



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

January 10, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Indian Hills Community College in Ottumwa, Iowa.

The College's primary government operating revenues totaled \$26,678,255 for the year ended June 30, 2013, a less than 1% decrease from the prior year, and included \$13,631,500 from tuition and fees, \$4,297,751 from the federal government and \$6,053,484 from auxiliary enterprises.

Operating expenses for the year ended June 30, 2013 totaled \$59,056,268, a 6.0% increase over the prior year, and included \$34,612,051 for salaries and benefits, \$6,871,443 for services and \$3,313,793 for materials and supplies.

Non-operating revenues totaled \$30,094,015, including \$15,521,696 from the state, \$9,453,854 from Pell grants, \$3,981,490 from property tax and \$1,046,228 in scholarships for the benefit of students from the Indian Hills Community College Foundation. Non-operating expenses totaled \$453,213, consisting primarily of interest on indebtedness of \$362,352. The College's net position decreased \$2,737,211 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/1331-1500-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, 2013**

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## Indian Hills Community College

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Trustees</b>		
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	(Resigned Feb 2013)
Kala Mulder	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:

Report on the Financial Statements

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, 2013, and the related Notes to Financial Statements, which collectively comprise the College's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Indian Hills Community College Development Corp., Inc. and the 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 have been furnished to us, and our opinion, insofar as it relates to those units, is based solely 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 from material misstatement. The financial statements of the component units were not audited in accordance with Government Auditing Standards.

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

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

## Opinion

In our opinion, based on our audit and the 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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 14 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 financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*


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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (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.


The supplementary 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2013 on our consideration of Indian Hills Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Indian Hills Community College's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 12, 2013

**Indian Hills Community College**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Indian Hills Community College provides this Management's Discussion and Analysis of the College's financial statements for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- Total net position of the College decreased approximately \$2.7 million, or 4.3%, primarily due to increased operational costs and planned renovation expenditures.
- The College redeemed outstanding Series 2005 and 2006 callable certificates payable totaling \$1,155,000 in June 2013 producing a savings of approximately \$103,500 in aggregate debt service payments.

### USING THIS ANNUAL REPORT

The intent of this discussion and analysis is 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 Position, the Statement of Revenues, Expenses and Changes in Net Position 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 Position

The Statement of Net Position presents the assets, liabilities and net position 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 Position

	June 30,	
	2013	2012
Current and other assets	\$ 31,611,020	35,081,460
Capital assets, net of accumulated depreciation/amortization	47,401,880	47,646,259
Total assets	79,012,900	82,727,719
Current liabilities	10,920,022	11,434,244
Noncurrent liabilities	7,377,828	7,841,214
Total liabilities	18,297,850	19,275,458
Net position:		
Net investment in capital assets	45,576,880	45,456,259
Restricted	1,922,346	1,722,951
Unrestricted	13,215,824	16,273,051
Total net position	\$ 60,715,050	63,452,261

The largest portion of the College's net position (75%) is in the category 'Net Investment in capital assets' (land, buildings and equipment). The restricted portion of the net position represents resources subject to external restrictions. The remaining net position is unrestricted and may be used to meet the College's operating obligations as they become due.

### Statement of Revenues, Expenses and Changes in Net Position

Total net position presented in the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the 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 Position

	Year ended June 30,	
	2013	2012
Operating revenues:		
Tuition and fees	\$ 13,631,500	13,430,558
Federal appropriations	4,297,751	5,394,352
Sales and services	686,424	610,811
Iowa Industrial New Jobs Training Program	1,059,641	1,195,939
Auxiliary	6,053,484	5,749,766
Miscellaneous	949,455	357,506
Total operating revenues	<u>26,678,255</u>	<u>26,738,932</u>
Total operating expenses	<u>59,056,268</u>	<u>55,712,068</u>
Operating loss	<u>(32,378,013)</u>	<u>(28,973,136)</u>
Non-operating revenues (expenses):		
State appropriations	15,521,696	16,156,190
Pell grants	9,453,854	10,516,803
Property tax	3,981,490	4,307,405
Gifts from IHCC Foundation	1,046,228	1,032,371
Interest income on investments	90,747	96,697
Donated capital assets	-	151,005
Loss on sale of capital assets	(28,681)	(64,146)
Interest expense	(362,352)	(501,528)
Amortization of bond issue costs	(62,180)	(56,276)
Net non-operating revenues	<u>29,640,802</u>	<u>31,638,521</u>
Change in net position	<u>(2,737,211)</u>	<u>2,665,385</u>
Net position beginning of year	<u>63,452,261</u>	<u>60,786,876</u>
Net position end of year	<u>\$ 60,715,050</u>	<u>63,452,261</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects an overall decrease in the net position of the College.

In fiscal year 2013, operating revenues totaled approximately \$26.7 million and net non-operating revenues totaled approximately \$29.6 million. Observations regarding the changes in operating and non-operating revenues follow:

- Tuition and fees, as reported herein net of scholarship allowances, increased \$201,000, or 1.5%.
- Federal appropriations decreased \$1,097,000, or 20.3%, due to declines in credit hour enrollment and students participating in the Direct Loan program.
- State appropriations decreased \$634,000, or 3.9%, due to a decline in the utilization of Accelerated Career Education (ACE) funding.
- Pell grant awards decreased \$1,063,000, or 10.1%, due to declines in credit hour enrollment and Pell grant award recipients.

## Operating Expenses

	Year ended June 30,	
	2013	2012
Education and support:		
Liberal arts and sciences	\$ 6,163,951	6,041,948
Vocational technical	13,018,545	12,995,388
Adult education	2,119,656	2,354,924
Cooperative services	299,309	735,058
Administration	2,059,740	2,181,654
Student services	5,012,759	4,040,010
Learning resources	610,931	594,250
Physical plant	4,677,406	4,769,247
General institution	6,582,443	4,473,052
Auxiliary enterprises	7,666,880	7,187,967
Scholarships and grants	5,204,082	5,916,485
Workforce Investment Act	1,899,227	1,671,189
Plant operations	904,142	263,842
Depreciation/amortization	2,837,197	2,487,054
Total	<u>\$ 59,056,268</u>	<u>55,712,068</u>

The following factors address changes in fiscal year 2013 operating expenses:

- Expenses for salaries and wages increased in all functional categories due to a 3.6% increase in salaries and benefits and planned incented retirement costs.
- Scholarships and grant expenses decreased due to declines in credit hour enrollment and the number of qualifying student recipients.
- Plant operations increased due to planned renovation expenditures.
- Projects and renovations totaling \$1.7 million were completed and included:
  - Completion of the dental lab within the Rural Health Education Center for the Dental Assistant program.
  - Completion of other planned renovations in multiple student service areas.
- Other projects still in progress at June 30 are:
  - Construction of a regional business incubator facility.
  - Planned renovation of the John Pothoven Academic Success Center.
  - Planned renovation and expansion of the Tom Arnold Net Center.

