands)

	2019	2018
Service cost	\$ 22,253	\$ 27,682
Interest cost	11,090	12,951
Difference between expected and actual experience	(88,024)	
Changes in assumptions	(6,330)	30,294
Benefit payments	(5,140)	(26,946)
Net change in total OPEB liability	(66,151)	43,981
Total OPEB liability beginning of year	361,238	317,257
Total OPEB liability end of year	\$ 295,087	\$ 361,238
Covered-employee payroll	\$ 13,826,660	\$ 14,781,549
Total OPEB liability as a percentage of covered-employee payroll	2.13%	2.44%

Notes to Schedule of Changes in the College's Total OPEB Liability and Related Ratios

Changes in Benefit Terms:

There were no significant changes in benefit terms.

Changes in Assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

Year ended June 30, 2019	3.87%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	4.50%

See Independent Auditor's Report.

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, 2019, and have issued our report thereon dated October 29, 2019, 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 the financial statements that collectively comprise the Northeast Iowa Community College's basic financial statements. 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 statutory 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, 2019 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements for the year ended June 30, 2019, as a whole.

We have also 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, 2018 (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 through 9 using statutory 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 through 9 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 29, 2019

NORTHEAST IOWA COMMUNITY COLLEGE
BALANCE SHEET
June 30, 2019

	Current Funds				Plant Funds			GAAP Adjustments	GAAP Basis
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	Investment in Plant		
ASSETS									
Cash	\$ 7,857,229	\$ 1,980,659	\$ 16,916,175	\$ 387,226	\$ 14,522,984				\$ 41,664,273
Investments			8,029,631						8,029,631
Receivables:									
Accounts, less allowance of \$1,609,617	4,476,932	496,884	437,425	23,836	2,354				5,437,431
Accrued interest		789	24,841		492				26,122
Property tax:									
Current year delinquent	13,637		27,399			\$ 33,490			74,526
Succeeding year	2,459,899		4,113,289			6,197,231			12,770,419
Due from other governments	714,169	3,501	419,182	61,421	7,049				1,205,322
Inventories		226,867							226,867
Due from Iowa Industrial New Jobs Training Program			5,576,838						5,576,838
Notes receivable		26,461							26,461
Capital assets:									
Land							\$ 1,055,366		1,055,366
Construction in progress							418,346		418,346
Intangibles							48,369		48,369
Buildings							73,954,947		73,954,947
Other structures and improvements							3,902,180		3,902,180
Furniture and equipment, including assets acquired							10,043,941		10,043,941
Accumulated depreciation and amortization							(42,704,849)		(42,704,849)
Total assets	15,521,866	2,735,161	35,544,780	472,483	14,532,879	6,230,721	46,718,300	\$ -	121,756,190
DEFERRED OUTFLOWS OF RESOURCES									
Pension related deferred outflows								2,563,236	2,563,236
OPEB related deferred outflows								23,982	23,982
Total deferred outflows of resources	-	-	-	-	-	-	-	2,587,218	2,587,218
Total assets and deferred outflows of resources	\$ 15,521,866	\$ 2,735,161	\$ 35,544,780	\$ 472,483	\$ 14,532,879	\$ 6,230,721	\$ 46,718,300	\$ 2,587,218	\$ 124,343,408
LIABILITIES									
Accounts payable	\$ 946,290	\$ 42,826	\$ 920,912	\$ 2,652	\$ 153,727				\$ 2,066,407
Salaries and benefits payable	1,035,169	13,564	11,109		1,602				1,061,444
Accrued interest payable		14,004			13,323				27,327
Deposits held in custody for others	49,524								49,524
Compensated absences payable	102,781	5,502							108,283
Early retirement payable			1,920,062						1,920,062
Total OPEB liability								\$ 295,087	295,087
Net pension liability								8,945,161	8,945,161
Notes payable					1,125,000				1,125,000
Bonds payable					5,990,000		\$ 12,336,870		18,326,870
Capital leases payable							327,435		327,435
Certificates payable			21,550,000						21,550,000
Total liabilities	2,133,764	75,896	24,402,083	2,652	7,283,652	\$ -	12,664,305	9,240,248	55,802,600

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
BALANCE SHEET
June 30, 2019

