



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

December 6, 2012

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Auditor of State David A. Vaudt today released an audit report on Indian Hills Community College in Ottumwa, Iowa.

The College's primary government operating revenues totaled \$26,738,932 for the year ended June 30, 2012, a 4.6 % decrease from the prior year, and included \$13,430,558 from tuition and fees, \$5,394,352 from the federal government and \$5,749,766 from auxiliary enterprises.

Operating expenses for the year totaled \$55,712,068, a 2.1% increase over the prior year, and included \$31,588,884 for salaries and benefits, \$7,203,369 for services and \$3,230,149 for materials and supplies.

Non-operating revenues totaled \$32,260,471, including \$16,156,190 from the state, \$10,516,803 from Pell grants, \$4,307,405 from property tax and \$1,032,371 in scholarships for the benefit of students from the Indian Hills Community College Foundation. Non-operating expenses totaled \$621,950, consisting primarily of interest on indebtedness of \$501,528. The College's net assets increased \$2,665,385 during the year.

A copy of the audit report is available for review in the Board Secretary's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1231-1500-BOOF.pdf>.

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INDIAN HILLS COMMUNITY COLLEGE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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Indian Hills Community College

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Trustees		
John Pothoven	President	2015
Robert L. Pitsch	Vice President	2013
Richard J. Gaumer	Member	2013
Tom Keck	Member	2013
Richard C. Sharp	Member	2013
Judith A. Cox	Member	2015
Sharon Kline	Member	2015
Kevin M. Kness	Member	2015
George E. Manning	Member	2015

Community College

Dr. Jim Lindenmayer	President
Susan Pixley	Chief Financial Officer and Board Treasurer
Anne Leathers	College Accountant
Jo Altheide	Controller\Grants Accountant

Indian Hills Community College



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Independent Auditor's Report

To the Board of Trustees of
Indian Hills Community College:

We have audited the accompanying financial statements of Indian Hills Community College, Ottumwa, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements listed in the table of contents. These financial statements are the responsibility of Indian Hills Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units, Indian Hills Community College Development Corporation, Inc. and Indian Hills Community College Foundation, Inc., discussed in note 1, which represent 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to those units, is based on the reports of the other auditors.

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 of material misstatement. The financial statements of the component units were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of the other auditors provide a reasonable basis for our opinion.

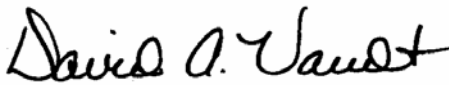
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian Hills Community College and its aggregate discretely presented component units at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2012 on our consideration of Indian Hills Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

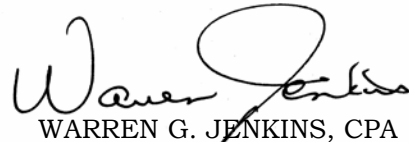
U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing

the basic financial statements in an appropriate operational, economic or historical context. We 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Indian Hills Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of Indian Hills Community College's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 15, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Indian Hills Community College provides this Management's Discussion and Analysis of the College's financial statements for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- The College issued \$2.56 million of Dormitory Revenue Refunding Bonds in March 2012 to refund the Series 2000 Dormitory Revenue Bonds. The current refunding produced savings to the College by reducing the aggregate debt service payments approximately \$331,000.
- Net non-operating revenues grew in fiscal year 2012 by an overall 1.7% with an increase in State appropriations of \$2.7 million, or 19.7%, offset by a decrease in Pell grant awards of \$2.1 million, or 16.6%.
- Net assets of the College increased approximately \$2.67 million, or 4%.

USING THIS ANNUAL REPORT

This discussion and analysis are intended to serve as an introduction to Indian Hills Community College's basic financial statements and provide an analytical overview of the College's financial activities. The annual report consists of a series of financial statements, as follows: The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements provide information about the activities of the College as a whole and present an overall view of the College's finances. The Notes to Financial Statements provide a narrative of accounting policies and further explanation essential to understanding the data provided in the financial statements. Required Supplementary Information includes the Schedule of Funding Progress for the Retiree Health Plan. Supplementary Information includes schedules which provide a comparison of the College's budget for the year, detailed information about the individual funds and the Schedule of Expenditures of Federal Awards, which provides details of various federal programs benefiting the College.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

The Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the College as a whole as of the end of the fiscal year. This point-in-time statement distinguishes current and non-current assets and identifies the categories and amounts of current and non-current liabilities. The statement presents the available assets that can be used to satisfy liabilities owed to outside vendors and creditors.

	Net Assets	
	June 30,	
	2012	2011
Current and other assets	\$ 35,081,460	41,162,291
Capital assets, net of accumulated depreciation/amortization	47,646,259	42,852,713
Total assets	82,727,719	84,015,004
Current liabilities	11,434,244	13,615,857
Noncurrent liabilities	7,841,214	9,612,271
Total liabilities	19,275,458	23,228,128
Net assets:		
Invested in capital assets, net of related debt	45,456,259	40,297,713
Restricted	1,722,951	1,624,147
Unrestricted	16,273,051	18,865,016
Total net assets	\$ 63,452,261	60,786,876

The largest portion of the College's net assets (72%) is in the category 'Invested in Capital Assets (land, buildings and equipment), net of related debt'. The restricted portion of net assets represents resources subject to external restrictions. The remaining net assets are unrestricted and may be used to meet the College's operating obligations as they become due.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets presented in the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the College's revenues earned and expenses incurred, classified by operating and non-operating, and any other revenues, expenses, gains and losses incurred during the fiscal year just ended.

Generally, a public, state supported college, such as Indian Hills Community College, will report an operating loss as the financial reporting model required by GASB 34/35 classifies state appropriations, Pell grants and property tax as non-operating revenues. Operating revenues are those revenues received for providing goods and services to the students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire and produce the goods and services provided in return for the operating revenues and to perform the mission of the College. Non-operating 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.

Changes in Net Assets

	Year ended June 30,	
	2012	2011
Operating revenues:		
Tuition and fees	\$ 13,430,558	13,714,519
Federal appropriations	5,394,352	5,474,826
Sales and services	610,811	673,996
Iowa Industrial New Jobs Training Program	1,195,939	1,230,400
Auxiliary	5,749,766	6,279,847
Miscellaneous	357,506	642,821
Total operating revenues	<u>26,738,932</u>	<u>28,016,409</u>
Total operating expenses	<u>55,712,068</u>	<u>54,542,173</u>
Operating loss	<u>(28,973,136)</u>	<u>(26,525,764)</u>
Non-operating revenues (expenses):		
State appropriations	16,156,190	13,491,892
Pell grants	10,516,803	12,605,343
Property tax	4,307,405	4,292,781
Gifts from IHCC Foundation	1,032,371	1,076,490
Interest income on investments	96,697	117,074
Donated capital assets	151,005	250,851
Loss on sale of capital assets	(64,146)	(8,539)
Interest expense	(501,528)	(643,022)
Amortization of bond issue costs	(56,276)	(84,239)
Net non-operating revenues	<u>31,638,521</u>	<u>31,098,631</u>
Change in net assets	2,665,385	4,572,867
Net assets beginning of year	<u>60,786,876</u>	<u>56,214,009</u>
Net assets end of year	<u>\$ 63,452,261</u>	<u>60,786,876</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in net assets.

In fiscal year 2012, operating revenues totaled approximately \$26.7 million and net non-operating revenues totaled approximately \$31.6 million. Observations regarding the changes in operating and non-operating revenues follow:

- Tuition and fees, as reported herein net of scholarship allowances, decreased 2.1%. The decrease is attributable to a 9.8% decline in credit hour enrollment offset by a tuition rate increase of 5.4% effective for the 2011 fall term.
- Federal appropriations remained relatively constant in total with the prior year, while auxiliary revenues dropped 8% due to lower enrollment.
- State appropriations rebounded nearly 20%, for an increase of approximately \$2.7 million during fiscal year 2012.
- Pell grant awards decreased approximately \$2.1 million as the number of Pell grant award recipients decreased 9.8% during fiscal year 2012. This reduction followed the fiscal year 2011 Pell grant award increase of 10.7%, or nearly \$1.2 million, resulting from a 3% increase in credit hour enrollment, economic conditions and changes in federal legislation.
- Fiscal year 2012 operations resulted in an increase in the College's net assets of approximately \$2.7 million, or 4.4%.