## 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,	
	2013	2012
Cash provided (used) by:		
Operating activities	\$ (26,964,161)	(27,974,263)
Non-capital financing activities	28,013,102	29,290,177
Capital and related financing activities	(3,037,964)	(7,672,439)
Investing activities	97,583	145,699
Net change in cash	(1,891,440)	(6,210,826)
Cash beginning of year	21,214,422	27,425,248
Cash end of year	\$ 19,322,982	21,214,422

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, 2013, the College had approximately \$47.4 million invested in capital assets, net of accumulated depreciation/amortization of approximately \$31.4 million. Depreciation and amortization charges totaled \$2,837,197 for fiscal year 2013. A summary of capital assets, net of accumulated depreciation/amortization, is shown below.

### Capital Assets, Net at Year-End

	June 30,	
	2013	2012
Land	\$ 402,989	402,989
Construction in progress	1,341,190	583,166
Capital assets not being depreciated/amortized	1,744,179	986,155
Buildings	40,500,082	42,212,568
Improvements other than buildings	3,191,531	2,558,186
Intangibles	68,535	73,146
Equipment and vehicles	1,897,553	1,816,204
Total	\$ 47,401,880	47,646,259

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

## LONG-TERM DEBT

Outstanding debt at June 30, 2013 was \$6,415,000. Current debt consists of certificates issued for Iowa New Jobs Training projects and dormitory refunding bonds. The College redeemed the outstanding Series 2005 and 2006 callable certificates payable totaling \$1,155,000 in June 2013 producing a savings of approximately \$103,500 in aggregate debt service payments. Detailed information is presented in Note 5 to the financial statements.

### Outstanding Debt

	June 30,	
	2013	2012
Certificates payable	\$ 4,590,000	6,985,000
Bonds payable	1,825,000	2,190,000
Total	\$ 6,415,000	9,175,000

## ECONOMIC FACTORS

Indian Hills Community College managed its financial position carefully during the current fiscal year. The economic position of the College is closely tied to the State of Iowa, with the State's overall economy and educational funding remaining a priority of 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 shortfall in state funding levels.
- Higher tuition is followed by an increased need for student financial aid, scholarship support and student loans.
- To continue to offer current, relevant educational programs and student services to attract and retain the diverse population the College serves.
- To serve students without adversely impacting the student experience and College operations
- Fifty year-old College facilities and infrastructure require continual maintenance and renovation to meet current technology and delivery needs.
- To continue to provide up-to-date equipment, delivery and operations as technologies change.

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.



## **Basic Financial Statements**

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Indian Hills Community College

Statement of Net Position

June 30, 2013

	<u>Primary Government</u>	<u>Component Units</u>
<b>Assets</b>		
Current assets:		
Cash, cash equivalents and investments:		
Cash, cash equivalents and pooled investments	\$ 12,725,918	16,189,299
Restricted cash, cash equivalents and pooled investments	-	7,799,439
Receivables:		
Accounts, net of allowance for doubtful accounts of \$285,016	3,084,518	74,626
Succeeding year property tax	3,724,939	-
Due from other governments	1,867,264	-
Prepaid expenses	56,891	-
Unamortized debt issuance cost	172,211	-
Inventories	1,101,836	-
Total current assets	<u>22,733,577</u>	<u>24,063,364</u>
Noncurrent assets:		
Cash, cash equivalents and pooled investments	6,597,064	-
Receivable for Iowa Industrial New Jobs Training Program	1,919,487	-
Unamortized debt issuance cost	360,892	-
Capital assets, net of accumulated depreciation/amortization	47,401,880	-
Total noncurrent assets	<u>56,279,323</u>	<u>-</u>
<b>Total assets</b>	<u>79,012,900</u>	<u>24,063,364</u>

Indian Hills Community College

Statement of Net Position

June 30, 2013

	Primary Government	Component Units
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,003,032	81,964
Salaries and benefits payable	1,217,873	-
Unearned revenue:		
Succeeding year property tax	3,724,939	-
Other	2,628,276	-
Early retirement payable	71,843	-
Compensated absences payable	701,324	-
Deposits held in custody for others	367,735	-
Certificates payable	840,000	-
Bonds payable	365,000	-
Total current liabilities	<u>10,920,022</u>	<u>81,964</u>
Noncurrent liabilities:		
Early retirement payable	2,065,588	-
Certificates payable	3,750,000	-
Bonds payable	1,460,000	-
Net OPEB liability	102,240	-
Total noncurrent liabilities	<u>7,377,828</u>	<u>-</u>
<b>Total liabilities</b>	<u>18,297,850</u>	<u>81,964</u>
<b>Net position</b>		
Net investment in capital assets	45,576,880	-
Restricted:		
Nonexpendable:		
Other	-	1,590,503
Expendable:		
Scholarships and fellowships	52,595	-
Debt service	982,943	-
Cash reserve	288,745	-
Other	598,063	8,310,957
Unrestricted	<u>13,215,824</u>	<u>14,079,940</u>
<b>Total net position</b>	<u>\$ 60,715,050</u>	<u>23,981,400</u>

See notes to financial statements.

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

Year ended June 30, 2013

	Primary Government	Component Units
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$4,565,372	\$ 13,631,500	-
Federal appropriations	4,297,751	-
Sales and services	686,424	-
Iowa Industrial New Jobs Training Program	1,059,641	-
Auxiliary enterprises, net of scholarship allowances of \$1,320,163	6,053,484	-
Contributions	-	631,923
Rental income and facility management	-	571,245
Fines, damages and forfeitures	-	22,844
Miscellaneous	949,455	81,904
Total operating revenues	26,678,255	1,307,916
Operating expenses:		
Education and support:		
Liberal arts and sciences	6,163,951	-
Vocational technical	13,018,545	-
Adult education	2,119,656	-
Cooperative services	299,309	-
Administration	2,059,740	-
Student services	5,012,759	-
Learning resources	610,931	-
Physical plant	4,677,406	-
General institution	6,582,443	-
Auxiliary enterprises	7,666,880	-
Scholarships and grants	5,204,082	-
Workforce Investment Act	1,899,227	-
Plant operations	904,142	-
General and administrative Programs	-	94,417
	-	492,437
Depreciation/amortization	2,837,197	-
Total operating expenses	59,056,268	586,854
Operating income (loss)	(32,378,013)	721,062

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

Year ended June 30, 2013

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	15,521,696	-
Pell grants	9,453,854	-
Property tax	3,981,490	-
Gifts from Indian Hills Community College Foundation		
for student scholarships	1,046,228	-
Investment income	90,747	1,969,404
Loss on disposal of capital assets	(28,681)	-
Gifts to Indian Hills Community College		
for student scholarships	-	(1,046,228)
Interest on indebtedness	(362,352)	-
Amortization of debt issuance cost	(62,180)	-
Net non-operating revenues (expenses)	<u>29,640,802</u>	<u>923,176</u>
Change in net position	(2,737,211)	1,644,238
Net position beginning of year	<u>63,452,261</u>	<u>22,337,162</u>
Net position end of year	<u><u>\$ 60,715,050</u></u>	<u><u>23,981,400</u></u>

See notes to financial statements.