	Current Funds				Plant Funds			GAAP Adjustments	GAAP Basis
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	Investment in Plant		
DEFERRED INFLOWS OF RESOURCES									
Succeeding year property tax	\$ 2,459,899		\$ 4,113,289			\$ 6,197,231			\$ 12,770,419
Pension related deferred inflows								\$ 1,125,013	1,125,013
OPEB related deferred inflows								85,103	85,103
Other	4,687,098		2,864,928						7,552,026
Total deferred inflows of resources	7,146,997	\$ -	6,978,217	\$ -	\$ -	6,197,231	\$ -	1,210,116	21,532,561
FUND BALANCE									
Net investment in capital assets							34,053,995		34,053,995
Fund balances:									
Restricted for specific purposes			4,164,480	469,831		33,490			4,667,801
Designated for health insurance	2,395,656								2,395,656
Unrestricted (deficit)	3,845,449	2,659,265			7,249,227			(7,863,146)	5,890,795
Total fund balance (deficit)	6,241,105	2,659,265	4,164,480	469,831	7,249,227	33,490	34,053,995	(7,863,146)	47,008,247
Total liabilities, deferred inflows of resources and fund balance	\$ 15,521,866	\$ 2,735,161	\$ 35,544,780	\$ 472,483	\$ 14,532,879	\$ 6,230,721	\$ 46,718,300	\$ 2,587,218	\$ 124,343,408

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, 2019

	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	\$ 10,121,083	\$ 507	\$ 1,970,057	\$ 436,378	\$ 117,570			\$ (350,659)	\$ 12,294,936
Tuition and fees	14,509,910	31,818						(6,028,992)	8,512,736
Property taxes	2,393,567		4,814,798		5,069,654	\$ 952,490			13,230,509
Federal appropriations	6,670	27,436	1,347,797	11,151,224	128,474			556,004	13,217,605
Investment income	582,678	3,228	97,053		44,066				727,025
Iowa Industrial New Jobs Training Program			4,917,599						4,917,599
Sales and services	33,304								33,304
Miscellaneous	572,551		2,392,623	318,400	356,373			(205,345)	3,434,602
	28,219,763	62,989	15,539,927	11,906,002	5,716,137	952,490	\$ -	(6,028,992)	56,368,316
Auxiliary enterprises:									
Sales and services		3,164,526						(607,010)	2,557,516
Miscellaneous		657,471							657,471
	-	3,821,997	-	-	-	-	-	(607,010)	3,214,987
Total revenues and other additions	28,219,763	3,884,986	15,539,927	11,906,002	5,716,137	952,490	-	(6,636,002)	59,583,303
EXPENDITURES AND OTHER DEDUCTIONS									
Education and support:									
Liberal arts and sciences	6,127,445								6,127,445
Vocational technical	5,457,845		895,775					(35,770)	6,317,850
Adult education	3,075,319		501,010						3,576,329
Cooperative services	2,252,754		5,838,052					(621,327)	7,469,479
General administration	1,275,410								1,275,410
Student services	2,490,547		3,515					(73,887)	2,420,175
Learning resources	638,515		174,437						812,952
Physical plant	2,443,861		1,910,605						4,354,466
General institution	4,796,882		1,306,841					380,392	6,484,115
	28,558,578	-	10,630,235	-	-	-	-	(350,592)	38,838,221
Auxiliary enterprises									
Scholarships and grants		3,758,630		11,914,390				(6,636,002)	5,278,388
Plant asset acquisitions					3,109,496			(3,109,496)	-
Loan cancellation and plant assets with Dairy Foundation		665,852			(490,331)				175,521
Interest on indebtedness						538,392		573,023	1,111,415
Other					746,021				746,021
Expended for plant assets							(2,942,656)	2,942,656	-
Bond payable for plant assets							(331,802)	331,802	-
Retirement of indebtedness					(2,490,498)	410,084	2,080,414		-
Disposal of plant assets							(30,953)		(30,953)
Depreciation							2,961,720		2,961,720
	-	4,424,482	-	11,914,390	874,688	948,476	1,736,723	(5,898,017)	14,000,742
Total expenditures and other deductions	28,558,578	4,424,482	10,630,235	11,914,390	874,688	948,476	1,736,723	(6,248,609)	52,838,963