Operating Expenses

	Year ended June 30,	
	2012	2011
Education and support:		
Liberal arts and sciences	\$ 6,041,948	5,661,862
Vocational technical	12,995,388	12,285,672
Adult education	2,354,924	2,257,162
Cooperative services	735,058	587,568
Administration	2,181,654	1,829,677
Student services	4,040,010	3,857,074
Learning resources	594,250	604,835
Physical plant	4,769,247	4,684,228
General institution	4,473,052	4,436,499
Auxiliary enterprises	7,187,967	7,325,580
Scholarships and grants	5,916,485	7,372,358
Workforce Investment Act	1,671,189	1,455,604
Plant operations	263,842	93,492
Depreciation/amortization	2,487,054	2,090,562
Total	<u>\$ 55,712,068</u>	<u>54,542,173</u>

The following factors address operating expenses:

- Expenses for salaries and wages increased in all functional categories due to a 3.6% increase in salaries and benefits for fiscal year 2012.
- An overall increase in Education and Support expenses was realized as a result of expanded program offerings and increased educational delivery costs.
- Scholarships and Pell grant expenses decreased due to the decline in the number of qualifying students and credit hour enrollment in fiscal year 2012.
- Depreciation/amortization expense increased \$396,492, or 19%, with renovated buildings, new equipment and technology systems placed in service.
- Projects totaling \$6.9 million were completed during fiscal year 2012. The most significant of the completed projects were:
 - \$3.1 million on the Main Campus renovation of the science labs and HVAC services in Efner Hall.
 - \$2.2 million on the North Campus renovation of the Regional Workforce Center.
 - \$741,000 on the North Campus construction of the Rural Emergency Services Training Facility.
 - \$316,000 on the Main Campus relocation and widening of the Net Center access road.
- Other projects begun during fiscal year 2012 and still in progress at June 30 are:
 - Construction of a soccer field on the Main Campus.
 - Completion within the Rural Health Education Center of a dental lab for the Dental Assistant program.

Statement of Cash Flows

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

Cash Flows

	Year ended June 30,	
	2012	2011
Cash provided (used) by:		
Operating activities	\$(27,974,263)	(24,834,369)
Non-capital financing activities	29,290,177	29,202,093
Capital and related financing activities	(7,672,439)	(2,495,837)
Investing activities	145,699	119,607
Net increase in cash	(6,210,826)	1,991,494
Cash beginning of year	27,425,248	25,433,754
Cash end of year	\$ 21,214,422	27,425,248

Cash provided by operating activities includes revenues from tuition and fees, grants, contracts and auxiliary enterprise receipts. Cash used for operating activities includes payments for salaries and benefits, goods and services, scholarships and auxiliary enterprise payments. Cash provided by non-capital financing activities includes state appropriations, Pell grants, property tax, and the receipt and disbursement of federal direct loan program proceeds. Cash used for capital and related financing activities represents the principal and interest payments on debt and the proceeds from sales of capital assets offset by the purchase of capital assets. Cash provided by investing activities includes interest earnings.

CAPITAL ASSETS

At June 30, 2012, the College had approximately \$47.6 million invested in capital assets, net of accumulated depreciation/amortization of approximately \$28.7 million. Depreciation and amortization charges totaled \$2,487,054 for fiscal year 2012. A summary of capital assets, net of accumulated depreciation/amortization, is shown below.

Net Capital Assets

	June 30,	
	2012	2011
Land	\$ 402,989	402,989
Construction in progress	583,166	1,155,376
Capital assets not being depreciated/amortized	986,155	1,558,365
Buildings	42,212,568	37,735,173
Improvements other than buildings	2,558,186	2,037,429
Intangibles	73,146	86,769
Equipment and vehicles	1,816,204	1,434,977
Total	\$ 47,646,259	42,852,713

During fiscal year 2012, the College completed renovation of the science labs and HVAC services in Efner Hall and relocation and widening of the Net Center access road on the Main Campus. At the North Campus, renovation of the Regional Workforce Center and construction of the Rural Emergency Services Training Facility were completed. Construction of a dental assisting program lab within the Rural Health Education Center is in progress at fiscal year end. The funding of the six-cent instructional equipment levy assists with equipment procurement to

keep pace with technology and student demand. An inventory replacement schedule is utilized to maintain information technology equipment at required levels. Facility maintenance is scheduled to meet needs and budgetary constraints. Additional information is provided in Note 4 to the financial statements.

LONG-TERM DEBT

Outstanding debt at June 30, 2012 was \$9,175,000. Current debt consists of certificates issued for Iowa New Jobs Training projects and dormitory refunding bonds. The College issued \$2.56 million of Dormitory Revenue Refunding Bonds in March 2012 to refund the Series 2000 Dormitory Revenue Bonds. The current refunding reduced the aggregate debt service payments approximately \$331,000. Detailed information is presented in Note 5 to the financial statements.

Outstanding Debt

	June 30,	
	2012	2011
Certificates payable	\$ 6,985,000	8,230,000
Bonds payable	2,190,000	2,555,000
Total	<u>\$ 9,175,000</u>	<u>10,785,000</u>

ECONOMIC FACTORS

Indian Hills Community College managed its financial position carefully during the current fiscal year. The economic position of the College remains closely tied to the State of Iowa, with the State’s overall economy, educational funding and allocation a priority to College officials. Like many state assisted colleges, Indian Hills Community College faces the following potential financial challenges:

- To maintain current levels of services and operations, tuition revenue from rate increases and/or enrollment growth must continue to offset any reduction or de-appropriation in state funding levels.
- Higher tuition is followed by an increased need for student financial aid, scholarship support and student loans.
- The College must continue to offer current and relevant educational programs with student support services to attract and retain the diverse population the institution serves.
- As the costs associated with serving students continue to increase, the challenge to the College is to deal with decreasing resources without significant impact on operations which would adversely affect the student experience.
- Fifty year-old College facilities and infrastructure require continual maintenance and renovation to meet current technology and delivery needs.
- As technology rapidly advances, the College faces the challenge of continuing to provide up-to-date instructional equipment, delivery and operations at current technological levels.

The College continues monitoring expenses, implementing process improvements, pursuing new revenue sources and managing budget allocations to best fulfill the mission of the College with student learning as the central unifying purpose.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, taxpayers in the community college district and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it is provided. If you have questions about this report or need additional financial information, please contact Indian Hills Community College, 525 Grandview Avenue, Building #1, Ottumwa, Iowa 52501.

Indian Hills Community College

Basic Financial Statements

Indian Hills Community College

Statement of Net Assets

June 30, 2012

	<u>Primary Government</u>	<u>Component Units</u>
Assets		
Current assets:		
Cash and investments:		
Cash and pooled investments	\$ 12,218,410	15,587,576
Restricted cash and investments	-	6,929,123
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$572,419	2,978,317	91,710
Succeeding year property tax	3,566,874	-
Due from other governments	2,918,850	-
Prepaid expenses	153,427	-
Unamortized debt issuance cost	264,777	-
Inventories	1,131,963	-
Total current assets	<u>23,232,618</u>	<u>22,608,409</u>
Noncurrent assets:		
Cash and pooled investments	8,996,012	-
Receivable for Iowa Industrial New Jobs Training Program	2,239,781	-
Unamortized debt issuance cost	613,049	-
Capital assets, net of accumulated depreciation/amortization	47,646,259	5,145
Total noncurrent assets	<u>59,495,101</u>	<u>5,145</u>
Total assets	<u>82,727,719</u>	<u>22,613,554</u>

Indian Hills Community College

Statement of Net Assets

June 30, 2012

	Primary Government	Component Units
Liabilities		
Current liabilities:		
Accounts payable	1,231,916	276,392
Salaries and benefits payable	1,298,937	-
Accrued interest payable	33,019	-
Unearned revenue:		
Succeeding year property tax	3,566,874	-
Other	2,513,298	-
Early retirement payable	90,426	-
Compensated absences payable	770,783	-
Deposits held in custody for others	323,991	-
Certificates payable	1,240,000	-
Bonds payable	365,000	-
Total current liabilities	<u>11,434,244</u>	<u>276,392</u>
Noncurrent liabilities:		
Early retirement payable	188,718	-
Certificates payable	5,745,000	-
Bonds payable	1,825,000	-
Net OPEB liability	82,496	-
Total noncurrent liabilities	<u>7,841,214</u>	<u>-</u>
Total liabilities	<u>19,275,458</u>	<u>276,392</u>
Net assets		
Invested in capital assets, net of related debt	45,456,259	5,145
Restricted:		
Nonexpendable:		
Other	-	1,590,503
Expendable:		
Scholarships and fellowships	62,685	-
Debt service	865,568	-
Cash reserve	288,745	-
Other	505,953	8,309,771
Unrestricted	<u>16,273,051</u>	<u>12,431,743</u>
Total net assets	<u>\$ 63,452,261</u>	<u>22,337,162</u>

See notes to financial statements.