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Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2013

	<u>Primary Government</u>
Cash flows from operating activities:	
Tuition and fees	\$ 13,546,566
Federal appropriations	4,672,235
Iowa Industrial New Jobs Training Program	1,376,529
Payments to employees for salaries and benefits	(33,948,819)
Payments to suppliers for goods and services	(14,984,278)
Payments to NJTP recipients	(154,566)
Scholarships	(5,204,082)
Payments to subrecipients	(297,531)
Auxiliary enterprise receipts	6,103,525
Other receipts	1,926,260
Net cash used by operating activities	<u>(26,964,161)</u>
Cash flows from non-capital financing activities:	
State appropriations	15,943,523
Pell grants	9,453,854
Property tax	3,981,490
Gifts	1,046,228
Federal direct lending receipts	17,384,416
Federal direct lending disbursements	(17,384,416)
Principal paid on debt	(2,395,000)
Interest paid on debt	(343,906)
Agency receipts	1,179,057
Agency disbursements	(852,144)
Net cash provided by non-capital financing activities	<u>28,013,102</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	753
Acquisition of capital assets	(2,622,252)
Principal paid on debt	(365,000)
Interest paid on debt	(51,465)
Net cash used by capital and related financing activities	<u>(3,037,964)</u>
Cash flows from investing activities:	
Interest on investments	97,583
Net decrease in cash and cash equivalents	(1,891,440)
Cash and cash equivalents beginning of year	<u>21,214,422</u>
Cash and cash equivalents end of year	<u><u>\$ 19,322,982</u></u>

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2013

	Primary Government
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (32,378,013)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation/amortization	2,837,197
Provision for doubtful accounts	(287,403)
Amortization of debt issuance cost	(43,289)
Changes in assets and liabilities:	
Decrease in accounts receivable	115,139
Decrease in NJTP receivable	320,294
Decrease in due from other governments	374,484
Increase in prepaid expenses	96,536
Decrease in inventories	30,127
Decrease in accounts payable	(225,382)
Decrease in salaries and benefits payable	(80,058)
Increase in unearned revenue	467,635
Decrease in compensated absences	(69,459)
Increase in other postemployment benefits	19,744
Increase in early retirement payable	1,858,287
Total adjustments	5,413,852
Net cash used by operating activities	\$ (26,964,161)

**Noncash capital and related financing activities:**

The trade-in value of equipment deleted was \$63,849.

See notes to financial statements.

Indian Hills Community College

Statement of Net Assets  
Component Units

June 30, 2013

	Indian Hills Community College Development Corp., Inc.	Indian Hills Communitiy College Foundation, Inc.	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 481,209	254,108	735,317
Investments	-	15,453,982	15,453,982
Restricted cash and investments	-	7,799,439	7,799,439
Accounts receivable	1,744	72,882	74,626
<b>Total current assets</b>	<b>482,953</b>	<b>23,580,411</b>	<b>24,063,364</b>
Noncurrent assets:			
Capital assets, net of accumulated depreciation of \$15,434	-	-	-
<b>Total assets</b>	<b>482,953</b>	<b>23,580,411</b>	<b>24,063,364</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	12,164	64,557	76,721
Liability under unitrust agreement	-	5,243	5,243
<b>Total liabilities</b>	<b>12,164</b>	<b>69,800</b>	<b>81,964</b>
<b>Net assets</b>			
Restricted:			
Nonexpendable:			
Other	-	1,590,503	1,590,503
Expendable:			
Other	-	8,310,957	8,310,957
Unrestricted	470,789	13,609,151	14,079,940
<b>Total net assets</b>	<b>\$ 470,789</b>	<b>23,510,611</b>	<b>23,981,400</b>

See notes to financial statements.



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

Year ended June 30, 2013

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Operating revenues:			
Contributions	\$ -	631,923	631,923
Rental income and facility management	571,245	-	571,245
Fines, damages and forfeitures	22,844	-	22,844
Miscellaneous	1,371	80,533	81,904
Total operating revenues	<u>595,460</u>	<u>712,456</u>	<u>1,307,916</u>
Operating expenses:			
General and administrative	94,417	-	94,417
Programs	459,753	32,684	492,437
Total operating expenses	<u>554,170</u>	<u>32,684</u>	<u>586,854</u>
Operating income	<u>41,290</u>	<u>679,772</u>	<u>721,062</u>
Non-operating revenues (expenses):			
Interest on investments, net of \$79,428 of investment expenses	30	1,969,374	1,969,404
Gifts to Indian Hills Community College	-	(1,046,228)	(1,046,228)
Net non-operating revenues (expenses)	<u>30</u>	<u>923,146</u>	<u>923,176</u>
Change in net assets	41,320	1,602,918	1,644,238
Net assets beginning of year	429,469	21,907,693	22,337,162
Net assets end of year	<u>\$ 470,789</u>	<u>23,510,611</u>	<u>23,981,400</u>

See notes to financial statements.

Indian Hills Community College

Notes to Financial Statements

June 30, 2013

**(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 the College and assist in promoting the College. The Development Corporation is governed by a Board of Directors who are appointed by 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 the College and its students. The address of the Development Corporation is 525 Grandview Avenue, Ottumwa Iowa 52501.

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. The Foundation is governed by a Board of Directors who are appointed by the 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 the College and its students. The address of the Foundation is 525 Grandview Avenue, Ottumwa Iowa 52501.

The Development Corporation and Foundation are non-profit organizations which report under accounting standards established by the Financial Accounting Standards Board (FASB). The Development Corporation's and the Foundation's financial statements were prepared in accordance with the provisions of FASB No. 117, Financial Statements of Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Development Corporation's and the Foundation's financial information in the College's financial reporting for these differences. The Development Corporation and the Foundation report net assets, which is equivalent to net position reported by the College. Copies of the Development Corporation's and the Foundation's financial statements may be obtained by contacting the Development Corporation and the Foundation.

#### 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 position (previously referred to as net assets) categories/components:

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

#### Restricted Net Position:

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

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

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

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

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.

D. Assets, Liabilities and Net Position

Cash, Cash Equivalents 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, 2013 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:

Asset Class	Amount
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 leave 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, 2013.

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 Position, 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 prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students 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 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, 2013 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, 2013, the College had investments of \$13,501,368 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, 2013 were rated AAAM by Standard & Poor's Financial Services.