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, 2019

	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	\$ (338,815)	\$ (539,496)	\$ 4,909,692	\$ (8,388)	\$ 4,841,449	\$ 4,014	\$ (1,736,723)	\$ (387,393)	\$ 6,744,340
TRANSFERS									
Mandatory	805,879		(805,534)	(345)					-
Nonmandatory	1,092,882	1,036,534	(2,094,783)	63,128	(97,761)				-
Total transfers	1,898,761	1,036,534	(2,900,317)	62,783	(97,761)	-	-	-	-
Net increase (decrease) in fund balance	1,559,946	497,038	2,009,375	54,395	4,743,688	4,014	(1,736,723)	(387,393)	6,744,340
FUND BALANCE (deficit)									
Beginning of year	4,681,159	2,162,227	2,155,105	415,436	2,505,539	29,476	35,790,718	(7,475,753)	40,263,907
End of year	\$ 6,241,105	\$ 2,659,265	\$ 4,164,480	\$ 469,831	\$ 7,249,227	\$ 33,490	\$ 34,053,995	\$ (7,863,146)	\$ 47,008,247

See Independent Auditor's Report on the Supplementary Information.

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, 2019

	Education			Support					Total
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	
REVENUES AND OTHER ADDITIONS									
State appropriations	\$ 4,500,034	\$ 3,959,317	\$ 1,600,012		\$ 49,641			\$ 12,079	\$ 10,121,083
Tuition and fees	4,350,895	6,210,439	2,229,197	\$ 1,687,572		\$ 12,001		\$ 19,806	14,509,910
Property taxes					2,393,567				2,393,567
Federal appropriations		6,670							6,670
Investment income					582,678				582,678
Sales and services			7,040						33,304
Miscellaneous	87	300	13,837	100,063		300	\$ 43,669	2,352	411,943
Total revenues and other additions	8,851,016	10,176,726	3,850,086	1,787,635	3,025,886	12,301	43,669	14,431	458,013
EXPENDITURES AND OTHER DEDUCTIONS									
Salaries and wages	4,514,706	3,744,773	1,824,562	1,603,128	780,133	1,730,974	452,123	663,711	2,254,736
Employee fringe benefits	1,357,967	1,116,626	443,519	474,301	268,721	648,993	152,534	300,681	895,767
Services	40,934	123,515	701,900	124,454	181,540	63,687	6,835	1,268,172	1,444,695
Materials and supplies	32,121	226,516	57,931	36,108	3,293	34,273	26,042	210,994	168,452
Travel	8,397	29,711	47,407	14,763	28,209	12,620	981	303	32,483
Loan cancellation and bad debts	123,010	177,014			10,362				
Miscellaneous expenditure	50,310	39,690			3,152				749
Total expenditures and other deductions	6,127,445	5,457,845	3,075,319	2,252,754	1,275,410	2,490,547	638,515	2,443,861	4,796,882
Excess (deficiency) of revenues and other additions over (under) expenditures and other deductions	2,723,571	4,718,881	774,767	(465,119)	1,750,476	(2,478,246)	(594,846)	(2,429,430)	(4,338,869)
TRANSFERS									
Mandatory		4,570		751,531	49,778				805,879
Nonmandatory		201,040	443,916	161,212	512	(6,773)		235,554	57,421
Total transfers	-	205,610	443,916	912,743	50,290	(6,773)	-	235,554	57,421
Net increase (decrease) in fund balance	\$ 2,723,571	\$ 4,924,491	\$ 1,218,683	\$ 447,624	\$ 1,800,766	\$ (2,485,019)	\$ (594,846)	\$ (2,193,876)	\$ (4,281,448)
FUND BALANCE									
Beginning of year									4,681,159
End of year									<u>\$ 6,241,105</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
 For the Year Ended June 30, 2019