Indian Hills Community College
Statement of Revenues, Expenses and
Changes in Net Assets

Year ended June 30, 2012

	Primary Government	Component Units
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$4,438,212	\$ 13,430,558	-
Federal appropriations	5,394,352	-
Sales and services	610,811	-
Iowa Industrial New Jobs Training Program	1,195,939	-
Auxiliary enterprises, net of scholarship allowances of \$1,266,625	5,749,766	-
Contributions	-	367,238
Rental income and facility management	-	514,110
Fines, damages and forfeitures	-	41,507
Miscellaneous	357,506	92,986
Total operating revenues	26,738,932	1,015,841
Operating expenses:		
Education and support:		
Liberal arts and sciences	6,041,948	-
Vocational technical	12,995,388	-
Adult education	2,354,924	-
Cooperative services	735,058	-
Administration	2,181,654	-
Student services	4,040,010	-
Learning resources	594,250	-
Physical plant	4,769,247	-
General institution	4,473,052	-
Auxiliary enterprises	7,187,967	-
Scholarships and grants	5,916,485	-
Workforce Investment Act	1,671,189	-
Plant operations	263,842	-
General and administrative Programs	-	134,830
	-	448,038
Depreciation/amortization	2,487,054	-
Total operating expenses	55,712,068	582,868
Operating income (loss)	(28,973,136)	432,973

Indian Hills Community College
Statement of Revenues, Expenses and
Changes in Net Assets

Year ended June 30, 2012

	Primary Government	Component Units
State appropriations	16,156,190	-
Pell grants	10,516,803	-
Property tax	4,307,405	-
Gifts from Indian Hills Community College Foundation for student scholarships	1,032,371	-
Investment income	96,697	545,441
Donated capital assets	151,005	-
Loss on disposal of capital assets	(64,146)	-
Gifts to Indian Hills Community College for student scholarships	-	(1,032,371)
Interest on indebtedness	(501,528)	-
Amortization of debt issuance cost	(56,276)	-
Net non-operating revenues (expenses)	31,638,521	(486,930)
Change in net assets	2,665,385	(53,957)
Net assets beginning of year	60,786,876	22,391,119
Net assets end of year	\$ 63,452,261	22,337,162

See notes to financial statements.

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2012

	<u>Primary Government</u>
Cash flows from operating activities:	
Tuition and fees	\$ 12,932,341
Federal appropriations	4,797,911
Iowa Industrial New Jobs Training Program	1,524,220
Payments to employees for salaries and benefits	(33,491,748)
Payments to suppliers for goods and services	(13,664,422)
Payments to NJTP recipients	(460,574)
Scholarships	(5,916,485)
Payments to subrecipients	(369,023)
Auxiliary enterprise receipts	5,711,908
Other receipts	961,609
Net cash used by operating activities	<u>(27,974,263)</u>
Cash flows from non-capital financing activities:	
State appropriations	14,940,430
Pell grants	10,516,803
Property tax	4,307,405
Gifts	1,032,371
Federal direct lending receipts	19,922,037
Federal direct lending disbursements	(19,922,037)
Principal paid on debt	(1,245,000)
Interest paid on debt	(399,028)
Agency receipts	1,086,437
Agency disbursements	(949,241)
Net cash provided by non-capital financing activities	<u>29,290,177</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(7,193,741)
Proceeds from issuance of debt	2,555,000
Refunding of debt	(2,555,000)
Principal paid on debt	(365,000)
Interest paid on debt	(113,698)
Net cash used by capital and related financing activities	<u>(7,672,439)</u>
Cash flows from investing activities:	
Interest on investments	145,699
Net decrease in cash and cash equivalents	(6,210,826)
Cash and cash equivalents beginning of year	<u>27,425,248</u>
Cash and cash equivalents end of year	<u>\$ 21,214,422</u>

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2012

	Primary Government
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (28,973,136)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation/amortization	2,487,054
Provision for doubtful accounts	16,799
Amortization of debt issuance cost	(58,656)
Changes in assets and liabilities:	
Increase in accounts receivable	(399,373)
Decrease in NJTP receivable	324,537
Increase in due from other governments	(596,441)
Decrease in prepaid expenses	36,578
Increase in inventories	(46,786)
Increase in accounts payable	354,934
Decrease in salaries and benefits payable	(24,345)
Decrease in unearned revenue	(97,809)
Increase in compensated absences	29,141
Increase in other postemployment benefits	24,369
Decrease in early retirement payable	<u>(1,051,129)</u>
Total adjustments	<u>998,873</u>
Net cash used by operating activities	<u><u>\$ (27,974,263)</u></u>

Noncash capital and related financing activities:

Donated capital assets totaled \$151,005 and the trade-in value of equipment deleted was \$41,206.

See notes to financial statements.

Indian Hills Community College

Statement of Net Assets
Component Units

June 30, 2012

	Indian Hills Community College Development Corp., Inc.	Indian Hills Communtiy College Foundation, Inc.	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 627,011	291,420	918,431
Investments	-	14,669,145	14,669,145
Restricted cash and investments	-	6,929,123	6,929,123
Accounts receivable	993	90,717	91,710
Total current assets	628,004	21,980,405	22,608,409
Noncurrent assets:			
Capital assets, net of accumulated depreciation	5,145	-	5,145
Total assets	633,149	21,980,405	22,613,554
Liabilities			
Current liabilities:			
Accounts payable	203,680	67,672	271,352
Liability under unitrust agreement	-	5,040	5,040
Total liabilities	203,680	72,712	276,392
Net assets			
Invested in capital assets	5,145	-	5,145
Restricted:			
Nonexpendable:			
Other	-	1,590,503	1,590,503
Expendable:			
Other	-	8,309,771	8,309,771
Unrestricted	424,324	12,007,419	12,431,743
Total net assets	\$ 429,469	21,907,693	22,337,162

See notes to financial statements.

Indian Hills Community College
Statement of Revenues, Expenses and
Changes in Net Assets
Component Units

Year ended June 30, 2012

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Operating revenues:			
Contributions	\$ -	367,238	367,238
Rental income and facility management	514,110	-	514,110
Fines, damages and forfeitures	41,507	-	41,507
Miscellaneous	400	92,586	92,986
Total operating revenues	<u>556,017</u>	<u>459,824</u>	<u>1,015,841</u>
Operating expenses:			
General and administrative	134,830	-	134,830
Programs	420,113	27,925	448,038
Total operating expenses	<u>554,943</u>	<u>27,925</u>	<u>582,868</u>
Operating income	<u>1,074</u>	<u>431,899</u>	<u>432,973</u>
Non-operating revenues (expenses):			
Interest on investments, net of \$72,380 of investment expenses	105	545,336	545,441
Gifts to Indian Hills Community College	-	(1,032,371)	(1,032,371)
Net non-operating revenues (expenses)	<u>105</u>	<u>(487,035)</u>	<u>(486,930)</u>
Change in net assets	1,179	(55,136)	(53,957)
Net assets beginning of year	<u>428,290</u>	<u>21,962,829</u>	<u>22,391,119</u>
Net assets end of year	<u>\$ 429,469</u>	<u>21,907,693</u>	<u>22,337,162</u>

See notes to financial statements.

Indian Hills Community College

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Indian Hills Community College is a publicly supported school established and operated by Merged Area XV under the provisions of Chapter 260C of the Code of Iowa. Indian Hills Community 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. Indian Hills Community College also offers up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. Indian Hills Community College maintains campuses in Ottumwa and Centerville, Iowa, and at the Ottumwa Industrial Airport and has its administrative offices in Ottumwa. Indian Hills Community College is governed by a Board of Trustees whose members are elected from each director district within Merged Area XV.

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

A. Reporting Entity

For financial reporting purposes, Indian Hills 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.

These financial statements present Indian Hills Community College (the primary government) and its component units. The component units discussed below are included in the College's reporting entity because of the significance of their operational or financial relationships with the College. Certain disclosures about the component units are not included because the component units have been audited separately and reports have been issued under separate covers. The audited financial statements are available at the College.

Discretely Presented Component Units

Indian Hills Community College Development Corporation, Inc. is a legally separate not-for-profit corporation established to operate the dormitories for Indian Hills Community College and assist in promoting the College. Although the College does not control the timing or amount of receipts from the Development Corporation, the majority of the resources held are used for the benefit of Indian Hills Community College.

Indian Hills Community College Foundation is a legally separate, not-for-profit organization established to solicit and receive gifts and grants and make contributions to or for the benefit of Indian Hills Community College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources are used for the benefit of Indian Hills Community College.

B. Basis of Presentation

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

Invested in Capital Assets, Net of Related Debt: Capital assets, net of accumulated depreciation/amortization and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets:

Nonexpendable – Net assets subject to externally imposed stipulations they be maintained permanently by the College.

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

Unrestricted Net Assets: Net assets 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. Substantially all unrestricted net assets are designated for academic and general programs of the College.

GASB Statement No. 35 also requires the Statements of Net Assets, Revenues, Expenses and Changes in Net Assets and Cash Flows be reported on a consolidated basis. These basic financial statements report information on all of the activities of the College. For the most part, the effect of interfund activity has been removed from these statements.

C. Measurement Focus and Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. 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 applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Assets, Liabilities and Net Assets

Cash and Pooled 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.

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

Due from Other Governments – This represents state aid, grants and reimbursements due from the State of Iowa and grants and reimbursements due from the Federal government.

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

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

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, 2012 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 25,000
Intangible assets	10,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	15-50
Intangibles	5
Equipment	3-5
Vehicles	5

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

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

Unearned Revenue – Unearned revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose. Unearned revenue consists of unspent grant proceeds, succeeding year property tax receivable and advanced student tuition.

Compensated Absences – College employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2012.

Auxiliary Enterprise Revenues – Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, food service, printing, central stores and athletics.

Summer Session – The College operates summer sessions during May, June and July. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the number of calendar days in a session.