### (3) Inventories

The College's inventories at June 30, 2013 are as follows:

Type	Amount
Textbooks and supplies	\$ 774,295
Work in process	20,908
Merchandise held for resale	306,633
Total	<u>\$ 1,101,836</u>

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2013 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	583,166	(542,044)	1,300,068	-	1,341,190
Total capital assets not being depreciated/amortized	986,155	(542,044)	1,300,068	-	1,744,179
Capital assets being depreciated/amortized:					
Buildings	63,751,102	118,393	169,130	34,941	64,003,684
Improvements other than buildings	3,916,962	423,651	449,774	10,111	4,780,276
Intangibles	416,807	-	27,372	-	444,179
Equipment and vehicles	7,319,394	-	739,757	212,880	7,846,271
Total capital assets being depreciated/amortized	75,404,265	542,044	1,386,033	257,932	77,074,410
Less accumulated depreciation/amortization					
Buildings	21,538,534	(84,710)	2,049,778	-	23,503,602
Improvements other than buildings	1,358,776	84,710	156,440	11,181	1,588,745
Intangibles	343,661	-	31,983	-	375,644
Equipment and vehicles	5,503,190	-	598,996	153,468	5,948,718
Total accumulated depreciation/amortization	28,744,161	-	2,837,197	164,649	31,416,709
Total capital assets being depreciated/amortized, net	46,660,104	542,044	(1,451,164)	93,283	45,657,701
Capital assets, net	\$ 47,646,259	-	(151,096)	93,283	47,401,880

### (5) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Certificates Payable	Bonds Payable	Net OPEB Liability	Total
Balance beginning of year	\$ 6,985,000	2,190,000	82,496	9,257,496
Additions	-	-	21,574	21,574
Reductions	2,395,000	365,000	1,830	2,761,830
Balance end of year	\$ 4,590,000	1,825,000	102,240	6,517,240
Due within one year	\$ 840,000	365,000	-	1,205,000

### Certificates Payable

In accordance with agreements dated between May 8, 2006 and July 12, 2010, the College issued certificates totaling \$15,100,000 with interest rates ranging from 4.45% to 6.91% per annum. The debt was incurred to fund the development and training costs related to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding tax, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 840,000	228,566	1,068,566
2015	880,000	189,428	1,069,428
2016	1,235,000	146,815	1,381,815
2017	640,000	84,990	724,990
2018	670,000	51,830	721,830
2019-2020	325,000	20,145	345,145
Total	\$ 4,590,000	721,774	5,311,774

### 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 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 2013, principal payments totaled \$365,000.

Details of the College's June 30, 2013 dormitory revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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		\$ 1,825,000	130,521	1,955,521



**(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 2014 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, 2013:

Year Ending June 30,	Printers	Copiers	Total
2014	\$ 27,202	26,573	53,775
2015	-	15,501	15,501
Total	\$ 27,202	42,074	69,276

Rents for the operating leases for the year ended June 30, 2013 totaled \$194,384.

**(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 5.78% of their annual covered salary and the College is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,178,455, \$1,057,693 and \$876,794, 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 employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 5.78% and the College is required to contribute 8.67%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2013 were \$764,090 and \$485,520, 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, retirees and their spouses. There are 374 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, 2013, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	\$ 23,045
Interest on net OPEB obligation	3,300
Adjustment to annual required contribution	<u>(4,771)</u>
Annual OPEB cost	21,574
Contributions made	<u>(1,830)</u>
Increase in net OPEB obligation	19,744
Net OPEB obligation beginning of year	<u>82,496</u>
Net OPEB obligation end of year	<u>\$ 102,240</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, 2013.

For the year ended June 30, 2013, the College contributed \$1,830 to the medical plan. No contributions were made by plan members for fiscal year 2013.

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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 26,090	5.4%	\$ 58,127
2012	25,780	5.5	82,496
2013	21,574	8.5	102,240

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$205,939, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$205,939. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$18,981,000 and the ratio of the UAAL to covered payroll was 1.1%. As of June 30, 2013, 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 that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the 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 6%. 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 \$15,257 per year for retirees less than age 65 and \$16,783 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 Management Program**

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 and identity theft protection. 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-sharing pool are recognized as expenditures at the time of payment. If necessary, any excess contribution to the risk-sharing pool is recorded as prepaid expenses at year end.

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 has a retention of \$100,000. The policy limit 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. Excess insurance for workers compensation is to statutory limits. There is additional excess liability coverage of \$9,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention and underlying layer up to \$250,000,000. Flood and earthquake exposures are covered in the property program each having \$16,000,000 limits. Other covered exposures are employee fidelity up to \$1,000,000 with a \$10,000 deductible per occurrence, boiler and machinery up to \$100,000,000 with a \$5,000 deductible per occurrence, foreign travel up to \$1,000,000, and identity theft protection up to \$50,000 with a \$1,000 deductible per occurrence. 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, 2013, no liability has been recorded in the College's financial statements. As of June 30, 2013, 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 1 currently receiving project funding. Of the remaining 82 projects, 75 projects have been completed, of which 58 have been repaid and 17 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 11 are active projects.

**(12) Termination Benefits**

On November 10, 2003, December 11, 2006, November 9, 2009 and December 10, 2012, 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, November 10, 2009 until January 15, 2010 and December 11, 2012 until February 4, 2013, 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. For the December 10, 2012 plan, retirement would begin at the end of the retiree's current employment year or another date agreed upon by the College President and approved by the Board of Trustees. 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 cash payment for the December 10, 2012 plan was based on the availability of funds allocated for the plan by the Board of Trustees. Retirees under the December 10, 2012 plan received 55% of the calculated cash payment. 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 and 2013 plans 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, 2013 for those employees who elected early retirement under the November 10, 2003, December 11, 2006, November 9, 2009 and December 10, 2012 programs was \$2,255, \$2,088, \$184,375 and \$1,948,713, respectively. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2013, \$90,426 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 Position, Statement of Revenues, Expenses and Changes in Net Position 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.

	Residence System
<b>Condensed Statement of Net Position</b>	
Assets:	
Current assets	\$ 1,041,841
Capital assets, net of accumulated depreciation	7,115,398
Total assets	<u>8,157,239</u>
Liabilities:	
Current liabilities	365,000
Noncurrent liabilities	1,460,000
Unearned revenue	58,906
Total liabilities	<u>1,883,906</u>
Net position:	
Net investment in capital assets	5,290,398
Restricted	982,935
Total net position	<u>\$ 6,273,333</u>

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

Operating revenues:	
Sales and services	\$ 742,216
Operating expenses	(212,812)
Depreciation	(211,204)
Operating income	<u>318,200</u>
Nonoperating revenues (expenses):	
Investment income	68
Interest on indebtedness	(51,465)
Net nonoperating revenues (expenses)	<u>(51,397)</u>
Increase in net position	266,803
Net position beginning of year	6,006,530
Net position end of year	<u>\$ 6,273,333</u>

**Condensed Statement of Cash Flows**

Net cash provided by operating activities	\$ 529,404
Net cash used by capital and related financing activities	(416,465)
Net cash provided by investing activities	68
Net increase in cash and cash equivalents	<u>113,007</u>
Cash and cash equivalents beginning of year	869,928
Cash and cash equivalents end of year	<u>\$ 982,935</u>

**Portion of Revenue Pledged**

Annual debt service (principal and interest)	\$ 416,645
Change in net position*	529,472
Debt service coverage ratio	127.1%

As of June 30, 2013, revenue pledged for future principal and interest payments was \$1,955,521.