	Bookstore	Food Services	Child Care	Farm	Trade and Industry	Professional Development	Miscellaneous	Total
REVENUES AND OTHER ADDITIONS								
State appropriations			\$ 507				\$	\$ 507
Tuition and fees						\$ 30,843	\$ 975	31,818
Federal appropriations			27,436					27,436
Sales and services	\$ 2,011,221	\$ 276,243	795,291		\$ 81,664		107	3,164,526
Investment income				\$ 1,615			1,613	3,228
Miscellaneous	11,325	9,000	51,194	4,743	500		580,709	657,471
Total revenues and other additions	2,022,546	285,243	874,428	6,358	82,164	30,843	583,404	3,884,986
EXPENDITURES AND OTHER DEDUCTIONS								
Salaries and wages	107,490	169,121	706,811			6,773	129,945	1,120,140
Employee fringe benefits	47,280	58,228	186,358			518	41,749	334,133
Services	6,993	10,207	30,907	770	3,953	8,952	45,012	106,794
Materials and supplies	1,218	10,597	76,617	13,625	24,395	196	78,940	205,588
Travel	231		275			22,819	6,332	29,657
Loan cancellation and bad debts				665,852				665,852
Cost of goods sold	1,682,842	136,698		(900)	36,385		24,733	1,879,758
Plant asset acquisitions							73,887	73,887
Miscellaneous expenditure	7,073						1,600	8,673
Total expenditures and other deductions	1,853,127	384,851	1,000,968	679,347	64,733	39,258	402,198	4,424,482
Excess (deficiency) of revenues and other additions over (under) expenditures and other deductions	169,419	(99,608)	(126,540)	(672,989)	17,431	(8,415)	181,206	(539,496)
TRANSFERS								
Nonmandatory	42,124		75				994,335	1,036,534
Net increase (decrease) in fund balance	211,543	(99,608)	(126,465)	(672,989)	17,431	(8,415)	1,175,541	497,038
FUND BALANCE (deficit)								
Beginning of year	1,852,939	(179,918)	(367,397)	24,311	392,392	76,838	363,062	2,162,227
End of year	\$ 2,064,482	\$ (279,526)	\$ (493,862)	\$ (648,678)	\$ 409,823	\$ 68,423	\$ 1,538,603	\$ 2,659,265

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
RESTRICTED CURRENT FUNDS
For the Year Ended June 30, 2019

	Restricted Property Tax Levies	Iowa Industrial New Jobs Training	Other Federal Programs	Miscellaneous	Total
REVENUES AND OTHER ADDITIONS					
State appropriations	\$ 94,056	\$ 148,011		\$ 1,727,990	\$ 1,970,057
Property taxes	4,814,798				4,814,798
Federal appropriations			\$ 1,290,445	57,352	1,347,797
Investment income	96,071	982			97,053
Iowa Industrial New Jobs Training Program		4,917,599			4,917,599
Miscellaneous	1,488,469	600,264	600	303,290	2,392,623
Total revenues and other additions	6,493,394	5,666,856	1,291,045	2,088,632	15,539,927
EXPENDITURES AND OTHER DEDUCTIONS					
Salaries and wages			732,800	486,548	1,219,348
Employee fringe benefits	1,128,784		203,236	137,916	1,469,936
Services	1,688,389	3,462,896	98,811	501,934	5,752,030
Materials and supplies	473,655		92,796	81,765	648,216
Travel			62,918	27,147	90,065
Plant asset acquisitions	35,770		48,304	7,000	91,074
Interest on indebtedness		573,023			573,023
Miscellaneous expenditure	50,000	671,095	18,041	47,407	786,543
Total expenditures and other deductions	3,376,598	4,707,014	1,256,906	1,289,717	10,630,235
Excess of revenues and other additions over expenditures and other deductions	3,116,796	959,842	34,139	798,915	4,909,692
TRANSFERS					
Mandatory		(751,531)	(54,003)		(805,534)
Nonmandatory	(1,397,393)	(216,110)	19,864	(501,144)	(2,094,783)
Total transfers	(1,397,393)	(967,641)	(34,139)	(501,144)	(2,900,317)
Net increase (decrease) in fund balance	1,719,403	(7,799)	-	297,771	2,009,375
FUND BALANCE					
Beginning of year	1,219,790	44,418	-	890,897	2,155,105
End of year	\$ 2,939,193	\$ 36,619	\$ -	\$ 1,188,668	\$ 4,164,480

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
 SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS
 AGENCY FUNDS
 For the Year Ended June 30, 2019

	Student Organizations
Balance, beginning of year	\$ 230,913
Additions:	
Tuition and fees	83,394
Sales and services	1,000
Miscellaneous	65,525
Total additions	149,919
Deductions:	
Salaries and wages	3,002
Employee fringe benefits	230
Services	110,566
Materials and supplies	175,782
Travel	36,996
Cost of goods sold	1,290
Miscellaneous expenditure	3,442
Total deductions	331,308
Balance, end of year	\$ 49,524

See Independent Auditor's Report on the Supplementary Information.