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 and fellowship expenses.

Operating and Non-operating Activities – Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Non-operating activities include state appropriations; Pell grants, property tax and interest income.

E. 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 Pooled Investments

The College's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the College had investments of \$11,767,599 in a diversified portfolio in the Iowa Schools Joint Investment Trust.

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk – The College's investments in the Iowa Schools Joint Investment Trust at June 30, 2012 were rated AAAM by Standards and Poor's Financial Service.

(3) Inventories

The College's inventories at June 30, 2012 are as follows:

Type	Amount
Textbooks and supplies	\$ 795,013
Work in process	20,908
Merchandise held for resale	316,042
Total	<u>\$ 1,131,963</u>

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Reclassi- fications	Additions	Deletions	Balance End of Year
Capital assets not being depreciated/amortized:					
Land	\$ 402,989	-	-	-	402,989
Construction in progress	1,155,376	(1,155,376)	583,166	-	583,166
Total capital assets not being depreciated/amortized	1,558,365	(1,155,376)	583,166	-	986,155
Capital assets being depreciated/amortized:					
Buildings	57,470,514	1,029,286	5,251,302	-	63,751,102
Improvements other than buildings	3,269,646	126,090	524,882	3,656	3,916,962
Intangibles	401,507	-	15,300	-	416,807
Equipment and vehicles	6,727,705	-	1,011,302	419,613	7,319,394
Total capital assets being depreciated/amortized	67,869,372	1,155,376	6,802,786	423,269	75,404,265
Less accumulated depreciation/amortization for:					
Buildings	19,735,341	-	1,803,193	-	21,538,534
Improvements other than buildings	1,232,217	-	126,559	-	1,358,776
Intangibles	314,738	-	28,923	-	343,661
Equipment and vehicles	5,292,728	-	528,379	317,917	5,503,190
Total accumulated depreciation/amortization	26,575,024	-	2,487,054	317,917	28,744,161
Total capital assets being depreciated/amortized, net	41,294,348	1,155,376	4,315,732	105,352	46,660,104
Capital assets, net	\$ 42,852,713	-	4,898,898	105,352	47,646,259

(5) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Certificates Payable	Bonds Payable	Net OPEB Liability	Total
Balance beginning of year	\$ 8,230,000	2,555,000	58,126	10,843,126
Additions	-	2,555,000	25,780	2,580,780
Reductions	1,245,000	2,920,000	1,410	4,166,410
Balance end of year	\$ 6,985,000	2,190,000	82,496	9,257,496
Due within one year	\$ 1,240,000	365,000	-	1,605,000

Certificates Payable

In accordance with agreements dated between March 9, 2005 and July 12, 2010, the College issued certificates totaling \$16,080,000 with interest rates ranging from 4.27% to 7.16% per annum. The debt was incurred to fund the development and training costs relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding tax, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,240,000	343,906	1,583,906
2014	1,305,000	286,461	1,591,461
2015	1,365,000	224,420	1,589,420
2016	1,440,000	157,418	1,597,418
2017	640,000	84,990	724,990
2018-2020	995,000	71,975	1,066,975
Total	\$ 6,985,000	1,169,170	8,154,170

Dormitory Revenue Refunding Bonds

On March 1, 2012, the College issued \$2,555,000 of dormitory revenue refunding bonds Series 2012. The bonds were issued to refund the outstanding balance of \$2,555,000 of the \$5,000,000 of dormitory revenue bonds issued March 1, 2000. The interest rate is 2.35% per annum and the College is required to make semiannual interest payments and annual principal payments with a final maturity date of June 1, 2018. The bonds are to be repaid from anticipated revenue from dormitory operations. In fiscal year 2012, principal payments totaled \$365,000. The College obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$120,835 from the refunding.

Details of the College's June 30, 2012 dormitory revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	2.35%	\$ 365,000	52,179	417,179
2014	2.35	365,000	43,483	408,483
2015	2.35	365,000	34,787	399,787
2016	2.35	365,000	26,162	391,162
2017	2.35	365,000	17,393	382,393
2018	2.35	365,000	8,696	373,696
Total		\$ 2,190,000	182,700	2,372,700

(6) Operating Leases

The College has leased 141 printers and three copiers. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2013 and 2015 and require various minimum monthly payments.

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 as of June 30, 2012:

Year Ending June 30,	Printers	Copiers	Total
2013	\$ 158,781	35,603	194,384
2014	27,202	26,573	53,775
2015	-	15,501	15,501
Total	<u>\$ 185,983</u>	<u>77,677</u>	<u>263,660</u>

Rents for the operating leases for the year ended June 30, 2012 totaled \$200,835.

(7) Iowa Public Employees Retirement System (IPERS)

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

Plan members are required to contribute 5.38% of their annual covered salary and the College is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$1,057,693, \$876,794 and \$857,425, respectively, equal to the required contributions for each year.

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

The College contributes to the TIAA-CREF retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both the employer and the employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 5.38% and the College is required to contribute 8.07%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2012 were \$692,072 and \$442,159, respectively.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The College operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 360 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the College's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	\$ 26,686
Interest on net OPEB obligation	2,326
Adjustment to annual required contribution	<u>(3,232)</u>
Annual OPEB cost	25,780
Contributions made	<u>(1,410)</u>
Increase in net OPEB obligation	24,370
Net OPEB obligation beginning of year	<u>58,126</u>
Net OPEB obligation end of year	<u>\$ 82,496</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the College contributed \$1,410 to the medical plan. No contributions were made by plan members for fiscal year 2012.

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 25,331	52.1%	\$ 33,446
2011	26,090	5.4	58,127
2012	25,780	5.5	82,496

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2012, the actuarial accrued liability was \$202,576, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$202,576. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$17,379,000 and the ratio of the UAAL to covered payroll was 1.2%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the College's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the rates on Scale T-6 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$14,219 per year for retirees less than age 65 and \$15,641 per year for spouses of retirees less than age 65. All coverage ceases when the retiree attains age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Pool

The College is a member of the Insurance Management Program for Area Community Colleges (IMPACC), as allowed by Chapter 504A of the Code of Iowa. IMPACC (Program) is a risk-sharing pool whose five members are Iowa Community Colleges. The Program was incorporated in May 1988 for the purpose of managing and funding insurance for its members. The Program provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials bonds, property and inland marine, errors and omission and College Board legal liability, workers compensation and employers liability, crime insurance and fiduciary bonds, boiler and machinery and foreign travel. There have been no reductions in insurance coverage from prior years.

Each member's annual contributions to the Program fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Program's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year.

The College's contributions to the risk pool are recorded as prepaid expense from its operating funds at the time of payment to the risk pool. The College amortizes the expense over the periods for which the pool is expected to provide coverage.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self-insured retention of \$200,000 per claim, except for errors, omissions and employee benefits liability which have a retention of \$100,000. Excess insurance for all lines is \$800,000 per occurrence, except for errors, omissions and employee benefits liability which is \$900,000 and workers compensation which is \$300,000. There is additional excess above that for another \$9,000,000 per member. Property is insured with excess coverage over the self-insured retention and underlying layer of up to \$250,000,000. Flood and earthquake exposures are covered in the property program each having \$16,000,000 limits. Also covered is employee fidelity up to \$1,000,000 having a deductible of \$10,000 per member and the boiler and machinery coverage up to \$100,000,000 with a deductible of \$5,000 per member loss, as well as foreign travel coverage with limits of \$1,000,000. Stop gap loss protection is provided above the member's loss fund.

The Program's intergovernmental contract with its members provides that in the event any claim or series of claims exceeds the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The College does not report a liability for losses in excess of reinsurance unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the College's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

Members agree to continue membership in the Program for a period of not less than three full years. After such period, a member who has given sufficient notice, in compliance with the By-laws, may withdraw from the Program. Upon withdrawal, payments for all claims and claims expenses for the years of membership continue until all claims for those years are settled.

The College also carries commercial insurance purchased from other insurers for coverage associated with catastrophic, accidental death and dismemberment, and aviation. The College assumes liability for any deductibles and claims in excess of coverage limits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) New Jobs Training Programs

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area XV 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 83 projects with 5 currently receiving project funding. Of the remaining 78 projects, 71 projects have been completed, of which 48 have been repaid and 23 are in the repayment process. Seven projects have defaulted, one of which was repaid by the guarantor bank and six were repaid by standby property tax.

The College also administers the Iowa Jobs Training Program in Area XV in accordance with Chapter 260F of the Code of Iowa. The current program's purpose is to provide tax-aided training or retraining for employers of businesses whose training costs cannot be economically funded under Chapter 260E. Approved businesses received forgivable loans from the Workforce Development Fund, a State administered fund. Since inception of this program, the College administered 402 projects. Of these 402 projects, five defaulted, three withdrew and 12 are active projects.

(12) Termination Benefits

On November 10, 2003, December 11, 2006 and November 9, 2009, the Board of Trustees adopted voluntary early retirement programs. The program enrollment periods ran from November 11, 2003 until January 15, 2004, December 14, 2006 until January 15, 2007 and November 10, 2009 until January 15, 2010, respectively. Full-time staff who had reached the age of 55 and had been employed by the College continually for the previous 10 years were eligible.