\* Change in net position plus depreciation expense and interest expense.

**(14) Construction Commitments**

The College has entered into a contract totaling \$965,294 for a building project. As of June 30, 2013, costs of \$604,148 on the project have been incurred. The balance of \$361,146 remaining on the contract at June 30, 2013 will be paid as work on the project progresses.

**Required Supplementary Information**

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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
2013	July 1, 2012	-	206	206	0.0	18,981	1.1

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, 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 fund groups and their designated purposes are as follows:

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

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

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide 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 that are available for the operation and support of the educational program but which are restricted as to their use by donors or outside agencies.

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, 2013

Funds/Levy	Original/ Final Budget	Actual	Variance between Actual and Budget
Unrestricted	\$35,752,500	36,343,725	(591,225)
Restricted	9,149,222	2,482,913	6,666,309
Unemployment Compensation	20,000	51,997	(31,997)
Insurance	710,000	685,842	24,158
Tort Liability	369,370	304,445	64,925
Early Retirement	422,734	2,061,568	(1,638,834)
Equipment Replacement	452,929	453,410	(481)
Total Restricted	11,124,255	6,040,175	5,084,080
Plant	10,000,000	1,762,882	8,237,118
Bonds and Interest	416,363	412,105	4,258
Total	\$ 57,293,118	44,558,887	12,734,231

## 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 Trustees certifies the approved budget to the appropriate County Auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

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

For the year ended June 30, 2013, 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, 2013

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
<b>Assets</b>			
Cash and pooled investments	\$ 6,793,071	2,874,063	4,635,741
Receivables:			
Accounts, net of allowance of \$285,016	3,044,051	16,352	1,379
Succeeding year property tax	949,020	1,826,899	-
Iowa Industrial New Jobs Training Program	-	1,919,487	-
Due from other funds	829,149	2,181,286	-
Due from other governments	463,081	1,298,845	-
Prepaid expenses	18,096	38,395	-
Unamortized debt issuance cost	-	533,103	-
Inventories	1,101,836	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Construction in progress	-	-	-
Improvements other than buildings	-	-	-
Intangibles	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation/amortization	-	-	-
<b>Total assets</b>	<b>\$ 13,198,304</b>	<b>10,688,430</b>	<b>4,637,120</b>

Plant Funds			Agency Funds	Adjustments	Total
Unex- pected	Retirement of Indebtedness	Investment in Plant			
3,815,546	982,943	-	221,618	-	19,322,982
15,262	-	-	7,474	-	3,084,518
949,020	-	-	-	-	3,724,939
-	-	-	-	-	1,919,487
-	-	-	40,600	(3,051,035)	-
-	-	-	105,338	-	1,867,264
-	-	-	400	-	56,891
-	-	-	-	-	533,103
-	-	-	-	-	1,101,836
-	-	402,989	-	-	402,989
-	-	64,003,684	-	-	64,003,684
-	-	1,341,190	-	-	1,341,190
-	-	4,780,276	-	-	4,780,276
-	-	444,179	-	-	444,179
-	-	7,846,271	-	-	7,846,271
-	-	-	-	(31,416,709)	(31,416,709)
4,779,828	982,943	78,818,589	375,430	(34,467,744)	79,012,900

Indian Hills Community College

Balance Sheet  
All Funds

June 30, 2013

	Current Funds		Quasi- Endowment Funds
	Unrestricted	Restricted	
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 996,163	-	-
Salaries and benefits payable	1,217,873	-	-
Due to other funds	2,221,886	579,115	-
Unearned revenue:			
Succeeding year property tax	949,020	1,826,899	-
Other	1,440,074	619,357	-
Early retirement payable	27,439	2,109,992	-
Compensated absences	677,660	23,664	-
Deposits held in custody for others	-	-	-
Certificates payable	-	4,590,000	-
Bonds payable	-	-	-
Net OPEB liability	-	-	-
Total liabilities	7,530,115	9,749,027	-
Fund balances:			
Net investment in capital assets	-	-	-
Restricted:			
Expendable:			
Scholarships and fellowships	-	52,595	-
Debt service	-	-	-
Cash reserve	-	288,745	-
Other	-	598,063	-
Unrestricted	4,958,732	-	4,637,120
Auxiliary enterprises	709,457	-	-
Total fund balances	5,668,189	939,403	4,637,120
<b>Total liabilities and fund balances</b>	<b>\$ 13,198,304</b>	<b>10,688,430</b>	<b>4,637,120</b>

See accompanying independent auditor's report.

Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
600	-	-	6,269	-	1,003,032
-	-	-	-	-	1,217,873
250,034	-	-	-	(3,051,035)	-
949,020	-	-	-	-	3,724,939
567,419	-	-	1,426	-	2,628,276
-	-	-	-	-	2,137,431
-	-	-	-	-	701,324
-	-	-	367,735	-	367,735
-	-	-	-	-	4,590,000
-	-	1,825,000	-	-	1,825,000
-	-	-	-	102,240	102,240
1,767,073	-	1,825,000	375,430	(2,948,795)	18,297,850
-	-	76,993,589	-	(31,416,709)	45,576,880
-	-	-	-	-	52,595
-	982,943	-	-	-	982,943
-	-	-	-	-	288,745
-	-	-	-	-	598,063
3,012,755	-	-	-	(102,240)	12,506,367
-	-	-	-	-	709,457
3,012,755	982,943	76,993,589	-	(31,518,949)	60,715,050
4,779,828	982,943	78,818,589	375,430	(34,467,744)	79,012,900

Indian Hills Community College

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

Year ended June 30, 2013

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
<b>Revenues:</b>			
<b>General:</b>			
State appropriations	\$ 13,440,410	1,671,350	-
Tuition and fees	18,196,872	-	-
Property tax	1,020,183	1,937,606	-
Federal appropriations	789,717	12,961,888	-
Sales and services	238,768	-	-
Interest on investments	56,002	3,771	6,121
Iowa Industrial New Jobs Training Program	-	1,342,184	-
Increase in plant investment due to plant expenditures (including \$1,763,512 of current fund expenditures)	-	-	-
Increase in plant investment due to retirement of debt	-	-	-
Gifts from the Indian Hills Community College Foundation	-	-	-
Miscellaneous	915,267	533,698	-
	34,657,219	18,450,497	6,121
<b>Auxiliary enterprises:</b>			
Tuition and fees	415,500	-	-
Federal appropriations	32,688	-	-
Sales and services	7,623,658	-	-
Interest on investments	86	-	-
Miscellaneous	350,516	-	-
	8,422,448	-	-
<b>Total revenues</b>	43,079,667	18,450,497	6,121
<b>Expenditures:</b>			
<b>Education and support:</b>			
Liberal arts and sciences	5,976,406	225,376	-
Vocational technical	13,022,331	509,714	-
Adult education	1,724,867	440,917	-
Cooperative services	115,119	560,010	-
Administration	1,638,905	505,407	-
Student services	4,637,751	431,649	-
Learning resources	613,975	-	-
Physical plant	4,005,697	685,842	-
General institution	4,608,674	2,366,013	-
<b>Total education and support</b>	36,343,725	5,724,928	-