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Local (property tax)	\$ 13,230,509	\$ 12,540,258	\$ 10,376,338	\$ 9,544,851	\$ 9,328,085	\$ 8,900,292	\$ 9,319,214	\$ 9,722,498	\$ 9,168,987	\$ 8,338,873
State appropriations	12,294,936	12,336,125	12,358,774	12,262,797	12,468,392	11,659,341	10,490,504	8,976,053	10,590,494	8,561,576
Federal appropriations	13,217,605	14,090,430	13,888,483	17,072,041	21,953,991	27,040,609	28,726,546	26,677,663	28,950,131	26,409,295
Total	\$ 38,743,050	\$ 38,966,813	\$ 36,623,595	\$ 38,879,689	\$ 43,750,468	\$ 47,600,242	\$ 48,536,264	\$ 45,376,214	\$ 48,709,612	\$ 43,309,744

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
REVENUES										
State appropriations	\$ 12,528,025	\$ 12,608,131	\$ 12,498,883	\$ 12,491,879	\$ 12,770,142	\$ 11,982,240	\$ 10,825,716	\$ 8,922,833	\$ 8,901,805	\$ 8,630,563
Tuition and fees	14,541,728	14,003,180	14,495,965	15,005,062	15,610,737	16,572,799	17,520,534	17,846,943	17,610,746	17,311,196
Property taxes	7,208,365	6,611,738	4,490,655	3,639,966	3,503,188	3,318,633	3,718,588	4,284,334	3,752,235	3,232,287
Federal appropriations	12,533,127	13,410,996	13,302,701	16,322,449	21,249,569	26,288,608	27,084,729	25,762,439	28,249,100	25,972,051
Investment income	682,959	438,773	342,710	294,668	265,419	314,897	277,580	327,185	390,036	433,017
Iowa Industrial New Jobs Training Program	4,917,599	4,394,955	3,809,580	3,997,803	4,857,292	5,524,871	5,325,255	5,226,224	4,939,286	3,064,989
Auxiliary enterprises	3,821,997	3,556,143	3,914,866	4,010,072	4,306,681	4,265,807	4,472,772	4,331,066	4,457,057	4,383,682
Miscellaneous	3,316,878	3,544,066	3,099,802	1,006,592	2,131,992	612,913	1,641,872	770,406	4,092,595	6,289,740
	<u>\$ 59,550,678</u>	<u>\$ 58,567,982</u>	<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>
EXPENDITURES										
Liberal arts and sciences	\$ 6,127,445	\$ 6,285,530	\$ 6,713,289	\$ 7,509,574	\$ 6,280,039	\$ 5,384,048	\$ 5,477,329	\$ 5,879,893	\$ 5,348,064	\$ 5,701,752
Vocational technical	6,353,620	7,298,510	8,299,617	8,313,748	9,678,016	8,992,192	9,002,457	8,845,338	9,098,625	7,530,248
Adult education	3,576,329	3,654,389	3,251,667	4,492,912	3,929,376	3,499,933	3,502,795	3,293,160	3,083,158	2,662,436
Cooperative services	8,090,806	7,397,329	8,153,577	7,750,338	8,848,642	8,655,705	9,027,827	9,102,551	10,946,821	11,532,077
General administration	1,275,410	1,149,425	1,363,372	1,521,997	1,418,394	1,415,492	1,445,495	1,480,985	2,507,767	1,676,056
Student services	2,494,062	2,102,627	2,057,071	2,352,556	2,215,141	2,140,522	1,955,567	1,776,000	1,701,656	1,734,854
Learning resources	812,952	838,155	885,016	1,288,052	879,430	977,697	877,371	1,070,725	696,452	929,461
Physical plant	4,354,466	4,143,121	3,965,725	4,221,979	3,503,794	3,165,470	3,298,461	2,781,858	2,554,179	2,774,210
General institution	6,103,723	8,183,360	6,692,742	6,472,382	8,063,921	9,980,980	7,999,519	3,845,296	4,842,903	3,845,175
Auxiliary enterprises	4,424,482	3,564,208	4,349,088	4,164,126	4,622,210	4,445,701	4,302,533	4,220,714	4,020,013	4,478,723
Scholarships and grants	11,914,390	12,051,299	11,980,379	13,761,880	16,122,715	18,494,274	20,952,363	22,680,816	24,988,186	23,560,574
	<u>\$ 55,527,685</u>	<u>\$ 56,667,953</u>	<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>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL
For the Year Ended June 30, 2019