Early retirement would begin at the end of the employee's contract or by June 30, 2004, June 30, 2007 or June 30, 2010, respectively. Employees who accepted early retirement would receive a cash payment equal to 5% of the employee's annualized salary for each full year of employment, up to 100%. The employee had the option to receive a one time payment or installments as approved by the employee and the College for the plans offered in 2004 and 2007. The 2010 plan required the employee to receive the incentive retirement benefits in two equal installments. For each plan, current health coverage determines employee eligibility to receive single coverage health insurance paid by the College until the age of Medicare eligibility or 12 monthly cash payments of a specified amount.

The liability at June 30, 2012 for those employees who elected early retirement under the November 10, 2003, December 11, 2006 and November 9, 2009 programs was \$7,667, \$8,352 and \$263,125, respectively. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2012, \$1,051,129 was paid for early retirement benefits.

(13) Segment Reporting

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bond issues are outstanding. A segment has a specifically identifiable revenue stream pledged in support of revenue bonds and has related expenses, assets, and liabilities required by an external party to be accounted for separately. The College has one segment meeting the reporting requirement of GASB Statement No. 35. The segment is the Residence System. The College is required to present the following condensed statements: Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows for the segment.

Dormitory revenue bonds were issued for the construction of a residence hall. The bonds are payable from the net rents, profits and income derived from operation of the system. The primary source of revenue is dormitory room rental.

Condensed Statement of Net Assets	Residence System
Assets:	
Current assets	\$ 917,100
Capital assets, net of accumulated depreciation	7,326,602
Total assets	8,243,702
Liabilities:	
Current liabilities	365,000
Noncurrent liabilities	1,825,000
Unearned revenue	47,172
Total liabilities	2,237,172
Net assets:	
Invested in capital assets, net of related debt	5,136,602
Restricted	869,928
Total net assets	\$ 6,006,530

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues:	
Sales and services	\$ 631,936
Operating expenses	(177,768)
Depreciation	(211,204)
Operating income	242,964
Nonoperating revenues (expenses):	
Investment income	5,796
Interest on indebtedness	(113,698)
Net nonoperating revenues (expenses)	(107,902)
Transfers from other College units	51,128
Increase in net assets	186,190
Net assets beginning of year	5,820,340
Net assets end of year	\$ 6,006,530

Condensed Statement of Cash Flows

Net cash provided by operating activities	\$ 454,168
Net cash used by capital and related financing activities	(427,570)
Net cash provided by investing activities	10,686
Net increase in cash and cash equivalents	37,284
Cash and cash equivalents beginning of year	832,645
Cash and cash equivalents end of year	\$ 869,929

Portion of Revenue Pledged

Annual debt service (principal and interest)	\$ 478,698
Change in net assets*	511,092
Debt service coverage ratio	106.8%

As of June 30, 2012, revenue pledged for future principal and interest payments was \$2,372,700.

* Change in net assets plus depreciation expense and interest expense.

(14) Construction Commitments

The College has entered into contracts totaling \$351,400 for building projects. As of June 30, 2012, costs of \$320,330 on the projects have been incurred. The balance of \$31,070 remaining on the contracts at June 30, 2012 will be paid as work on the projects progress.

Required Supplementary Information

Indian Hills Community College

Schedule of Funding Progress
for the Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 198	198	0.0%	\$ 17,157	1.2%
2010	July 1, 2008	-	198	198	0.0	17,157	1.2
2011	July 1, 2010	-	203	203	0.0	17,379	1.2
2012	July 1, 2010	-	203	203	0.0	17,379	1.2

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, the funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

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

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

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

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

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

Quasi-Endowment Funds – The Quasi-Endowment Funds are used to account for resources, the principal of which is to be maintained to conform with restrictions by the Board of Trustees. Generally, only the income from these funds may be used.

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

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

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

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

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

The Budgetary Comparison Schedule of Expenditures – Budget to Actual provides a comparison of the budget to actual expenditures for those funds and/or levies required to be budgeted. Since the College uses Business Type Activities reporting, this budgetary comparison information is included as Supplementary Information.

Schedules presented in Supplementary Information are reported using the current financial resources measurement focus and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The Schedule of Revenues, Expenditures and Changes in Fund Balances is a schedule of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a Statement of Income or a Statement of Revenues and Expenses.

Indian Hills Community College

Budgetary Comparison Schedule of Expenditures –
Budget to Actual

Year ended June 30, 2012

Funds/Levy	Original/ Final Budget	Actual	Variance between Actual and Budget
Unrestricted	\$ 34,100,000	34,880,340	(780,340)
Restricted	12,626,458	3,810,035	8,816,423
Unemployment Compensation	20,000	11,447	8,553
Insurance	685,000	560,518	124,482
Tort Liability	337,814	338,908	(1,094)
Early Retirement	910,050	4,396	905,654
Equipment Replacement	434,015	433,256	759
Total Restricted	15,013,337	5,158,560	9,854,777
Plant	10,735,975	6,853,225	3,882,750
Bonds and Interest	396,583	472,093	(75,510)
Total	\$ 60,245,895	47,364,218	12,881,677

Note to Budgetary Reporting:

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

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

For the year ended June 30, 2012, the College's expenditures did not exceed the amount budgeted.

See accompanying independent auditor's report.

Indian Hills Community College

Balance Sheet
All Funds

June 30, 2012

	Current Funds		Quasi-
	Unrestricted	Restricted	Endowment Funds
Assets			
Cash and pooled investments	\$ 7,910,655	4,918,627	5,929,010
Receivables:			
Accounts, net of allowance of \$572,419	2,879,133	4,003	1,989
Succeeding year property tax	917,080	1,732,714	-
Iowa Industrial New Jobs Training Program	-	2,239,781	-
Due from other funds	742,236	198,926	-
Due from other governments	665,969	1,279,988	-
Prepaid expenses	46,391	107,036	-
Unamortized debt issuance cost	-	877,826	-
Inventories	1,131,963	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Construction in progress	-	-	-
Improvements other than buildings	-	-	-
Intangibles	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation/amortization	-	-	-
Total assets	\$ 14,293,427	11,358,901	5,930,999

Plant Funds			Agency Funds	Adjustments	Total
Unex- pected	Retirement of Indebtedness	Investment in Plant			
1,393,246	869,928	-	192,956	-	21,214,422
26,491	-	-	66,701	-	2,978,317
917,080	-	-	-	-	3,566,874
-	-	-	-	-	2,239,781
-	-	-	1,006	(942,168)	-
638,795	-	-	334,098	-	2,918,850
-	-	-	-	-	153,427
-	-	-	-	-	877,826
-	-	-	-	-	1,131,963
-	-	402,989	-	-	402,989
-	-	63,751,102	-	-	63,751,102
-	-	583,166	-	-	583,166
-	-	3,916,962	-	-	3,916,962
-	-	416,807	-	-	416,807
-	-	7,319,394	-	-	7,319,394
-	-	-	-	(28,744,161)	(28,744,161)
2,975,612	869,928	76,390,420	594,761	(29,686,329)	82,727,719

Indian Hills Community College

Balance Sheet
All Funds

June 30, 2012

	Current Funds		Quasi-
	Unrestricted	Restricted	Endowment Funds
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,221,545	-	-
Salaries and benefits payable	1,254,098	43,833	-
Interest payable	-	28,659	-
Due to other funds	198,356	484,954	-
Unearned revenue:			
Succeeding year property tax	917,080	1,732,714	-
Other	1,338,559	909,003	-
Early retirement payable	-	279,144	-
Compensated absences	732,572	38,211	-
Deposits held in custody for others	-	-	-
Certificates payable	-	6,985,000	-
Bonds payable	-	-	-
Net OPEB liability	-	-	-
Total liabilities	5,662,210	10,501,518	-
Fund balances:			
Invested in capital assets, net of related debt	-	-	-
Restricted:			
Expendable:			
Scholarships and fellowships	-	62,685	-
Debt service	-	-	-
Cash reserve	-	288,745	-
Other	-	505,953	-
Unrestricted	4,792,864	-	5,930,999
Auxiliary enterprises	3,838,353	-	-
Total fund balances	8,631,217	857,383	5,930,999
Total liabilities and fund balances	\$ 14,293,427	11,358,901	5,930,999

See accompanying independent auditor's report.

Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
600	-	-	9,771	-	1,231,916
-	-	-	1,006	-	1,298,937
-	4,360	-	-	-	33,019
601	-	-	258,257	(942,168)	-
917,080	-	-	-	-	3,566,874
264,000	-	-	1,736	-	2,513,298
-	-	-	-	-	279,144
-	-	-	-	-	770,783
-	-	-	323,991	-	323,991
-	-	-	-	-	6,985,000
-	-	2,190,000	-	-	2,190,000
-	-	-	-	82,496	82,496
1,182,281	4,360	2,190,000	594,761	(859,672)	19,275,458
-	-	74,200,420	-	(28,744,161)	45,456,259
-	-	-	-	-	62,685
-	865,568	-	-	-	865,568
-	-	-	-	-	288,745
-	-	-	-	-	505,953
1,793,331	-	-	-	(82,496)	12,434,698
-	-	-	-	-	3,838,353
1,793,331	865,568	74,200,420	-	(28,826,657)	63,452,261
2,975,612	869,928	76,390,420	594,761	(29,686,329)	82,727,719

Indian Hills Community College

Schedule of Revenues, Expenditures and
Changes in Fund Balances
All Funds

Year ended June 30, 2012

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
Revenues:			
General:			
State appropriations	\$ 12,650,865	1,900,683	-
Tuition and fees	17,868,770	-	-
Property tax	974,734	2,356,181	-
Federal appropriations	867,481	14,844,159	-
Sales and services	171,215	-	-
Interest on investments	73,034	7,712	9,984
Iowa Industrial New Jobs Training Program	-	1,451,917	-
Increase in plant investment due to donated plant assets	-	-	-
Increase in plant investment due to plant expenditures (including \$604,393 of current fund expenditures)	-	-	-
Increase in plant investment due to retirement of debt	-	-	-
Gifts from the Indian Hills Community College Foundation	-	-	-
Miscellaneous	769,514	469,473	-
	<u>33,375,613</u>	<u>21,030,125</u>	<u>9,984</u>
Auxiliary enterprises:			
Tuition and fees	353,755	-	-
Federal appropriations	33,052	-	-
Sales and services	7,606,251	-	-
Interest on investments	6,299	-	-
Miscellaneous	141,738	-	-
	<u>8,141,095</u>	<u>-</u>	<u>-</u>
Total revenues	<u>41,516,708</u>	<u>21,030,125</u>	<u>9,984</u>
Expenditures:			
Education and support:			
Liberal arts and sciences	5,839,814	288,555	-
Vocational technical	12,262,785	1,188,121	-
Adult education	1,733,538	793,951	-
Cooperative services	195,683	867,956	-
Administration	1,831,260	444,703	-
Student services	3,908,325	277,017	-
Learning resources	602,093	-	-
Physical plant	4,233,319	560,518	-
General institution	4,273,523	343,304	-
Total education and support	<u>34,880,340</u>	<u>4,764,125</u>	<u>-</u>

Quasi- Endowment Funds	Plant Funds			Adjustments	Total
	Unex- pended	Retirement of Indebtedness	Investment in Plant		
-	1,604,642	-	-	-	16,156,190
-	-	-	-	(4,438,212)	13,430,558
-	976,490	-	-	-	4,307,405
-	199,515	-	-	-	15,911,155
-	439,596	-	-	-	610,811
9,984	171	5,796	-	-	96,697
-	-	-	-	(255,978)	1,195,939
-	-	-	151,005	-	151,005
-	-	-	7,234,947	(7,234,947)	-
-	-	-	365,000	(365,000)	-
-	-	-	-	1,032,371	1,032,371
-	150,890	-	-	(1,032,371)	357,506
9,984	3,371,304	5,796	7,750,952	(12,294,137)	53,249,637
-	-	-	-	-	353,755
-	-	-	-	-	33,052
-	-	-	-	(2,391,329)	5,214,922
-	-	-	-	-	6,299
-	-	-	-	-	141,738
-	-	-	-	(2,391,329)	5,749,766
9,984	3,371,304	5,796	7,750,952	(14,685,466)	58,999,403
-	-	-	-	(86,421)	6,041,948
-	-	-	-	(455,518)	12,995,388
-	-	-	-	(172,565)	2,354,924
-	-	-	-	(328,581)	735,058
-	-	-	-	(94,309)	2,181,654
-	-	-	-	(145,332)	4,040,010
-	-	-	-	(7,843)	594,250
-	-	-	-	(24,590)	4,769,247
-	-	-	-	(143,775)	4,473,052
-	-	-	-	(1,458,934)	38,185,531

Indian Hills Community College

Schedule of Revenues, Expenditures and
Changes in Fund Balances
All Funds

Year ended June 30, 2012

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
Expenditures (continued):			
Auxiliary enterprises	7,745,980	-	-
Scholarships and grants	-	11,621,322	-
Workforce Investment Act	-	1,671,189	-
Plant operations	-	-	-
Plant asset acquisitions	-	-	-
Retirement of indebtedness	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	394,435	-
Amortization of debt issuance cost	-	-	-
Loss on disposal of assets	-	-	-
Depreciation/amortization	-	-	-
Total expenditures	42,626,320	18,451,071	-
Excess (deficiency) of revenues over (under) expenditures	(1,109,612)	2,579,054	9,984
Transfers:			
Mandatory transfers	(505,295)	-	-
Non-mandatory transfers	(864,498)	(2,519,248)	-
Total transfers	(1,369,793)	(2,519,248)	-
Net	(2,479,405)	59,806	9,984
Fund balances beginning of year	11,110,622	797,577	5,921,015
Fund balances end of year	\$ 8,631,217	857,383	5,930,999

See accompanying independent auditor's report.

Plant Funds					
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total	
-	-	-	(558,013)	7,187,967	
-	-	-	(5,704,837)	5,916,485	
-	-	-	-	1,671,189	
263,877	-	-	(35)	263,842	
6,589,348	-	-	(6,589,348)	-	
-	365,000	-	(365,000)	-	
-	-	423,269	(423,269)	-	
-	107,093	-	-	501,528	
-	-	-	56,276	56,276	
-	-	-	64,146	64,146	
-	-	-	2,487,054	2,487,054	
6,853,225	472,093	423,269	(12,491,960)	56,334,018	
(3,481,921)	(466,297)	7,327,683	(2,193,506)	2,665,385	
-	505,295	-	-	-	
3,383,746	-	-	-	-	
3,383,746	505,295	-	-	-	
(98,175)	38,998	7,327,683	(2,193,506)	2,665,385	
1,891,506	826,570	66,872,737	(26,633,151)	60,786,876	
1,793,331	865,568	74,200,420	(28,826,657)	63,452,261	

Indian Hills Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances
Unrestricted Fund
Education and Support

Year ended June 30, 2012

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
Revenues:				
State appropriations	\$ 4,669,499	6,833,804	1,013,387	30,000
Tuition and fees	6,730,440	10,398,710	643,331	70,814
Property tax	-	-	-	-
Federal appropriations	-	521,567	201,585	-
Sales and services	1,085	40,421	78,656	-
Interest on investments	55,619	-	-	-
Miscellaneous	60	55,163	20,997	17,250
Total revenues	11,456,703	17,849,665	1,957,956	118,064
Expenditures:				
Salaries and benefits	5,454,480	10,670,470	1,315,105	111,606
Services	145,383	449,670	230,716	4,928
Materials and supplies	120,292	755,553	99,122	48,579
Travel	46,142	130,295	30,209	9,083
Loan cancellations and bad debts	-	-	-	-
Administrative and collections	-	-	-	-
Plant asset acquisitions	-	105,707	-	-
Cost of goods sold	-	1,202	13,345	-
Miscellaneous	73,517	149,888	45,041	21,487
Total expenditures	5,839,814	12,262,785	1,733,538	195,683
Excess (deficiency) of revenues over (under) expenditures	5,616,889	5,586,880	224,418	(77,619)
Transfers:				
Non-mandatory transfers	-	40,782	(6,269)	-
Net	\$ 5,616,889	5,627,662	218,149	(77,619)

Fund balances beginning of year

Fund balances end of year

See accompanying independent auditor's report.

General Adminis- tration	Support				Education and Support Total
	Student Services	Learning Resources	Physical Plant	General Institution	
34,701	-	61,515	7,959	-	12,650,865
-	24,425	-	-	1,050	17,868,770
974,734	-	-	-	-	974,734
-	144,329	-	-	-	867,481
-	12,018	6,302	1,114	31,619	171,215
17,415	-	-	-	-	73,034
237,420	870	855	431,532	5,367	769,514
1,264,270	181,642	68,672	440,605	38,036	33,375,613
1,091,656	3,512,239	409,292	1,928,841	2,775,373	27,269,062
231,743	230,555	30,677	1,871,477	877,083	4,072,232
6,941	139,707	161,040	424,022	309,967	2,065,223
39,916	16,556	105	1,652	75,390	349,348
426,379	-	-	-	-	426,379
13,614	-	-	-	-	13,614
-	-	-	6,500	-	112,207
-	918	-	-	-	15,465
21,011	8,350	979	827	235,710	556,810
1,831,260	3,908,325	602,093	4,233,319	4,273,523	34,880,340
(566,990)	(3,726,683)	(533,421)	(3,792,714)	(4,235,487)	(1,504,727)
267,846	6,516	-	-	-	308,875
(299,144)	(3,720,167)	(533,421)	(3,792,714)	(4,235,487)	(1,195,852)
					5,988,716
					<u>\$ 4,792,864</u>

Schedule 5

Indian Hills Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances
Unrestricted Fund
Auxiliary Enterprises