Plant Funds				
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
409,936	-	-	-	15,521,696
-	-	-	(4,565,372)	13,631,500
1,023,701	-	-	-	3,981,490
-	-	-	-	13,751,605
447,656	-	-	-	686,424
24,777	76	-	-	90,747
-	-	-	(282,543)	1,059,641
-	-	2,686,101	(2,686,101)	-
-	-	365,000	(365,000)	-
-	-	-	1,046,228	1,046,228
547,471	-	-	(1,046,981)	949,455
2,453,541	76	3,051,101	(7,899,769)	50,718,786
-	-	-	-	415,500
-	-	-	-	32,688
-	-	-	(2,368,964)	5,254,694
-	-	-	-	86
-	-	-	-	350,516
-	-	-	(2,368,964)	6,053,484
2,453,541	76	3,051,101	(10,268,733)	56,772,270
-	-	-	(37,831)	6,163,951
-	-	-	(513,500)	13,018,545
-	-	-	(46,128)	2,119,656
-	-	-	(375,820)	299,309
-	-	-	(84,572)	2,059,740
-	-	-	(56,641)	5,012,759
-	-	-	(3,044)	610,931
-	-	-	(14,133)	4,677,406
-	-	-	(392,244)	6,582,443
-	-	-	(1,523,913)	40,544,740

Indian Hills Community College

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

Year ended June 30, 2013

	Current Funds		Quasi-
	Unrestricted	Restricted	Endowment Funds
Expenditures (continued):			
Auxiliary enterprises	9,280,259	-	-
Scholarships and grants	-	11,089,617	-
Workforce Investment Act	-	1,899,227	-
Plant operations	-	-	-
Plant asset acquisitions	-	-	-
Retirement of indebtedness	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	315,247	-
Amortization of debt issuance cost	-	-	-
Loss on disposal of assets	-	-	-
Depreciation/amortization	-	-	-
Total expenditures	45,623,984	19,029,019	-
Excess (deficiency) of revenues over (under) expenditures	(2,544,317)	(578,522)	6,121
Transfers:			
Mandatory transfers	(529,404)	-	-
Non-mandatory transfers	110,693	660,542	(1,300,000)
Total transfers	(418,711)	660,542	(1,300,000)
Net	(2,963,028)	82,020	(1,293,879)
Fund balances beginning of year	8,631,217	857,383	5,930,999
Fund balances end of year	\$ 5,668,189	939,403	4,637,120

See accompanying independent auditor's report.

Plant Funds				
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
-	-	-	(1,613,379)	7,666,880
-	-	-	(5,885,535)	5,204,082
-	-	-	-	1,899,227
904,142	-	-	-	904,142
858,740	-	-	(858,740)	-
-	365,000	-	(365,000)	-
-	-	257,932	(257,932)	-
-	47,105	-	-	362,352
-	-	-	62,180	62,180
-	-	-	28,681	28,681
-	-	-	2,837,197	2,837,197
1,762,882	412,105	257,932	(7,576,441)	59,509,481
690,659	(412,029)	2,793,169	(2,692,292)	(2,737,211)
-	529,404	-	-	-
528,765	-	-	-	-
528,765	529,404	-	-	-
1,219,424	117,375	2,793,169	(2,692,292)	(2,737,211)
1,793,331	865,568	74,200,420	(28,826,657)	63,452,261
3,012,755	982,943	76,993,589	(31,518,949)	60,715,050

Indian Hills Community College

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

Year ended June 30, 2013

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
<b>Revenues:</b>				
State appropriations	\$ 4,771,285	7,530,015	989,716	46,027
Tuition and fees	6,462,854	11,190,319	520,386	875
Property tax	-	-	-	-
Federal appropriations	-	495,535	155,963	-
Sales and services	2,852	69,659	111,546	-
Interest on investments	37,399	-	-	-
Miscellaneous	-	9,768	21,640	-
Total revenues	11,274,390	19,295,296	1,799,251	46,902
<b>Expenditures:</b>				
Salaries and benefits	5,488,422	11,215,574	1,419,322	83,382
Services	106,111	338,409	160,141	17,152
Materials and supplies	110,270	881,176	87,408	13,914
Travel	77,426	155,501	15,094	463
Loan cancellations and bad debts	88,695	138,729	-	-
Administrative and collections	-	-	-	-
Plant asset acquisitions	-	116,913	-	-
Cost of goods sold	-	5,345	8,455	-
Miscellaneous	105,482	170,684	34,447	208
Total expenditures	5,976,406	13,022,331	1,724,867	115,119
Excess (deficiency) of revenues over (under) expenditures	5,297,984	6,272,965	74,384	(68,217)
<b>Transfers:</b>				
Non-mandatory transfers	1,300,000	(2,464)	(6,586)	87,106
Net	\$ 6,597,984	6,270,501	67,798	18,889

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	
38,304	-	60,597	4,466	-	13,440,410
-	21,058	-	-	1,380	18,196,872
1,020,183	-	-	-	-	1,020,183
-	138,219	-	-	-	789,717
-	11,973	2,427	4,975	35,336	238,768
18,603	-	-	-	-	56,002
326,154	16,457	-	537,438	3,810	915,267
1,403,244	187,707	63,024	546,879	40,526	34,657,219
1,152,005	4,097,848	410,235	1,987,353	2,819,161	28,673,302
220,276	237,723	41,663	1,623,442	1,210,437	3,955,354
10,307	184,816	161,254	393,321	244,506	2,086,972
67,102	101,753	304	769	84,709	503,121
-	-	-	-	-	227,424
145,391	-	-	-	-	145,391
27,372	-	-	-	-	144,285
-	-	-	-	-	13,800
16,452	15,611	519	812	249,861	594,076
1,638,905	4,637,751	613,975	4,005,697	4,608,674	36,343,725
(235,661)	(4,450,044)	(550,951)	(3,458,818)	(4,568,148)	(1,686,506)
470,698	73	-	-	3,547	1,852,374
235,037	(4,449,971)	(550,951)	(3,458,818)	(4,564,601)	165,868
					4,792,864
					\$ 4,958,732