Funds/Levy	Original Budget	Actual	Variance Actual and Budget
Unrestricted	\$ 30,977,983	\$ 28,558,578	\$ 2,419,405
Restricted	27,600,000	7,253,637	20,346,363
Unemployment	-	62,658	(62,658)
Insurance	2,215,000	1,910,605	304,395
Early retirement	1,526,650	843,910	682,740
Equipment replacement	1,062,759	559,425	503,334
Total restricted	32,404,409	10,630,235	21,774,174
Plant:			
Plant	13,791,207	255,690	13,535,517
Bonds and interest	4,229,322	948,476	3,280,846
Total plant	18,020,529	1,204,166	16,816,363
Total	\$ 81,402,921	\$ 40,392,979	\$ 41,009,942

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, 2019, the College's expenditures for the Restricted Fund - Unemployment Subgroup exceeded the amount budgeted.

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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

- (a) The auditor's report expresses unmodified opinions on whether the financial statements of Northeast Iowa Community College were 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) The auditor's report on compliance for the major federal award programs for Northeast Iowa Community College expresses an unmodified opinion on all major federal programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
- (g) The programs tested as major programs were as follows:
 - CFDA Number 84.042 - TRIO Cluster - 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 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.

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

Internal control deficiencies: no matters were noted.

Instances of noncompliance: no matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated October 29, 2019

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
U.S. Department of Agriculture:			
Passed through Northeast Community College, Nebraska: Rural Development Cooperative Agreement Program	10.890	\$ 2,754	
Passed through Iowa Department of Education: Child and Adult Care Food Program	10.558	<u>27,436</u>	
Subtotal U.S. Department of Agriculture		<u>30,190</u>	
U.S. Department of Commerce:			
Passed through Iowa State University: Manufacturing Extension Partnership	11.611	<u>55,802</u>	
U.S. Department of Defense:			
Passed through Youngstown Business Incubator: Air Force Defense Research Sciences Program	12.800	<u>15,343</u>	
U.S. Department of Interior:			
Passed through Silos and Smokestacks National Heritage Area Heritage Partnership	15.939	<u>1,550</u>	
U.S. Department of Labor:			
Passed through Hawkeye Community College: Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	<u>33,528</u>	
Passed through Upper Explorerland Regional Planning Commission: Youthbuild	17.274	<u>121,180</u>	
Subtotal U.S. Department of Labor		<u>154,708</u>	
National Science Foundation:			
Direct: Education and Human Resources	47.076	<u>171,063</u>	
Small Business Development Center:			
Passed through Iowa State University: Small Business Development Centers	59.037	<u>79,194</u>	
U.S. Department of Veteran Affairs:			
Direct: Post 9/11 Veterans Educational Assistance	64.027	<u>124,520</u>	
U.S. Department of Education:			
Direct: Adult Education - Basic Grants to States	84.002	<u>139,834</u>	
TRIO_Student Support Services	84.042	<u>251,208</u>	
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	72,583	
Federal Work - Study Program, Recovery Act	84.033	85,711	
Federal Pell Grant Program, Recovery Act	84.063	4,496,503	
Federal Direct Student Loans - Plus Loans	84.268	\$ 29,788	
Federal Direct Student Loans - Subsidized Loans	84.268	2,892,081	
Federal Direct Student Loans - Unsubsidized Loans	84.268	<u>3,535,749</u>	
		<u>4,654,797</u>	<u>6,457,618</u>
Passed through Iowa Vocational Rehabilitation Services: Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	<u>84,019</u>	

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
U.S. Department of Education (Continued):			
Vocational Education - Basic Grants to States:			
Passed through Iowa Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	\$ 299,264	
Subtotal U.S. Department of Education		<u>5,429,122</u>	\$ 6,457,618
U.S. Department of Health and Human Services:			
Passed through University of Iowa:			
Occupational Safety and Health Program	93.262	<u>7,347</u>	
Total Federal Financial Assistance		<u>\$ 6,068,839</u>	<u>\$ 6,457,618</u>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

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, 2019. 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 the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- 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, 2019, 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 29, 2019.

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 on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
October 29, 2019

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, 2019. 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, 2019.

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 29, 2019

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, 2019, 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 29, 2019, contains our report on the College's internal control over financial reporting. This letter does not affect our report dated October 29, 2019, 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, 2019 did not exceed the amounts budgeted in total.
2. **Questionable Expenditures**
No expenditures we believe did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
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 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 all persons, firms or corporations to which disbursements were made, as required by 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 29, 2019