Year ended June 30, 2012

	Institutional Services	Education Program	Miscellaneous	Total
Revenues:				
Tuition and fees	\$ -	323,755	30,000	353,755
Federal appropriations	-	33,052	-	33,052
Sales and services	4,658,809	2,294,423	653,019	7,606,251
Interest on investments	-	-	6,299	6,299
Miscellaneous	11,492	108,195	22,051	141,738
Total revenues	4,670,301	2,759,425	711,369	8,141,095
Expenditures:				
Salaries and benefits	446,423	1,242,313	93,190	1,781,926
Services	483,739	255,212	107,082	846,033
Materials and supplies	84,306	319,241	18,583	422,130
Travel	962	238,342	317	239,621
Loan cancellations and bad debts	93,679	3,624	-	97,303
Plant asset acquisitions	22,241	276,831	-	299,072
Miscellaneous	1,813	92,316	1,579	95,708
Cost of goods sold	3,093,835	870,352	-	3,964,187
Total expenditures	4,226,998	3,298,231	220,751	7,745,980
Excess (deficiency) of revenues over (under) expenditures	443,303	(538,806)	490,618	395,115
Transfers:				
Mandatory transfers	(32,562)	-	(472,733)	(505,295)
Non-mandatory transfers	(3,701,922)	-	2,528,549	(1,173,373)
Total transfers	(3,734,484)	-	2,055,816	(1,678,668)
Net	(3,291,181)	(538,806)	2,546,434	(1,283,553)
Fund balances beginning of year	3,761,426	(119,687)	1,480,167	5,121,906
Fund balances end of year	\$ 470,245	(658,493)	4,026,601	3,838,353

See accompanying independent auditor's report.

Indian Hills Community College

Indian Hills Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances
Restricted Fund

Year ended June 30, 2012

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance
Revenues:				
State appropriations	\$ 382,302	-	-	-
Property tax	-	433,256	377,608	633,857
Federal appropriations	10,730,026	-	-	-
Interest on investments	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	415,579	-	-	53,453
Total revenues	<u>11,527,907</u>	<u>433,256</u>	<u>377,608</u>	<u>687,310</u>
Expenditures:				
Salaries and benefits	-	-	49,566	-
Services	12,100	-	289,342	560,518
Materials and supplies	-	333,873	-	-
Travel	-	-	-	-
Interest on indebtedness	-	-	-	-
Awards to subrecipients	-	-	-	-
Plant asset acquisitions	-	99,383	-	-
Miscellaneous	-	-	-	-
Federal Pell Grant program	10,516,803	-	-	-
Federal Supplemental Educational Opportunity grant	91,408	-	-	-
Health and Human Services Nursing	81,744	-	-	-
Iowa College Student Aid Commission	150,541	-	-	-
Private scholarships	598,845	-	-	-
State of Iowa scholarships	169,881	-	-	-
Total expenditures	<u>11,621,322</u>	<u>433,256</u>	<u>338,908</u>	<u>560,518</u>
Excess (deficiency) of revenues over (under) expenditures	(93,415)	-	38,700	126,792
Transfers:				
Non-mandatory transfers	77,352	-	-	-
Net	(16,063)	-	38,700	126,792
Fund balances beginning of year	78,748	-	10,340	224,114
Fund balances end of year	<u>\$ 62,685</u>	<u>-</u>	<u>49,040</u>	<u>350,906</u>

See accompanying independent auditor's report.

Early Retirement	Unemployment Compensation	Title III	Workforce Investment Act	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
-	-	-	22,618	-	1,495,763	1,900,683
908,622	2,838	-	-	-	-	2,356,181
-	-	277,017	1,648,365	-	2,188,751	14,844,159
-	-	-	-	7,712	-	7,712
-	-	-	-	1,451,917	-	1,451,917
-	-	-	441	-	-	469,473
908,622	2,838	277,017	1,671,424	1,459,629	3,684,514	21,030,125
4,396	11,447	124,907	880,900	95,203	1,371,477	2,537,896
-	-	34,797	333,865	772,753	281,729	2,285,104
-	-	117,313	64,249	-	227,361	742,796
-	-	-	6,266	-	86,316	92,582
-	-	-	-	394,435	-	394,435
-	-	-	369,023	-	-	369,023
-	-	-	-	-	93,731	193,114
-	-	-	16,886	-	210,013	226,899
-	-	-	-	-	-	10,516,803
-	-	-	-	-	-	91,408
-	-	-	-	-	-	81,744
-	-	-	-	-	-	150,541
-	-	-	-	-	-	598,845
-	-	-	-	-	-	169,881
4,396	11,447	277,017	1,671,189	1,262,391	2,270,627	18,451,071
904,226	(8,609)	-	235	197,238	1,413,887	2,579,054
(904,226)	-	-	-	(197,238)	(1,495,136)	(2,519,248)
-	(8,609)	-	235	-	(81,249)	59,806
-	118,963	-	6,059	-	359,353	797,577
-	110,354	-	6,294	-	278,104	857,383

Schedule 7

Indian Hills Community College

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

Year ended June 30, 2012

	Athletics and Student Organizations	Federal Direct Student Loan Program	Retraining Program (HF 260F)	Miscel- laneous	Total
Balances beginning of year	\$ 81,669	-	122,176	3,982	207,827
Additions:					
State appropriations	-	-	193,350	66,899	260,249
Federal appropriations	-	19,922,037	-	-	19,922,037
Tuition and fees	75,469	-	-	-	75,469
Sales and services	89,938	-	-	50,596	140,534
Miscellaneous	7,010	-	-	580,603	587,613
Total additions	172,417	19,922,037	193,350	698,098	20,985,902
Deductions:					
Salaries and benefits	283	-	-	162,869	163,152
Services	23,648	-	215,491	405,534	644,673
Materials and supplies	15,503	-	-	-	15,503
Travel	44,921	-	-	-	44,921
Miscellaneous	75,184	-	-	-	75,184
Cost of goods sold	4,268	-	-	-	4,268
Direct student loans	-	19,922,037	-	-	19,922,037
Total deductions	163,807	19,922,037	215,491	568,403	20,869,738
Balances end of year	\$ 90,279	-	100,035	133,677	323,991

See accompanying independent auditor's report.

Indian Hills Community College
 Schedule of Credit and Contact Hours
 Year ended June 30, 2012

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	51,627	-	51,627			
Vocational Education	74,547	-	74,547			
Adult Education/ Continuing Education	-	-	-	241,895	19,598	261,493
Total	126,174	-	126,174			

See accompanying independent auditor's report.

Indian Hills Community College

Schedule of Taxes and Intergovernmental Revenues

For the Last Ten Years

	2012	2011	2010	2009
Local (property tax)	\$ 4,307,405	4,292,781	4,033,815	3,573,445
State	16,156,190	13,491,892	12,267,335	15,615,288
Federal	15,944,207	18,106,236	19,768,049	10,665,497
Total	<u>\$ 36,407,802</u>	<u>35,890,909</u>	<u>36,069,199</u>	<u>29,854,230</u>

See accompanying independent auditor's report.

Years ended June 30,					
2008	2007	2006	2005	2004	2003
3,283,331	3,011,282	2,888,099	2,875,524	3,179,361	3,163,315
15,262,550	14,812,393	13,848,936	12,292,751	11,593,825	11,740,024
9,071,675	9,131,763	8,496,721	9,123,246	8,944,834	8,563,371
27,617,556	26,955,438	25,233,756	24,291,521	23,718,020	23,466,710

Indian Hills Community College

Schedule of Current Fund Revenues by Source
and Expenditures by Function

For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
State appropriations	\$ 14,551,548	12,633,837	12,228,203	15,442,692
Tuition and fees	17,868,770	18,767,263	17,044,910	14,064,149
Property tax	3,330,915	3,352,711	3,131,607	2,707,554
Federal appropriations	15,711,640	18,044,436	19,742,867	10,632,557
Sales and services	171,215	305,266	250,654	226,627
Interest on investments	80,746	97,588	107,931	282,958
Iowa Industrial New Jobs Training Program	1,451,917	1,606,070	1,835,403	3,067,908
Auxiliary enterprises	8,141,095	8,840,122	8,343,338	9,306,142
Miscellaneous	1,238,987	1,602,279	1,475,699	2,667,175
Total	<u>\$ 62,546,833</u>	<u>65,249,572</u>	<u>64,160,612</u>	<u>58,397,762</u>
Expenditures:				
Liberal arts and sciences	\$ 6,128,369	5,776,120	5,254,600	5,227,040
Vocational technical	13,450,906	12,662,111	11,967,322	10,914,226
Adult education	2,527,489	2,411,689	2,314,128	2,673,018
Cooperative services	1,063,639	1,054,744	1,281,494	2,248,721
Administration	2,275,963	2,022,809	2,125,380	2,122,678
Student services	4,185,342	3,962,638	3,844,065	3,493,592
Learning resources	602,093	611,580	717,093	832,129
Physical plant	4,793,837	4,758,517	4,054,447	4,275,086
General institution	4,616,827	4,555,092	7,023,970	4,745,672
Auxiliary enterprises	7,745,980	7,673,920	7,152,283	8,879,662
Scholarships and grants	11,621,322	13,871,194	12,701,869	8,105,241
Workforce Investment Act	1,671,189	1,455,604	2,339,810	2,095,278
Interest on indebtedness	394,435	499,401	551,318	619,816
Total	<u>\$ 61,077,391</u>	<u>61,315,419</u>	<u>61,327,779</u>	<u>56,232,159</u>

See accompanying independent auditor's report.