**Schedule 5**

## Indian Hills Community College

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

Year ended June 30, 2013

	Institutional Services	Education Program	Miscellaneous	Total
Revenues:				
Tuition and fees	\$ -	385,500	30,000	415,500
Federal appropriations	-	32,688	-	32,688
Sales and services	4,520,138	2,450,876	652,644	7,623,658
Interest on investments	-	-	86	86
Miscellaneous	79,715	128,013	142,788	350,516
Total revenues	4,599,853	2,997,077	825,518	8,422,448
Expenditures:				
Salaries and benefits	453,735	1,301,483	106,729	1,861,947
Services	522,656	261,877	99,663	884,196
Materials and supplies	56,497	308,748	25,752	390,997
Travel	920	312,521	371	313,812
Loan cancellations and bad debts	107,881	-	-	107,881
Plant asset acquisitions	105,692	1,244,949	34,956	1,385,597
Miscellaneous	127,987	79,117	1,808	208,912
Cost of goods sold	3,026,111	1,100,806	-	4,126,917
Total expenditures	4,401,479	4,609,501	269,279	9,280,259
Excess (deficiency) of revenues over (under) expenditures	198,374	(1,612,424)	556,239	(857,811)
Transfers:				
Mandatory transfers	-	-	(529,404)	(529,404)
Non-mandatory transfers	1,640,862	1,470,149	(4,852,692)	(1,741,681)
Total transfers	1,640,862	1,470,149	(5,382,096)	(2,271,085)
Net	1,839,236	(142,275)	(4,825,857)	(3,128,896)
Fund balances beginning of year	470,245	(658,493)	4,026,601	3,838,353
Fund balances end of year	\$ 2,309,481	(800,768)	(799,256)	709,457

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, 2013

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance
<b>Revenues:</b>				
State appropriations	\$ 951,847	-	-	-
Property tax	-	453,410	442,518	608,516
Federal appropriations	9,575,475	-	-	-
Interest on investments	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	440,840	-	-	55,946
Total revenues	10,968,162	453,410	442,518	664,462
<b>Expenditures:</b>				
Salaries and benefits	-	-	57,202	-
Services	12,300	-	247,243	671,797
Materials and supplies	-	386,208	-	14,045
Travel	-	-	-	-
Interest on indebtedness	-	-	-	-
Awards to subrecipients	-	-	-	-
Plant asset acquisitions	-	67,202	-	-
Miscellaneous	-	-	-	-
Federal Pell Grant program	9,453,854	-	-	-
Federal Supplemental Educational Opportunity grant	109,247	-	-	-
Health and Human Services Nursing	562,151	-	-	-
Iowa College Student Aid Commission	153,259	-	-	-
Private scholarships	623,289	-	-	-
State of Iowa scholarships	175,517	-	-	-
Total expenditures	11,089,617	453,410	304,445	685,842
Excess (deficiency) of revenues over (under) expenditures	(121,455)	-	138,073	(21,380)
<b>Transfers:</b>				
Non-mandatory transfers	111,365	-	-	-
Net	(10,090)	-	138,073	(21,380)
Fund balances beginning of year	62,685	-	49,040	350,906
Fund balances end of year	\$ 52,595	-	187,113	329,526

See accompanying independent auditor's report.



Early Retirement	Unemployment Compensation	Title III	Workforce Investment Act	Iowa		Total
				Industrial New Jobs Training Program	Miscellaneous	
-	-	-	45,053	-	674,450	1,671,350
433,162	-	-	-	-	-	1,937,606
-	-	431,648	1,870,947	-	1,083,818	12,961,888
-	-	-	-	3,771	-	3,771
-	-	-	-	1,342,184	-	1,342,184
-	-	-	-	-	36,912	533,698
433,162	-	431,648	1,916,000	1,345,955	1,795,180	18,450,497
2,061,568	51,997	94,083	1,065,283	60,721	685,948	4,076,802
-	-	37,415	449,061	499,289	114,788	2,031,893
-	-	296,969	64,472	-	74,130	835,824
-	-	3,127	2,551	-	48,067	53,745
-	-	-	-	315,247	-	315,247
-	-	-	297,531	-	-	297,531
-	-	-	-	-	166,428	233,630
-	-	54	20,329	-	86,647	107,030
-	-	-	-	-	-	9,453,854
-	-	-	-	-	-	109,247
-	-	-	-	-	-	562,151
-	-	-	-	-	-	153,259
-	-	-	-	-	-	623,289
-	-	-	-	-	-	175,517
2,061,568	51,997	431,648	1,899,227	875,257	1,176,008	19,029,019
(1,628,406)	(51,997)	-	16,773	470,698	619,172	(578,522)
1,628,406	-	-	-	(470,698)	(608,531)	660,542
-	(51,997)	-	16,773	-	10,641	82,020
-	110,354	-	6,294	-	278,104	857,383
-	58,357	-	23,067	-	288,745	939,403

**Schedule 7**

## Indian Hills Community College

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

Year ended June 30, 2013

	Athletics and Student Organizations	Federal Direct Student Loan Program	Retraining Program (HF 260F)	Miscel- laneous	Total
Balances beginning of year	\$ 90,279	-	100,035	133,677	323,991
Additions:					
State appropriations	-	-	116,312	87,054	203,366
Federal appropriations	-	17,384,416	-	-	17,384,416
Tuition and fees	75,553	-	-	-	75,553
Sales and services	89,468	-	-	1,251	90,719
Miscellaneous	1,115	-	-	520,627	521,742
Total additions	166,136	17,384,416	116,312	608,932	18,275,796
Deductions:					
Salaries and benefits	903	-	-	167,255	168,158
Services	62,328	-	109,792	430,222	602,342
Materials and supplies	18,470	-	-	-	18,470
Travel	27,526	-	-	-	27,526
Miscellaneous	25,883	-	-	-	25,883
Cost of goods sold	5,257	-	-	-	5,257
Direct student loans	-	17,384,416	-	-	17,384,416
Total deductions	140,367	17,384,416	109,792	597,477	18,232,052
Balances end of year	\$ 116,048	-	106,555	145,132	367,735

See accompanying independent auditor's report.

Indian Hills Community College  
 Schedule of Credit and Contact Hours  
 Year ended June 30, 2013

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not		Eligible for Aid	Not	
		Eligible for Aid	Total		Eligible for Aid	Total
Arts and Sciences	47,542	-	47,542			
Vocational Education	73,488	-	73,488			
Adult Education/ Continuing Education	-	-	-	236,846	4,649	241,495
Total	121,030	-	121,030			

See accompanying independent auditor's report.

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Indian Hills Community College

Schedule of Taxes and Intergovernmental Revenues

For the Last Ten Years

	2013	2012	2011	2010
Local (property tax)	\$ 3,981,490	4,307,405	4,292,781	4,033,815
State	15,521,696	16,156,190	13,491,892	12,267,335
Federal	13,784,293	15,944,207	18,106,236	19,768,049
Total	\$ 33,287,479	36,407,802	35,890,909	36,069,199

See accompanying independent auditor's report.