Years ended June 30,					
2008	2007	2006	2005	2004	2003
14,834,079	14,073,316	12,763,819	12,055,153	11,877,824	11,740,024
13,376,779	12,206,286	11,241,360	10,431,661	10,085,886	9,290,403
2,468,561	2,209,835	2,101,756	2,082,575	1,464,791	1,444,351
9,045,531	8,340,575	8,254,634	9,095,078	8,925,246	8,552,156
185,247	165,304	134,153	107,876	702,491	57,281
597,696	742,983	577,753	345,361	103,560	204,443
2,693,218	2,403,017	2,058,203	3,586,833	2,605,028	2,044,904
9,920,671	8,574,455	7,424,262	7,211,806	6,801,482	6,445,944
2,203,443	2,034,241	1,745,273	1,623,025	964,840	1,418,976
55,325,225	50,750,012	46,301,213	46,539,368	43,531,148	41,198,482
4,940,265	4,917,349	4,373,871	3,913,839	3,910,501	3,519,765
10,226,319	9,906,322	9,350,631	9,148,834	8,473,152	7,862,347
2,805,029	2,566,441	2,663,422	2,584,709	3,048,487	3,099,715
2,065,302	1,597,677	1,484,142	2,485,196	1,773,900	1,890,954
1,933,925	1,892,886	1,866,882	1,652,553	1,575,133	1,535,790
3,303,044	3,046,111	3,060,406	3,129,312	3,242,171	3,038,017
872,263	854,279	966,732	953,797	938,187	867,409
4,045,280	3,709,805	3,410,401	3,296,010	3,064,897	3,111,572
4,232,615	5,076,544	3,500,220	3,055,668	3,975,255	2,977,428
9,045,392	7,665,202	6,790,798	6,450,441	5,781,303	5,690,620
7,105,369	6,097,517	5,865,340	6,050,306	5,630,328	5,283,155
1,825,038	1,685,342	1,233,997	1,193,859	1,402,372	1,444,968
549,434	515,116	538,980	548,322	585,424	632,708
52,949,275	49,530,591	45,105,822	44,462,846	43,401,110	40,954,448

Indian Hills Community College
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Direct:				
U.S. Department of Agriculture:				
New ERA Rural Technology Competitive Grants Program	10.314		\$ 23,065	-
Community Facilities Loans and Grants	10.766		199,515	-
U.S. Department of Labor:				
Community Based Job Training Grants	17.269		911,472	-
National Science Foundation:				
Education and Human Resources	47.076		230,996	-
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007 *		110,024	-
Higher Education_Institutional Aid	84.031		277,017	-
Federal Work-Study Program	84.033 *		144,329	-
Federal Pell Grant Program	84.063 *		10,516,803	-
Fund for the Improvement of Postsecondary Education	84.116		136,618	-
Federal Direct Student Loans	84.268 *			19,922,037
Academic Competitiveness Grants	84.375 *		21,455	-
TRIO Cluster:				
TRIO_Student Support Services	84.042		288,555	-
TRIO_Upward Bound	84.047		265,690	-
TRIO_Educational Opportunity Centers	84.066		226,778	-
			781,023	-
U.S. Department of Health and Human Services:				
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925 *		81,744	-
Total Direct			13,434,061	19,922,037
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Child and Adult Care Food Program	10.558		33,052	-
U.S. Department of Labor:				
Iowa Department of Education:				
Incentive Grants - WIA Section 503	17.267		28,618	-
Iowa Department of Workforce Development:				
Employment Service/Wagner-Peyser Funded Activitie	17.207	7-W-15-FR-0	6,829	-
Unemployment Insurance	17.225	7-W-15-FR-0	11,833	-

Indian Hills Community College
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Indirect (continued):				
U.S. Department of Labor:				
Iowa Department of Workforce Development:				
WIA Cluster:				
WIA Adult Program	17.258	7-W-15-FR-0	286,300	-
WIA Youth Activities	17.259	7-W-15-FR-0	391,223	-
WIA Dislocated Worker Formula Grants	17.278	7-W-15-FR-0	528,402	-
			<u>1,205,925</u>	-
Disabled Veterans' Outreach Program	17.801	7-W-15-FR-0	1,178	-
Local Veterans' Employment Representative Program	17.804	7-W-15-FR-0	5,000	-
U.S. Small Business Administration:				
Iowa State University:				
Small Business Development Centers	59.037		90,051	-
U.S. Department of Education:				
Iowa Department of Education:				
Adult Education - Basic Grants to States	84.002		191,745	-
Career and Technical Education - Basic Grants to States	84.048		531,062	-
U.S. Department of Health and Human Services:				
State University of Iowa:				
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107		10,298	-
Iowa Department of Workforce Development:				
Temporary Assistance for Needy Families	93.558	7-W-15-FR-0	394,555	-
Total Indirect			<u>2,510,146</u>	-
Total			<u>\$ 15,944,207</u>	<u>19,922,037</u>

* - Total for Student Financial Assistance Cluster is \$30,796,392.

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Indian Hills Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Indian Hills Community College



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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

To the Board of Trustees of
Indian Hills Community College:

We have audited the accompanying financial statements of Indian Hills Community College, Ottumwa, Iowa, and the aggregate discretely presented component units as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements listed in the table of contents, and have issued our report thereon dated November 15, 2012. 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.

Internal Control Over Financial Reporting

The management of Indian Hills Community College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Indian Hills Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Indian Hills Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Indian Hills Community College's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

Compliance and Other Matters


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

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Indian Hills Community College and other parties to whom Indian Hills Community College may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Indian Hills 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.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 15, 2012



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Board of Trustees of
Indian Hills Community College:

Compliance

We have audited Indian Hills Community College's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Indian Hills Community College's major federal programs for the year ended June 30, 2012. Indian Hills Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Indian Hills Community College's management. Our responsibility is to express an opinion on Indian Hills Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Indian Hills Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Indian Hills Community College's compliance with those requirements.

In our opinion, Indian Hills Community College complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

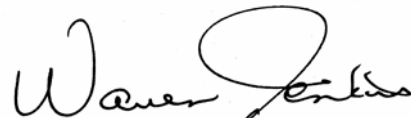
The management of Indian Hills Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Indian Hills Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Indian Hills Community College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance 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 material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Indian Hills Community College and other parties to whom Indian Hills Community College may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 15, 2012

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 10.766 – Community Facilities Loans and Grants
 - CFDA Number 17.269 – Community Based Job Training Grants
 - CFDA Number 93.558 – Temporary Assistance for Needy Families
 - Clustered Programs:
 - TRIO Cluster:
 - CFDA Number 84.042 – TRIO_Student Support Services
 - CFDA Number 84.047 – TRIO_Upward Bound
 - CFDA Number 84.066 – TRIO_Educational Opportunity Centers
 - Student Financial Assistance Cluster:
 - CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grants
 - CFDA Number 84.033 – Federal Work-Study Program
 - CFDA Number 84.063 – Federal Pell Grant Program
 - CFDA Number 84.268 – Federal Direct Student Loans
 - CFDA Number 84.375 – Academic Competitiveness Grants
 - CFDA Number 93.925 – Scholarships for Health Professions Students from Disadvantaged Backgrounds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Indian Hills Community College qualified as a low-risk auditee.

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Indian Hills Community College
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

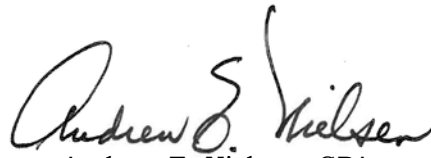
- IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 did not exceed the amount budgeted.
- IV-B-12 Questionable Disbursements – No expenditures we believe did not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-12 Travel Expense – No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.
- IV-D-12 Business Transactions and Competitive Bidding Requirements – Business transactions between the College and College officials as detailed as follows:
- | Name, Title and
Business Connection | Description | Amount |
|--|------------------------------------|----------|
| Tom Keck, Trustee, President
of Winger Services | Maintenance and repair,
per bid | \$47,738 |
- In accordance with Chapter 279.7A of the Code of Iowa, the above transaction does not appear to represent a conflict of interest since it was competitively bid.
- IV-E-12 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.
- IV-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-12 Publication – The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.
- IV-H-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College’s investment policy were noted.
- IV-I-12 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.

Indian Hills Community College

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor II
Jessica PV. Green, Staff Auditor
Ryan T. Jelsma, Staff Auditor
Cory A. Lee, Staff Auditor
Brooke A. Robb, Staff Auditor
Kayley R. Alexander, Assistant Auditor
Matthew S. Nye, Assistant Auditor
Alex D. Wiehs, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, prominent initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State