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Years ended June 30,					
2009	2008	2007	2006	2005	2004
3,573,445	3,283,331	3,011,282	2,888,099	2,875,524	3,179,361
15,615,288	15,262,550	14,812,393	13,848,936	12,292,751	11,593,825
10,665,497	9,071,675	9,131,763	8,496,721	9,123,246	8,944,834
29,854,230	27,617,556	26,955,438	25,233,756	24,291,521	23,718,020

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Indian Hills Community College

Schedule of Current Fund Revenues by Source  
and Expenditures by Function

For the Last Ten Years

	2013	2012	2011	2010
<b>Revenues:</b>				
State appropriations	\$ 15,111,760	14,551,548	12,633,837	12,228,203
Tuition and fees	18,196,872	17,868,770	18,767,263	17,044,910
Property tax	2,957,789	3,330,915	3,352,711	3,131,607
Federal appropriations	13,751,605	15,711,640	18,044,436	19,742,867
Sales and services	238,768	171,215	305,266	250,654
Interest on investments	59,773	80,746	97,588	107,931
Iowa Industrial New Jobs Training Program	1,342,184	1,451,917	1,606,070	1,835,403
Auxiliary enterprises	8,422,448	8,141,095	8,840,122	8,343,338
Miscellaneous	1,448,965	1,238,987	1,602,279	1,475,699
<b>Total</b>	<b>\$ 61,530,164</b>	<b>62,546,833</b>	<b>65,249,572</b>	<b>64,160,612</b>
<b>Expenditures:</b>				
Liberal arts and sciences	\$ 6,201,782	6,128,369	5,776,120	5,254,600
Vocational technical	13,532,045	13,450,906	12,662,111	11,967,322
Adult education	2,165,784	2,527,489	2,411,689	2,314,128
Cooperative services	675,129	1,063,639	1,054,744	1,281,494
Administration	2,144,312	2,275,963	2,022,809	2,125,380
Student services	5,069,400	4,185,342	3,962,638	3,844,065
Learning resources	613,975	602,093	611,580	717,093
Physical plant	4,691,539	4,793,837	4,758,517	4,054,447
General institution	6,974,687	4,616,827	4,555,092	7,023,970
Auxiliary enterprises	9,280,259	7,745,980	7,673,920	7,152,283
Scholarships and grants	11,089,617	11,621,322	13,871,194	12,701,869
Workforce Investment Act	1,899,227	1,671,189	1,455,604	2,339,810
Interest on indebtedness	315,247	394,435	499,401	551,318
<b>Total</b>	<b>\$ 64,653,003</b>	<b>61,077,391</b>	<b>61,315,419</b>	<b>61,327,779</b>

See accompanying independent auditor's report.

Years ended June 30,					
2009	2008	2007	2006	2005	2004
15,442,692	14,834,079	14,073,316	12,763,819	12,055,153	11,877,824
14,064,149	13,376,779	12,206,286	11,241,360	10,431,661	10,085,886
2,707,554	2,468,561	2,209,835	2,101,756	2,082,575	1,464,791
10,632,557	9,045,531	8,340,575	8,254,634	9,095,078	8,925,246
226,627	185,247	165,304	134,153	107,876	702,491
282,958	597,696	742,983	577,753	345,361	103,560
3,067,908	2,693,218	2,403,017	2,058,203	3,586,833	2,605,028
9,306,142	9,920,671	8,574,455	7,424,262	7,211,806	6,801,482
2,667,175	2,203,443	2,034,241	1,745,273	1,623,025	964,840
58,397,762	55,325,225	50,750,012	46,301,213	46,539,368	43,531,148
5,227,040	4,940,265	4,917,349	4,373,871	3,913,839	3,910,501
10,914,226	10,226,319	9,906,322	9,350,631	9,148,834	8,473,152
2,673,018	2,805,029	2,566,441	2,663,422	2,584,709	3,048,487
2,248,721	2,065,302	1,597,677	1,484,142	2,485,196	1,773,900
2,122,678	1,933,925	1,892,886	1,866,882	1,652,553	1,575,133
3,493,592	3,303,044	3,046,111	3,060,406	3,129,312	3,242,171
832,129	872,263	854,279	966,732	953,797	938,187
4,275,086	4,045,280	3,709,805	3,410,401	3,296,010	3,064,897
4,745,672	4,232,615	5,076,544	3,500,220	3,055,668	3,975,255
8,879,662	9,045,392	7,665,202	6,790,798	6,450,441	5,781,303
8,105,241	7,105,369	6,097,517	5,865,340	6,050,306	5,630,328
2,095,278	1,825,038	1,685,342	1,233,997	1,193,859	1,402,372
619,816	549,434	515,116	538,980	548,322	585,424
56,232,159	52,949,275	49,530,591	45,105,822	44,462,846	43,401,110

Indian Hills Community College  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

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		\$ 23,594	-
U.S. Department of Commerce:				
Investments for Public Works and Economic Development Facilities	11.300		23,570	-
U.S. Department of Labor:				
Community Based Job Training Grants	17.269		57,538	-
National Science Foundation:				
Education and Human Resources	47.076		133,084	-
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007 *		121,620	-
Higher Education Institutional Aid	84.031		431,648	-
Federal Work-Study Program	84.033 *		138,292	-
Federal Pell Grant Program	84.063 *		9,453,854	-
Fund for the Improvement of Postsecondary Education	84.116		74,888	-
Federal Direct Student Loans	84.268 *			17,384,416
TRIO Cluster:				
TRIO_Student Support Services	84.042		225,376	-
TRIO_Upward Bound	84.047		45,463	-
TRIO_Educational Opportunity Centers	84.066		222,329	-
Total TRIO Cluster			493,168	-
Total Direct			10,951,256	17,384,416
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Child and Adult Care Food Program	10.558		32,688	-
U.S. Department of Labor:				
Des Moines Area Community College:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-23755-12-60-A-19	207,398	-



Indian Hills Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2013

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	13-W-15-FR-0	191,412	-
WIA Youth Activities	17.259	13-W-15-FR-0	342,449	-
WIA Dislocated Worker Formula Grants	17.278	13-W-15-FR-0	412,834	-
Total WIA Cluster			946,695	
U.S. Small Business Administration:				
Iowa State University:				
Small Business Development Centers	59.037		70,579	-
U.S. Department of Education:				
Iowa Department of Education:				
Adult Education - Basic Grants to States	84.002		155,963	-
Career and Technical Education - Basic Grants to States	84.048		495,462	-
U.S. Department of Health and Human Services:				
Iowa Department of Workforce Development:				
Temporary Assistance for Needy Families	93.558	13-W-15-FR-0	924,252	-
Total Indirect			2,833,037	-
Total			\$ 13,784,293	17,384,416

\* - Total for Student Financial Assistance Cluster is \$27,098,182.

**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**



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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Indian Hills Community College, Ottumwa, Iowa, and the aggregate discretely presented component units as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 12, 2013. Our report includes a reference to other auditors who audited the financial statements of the Indian Hills Community College Development Corp., Inc. and the Indian Hills Community College Foundation, Inc., as described in our report on Indian Hills Community College's financial statements. The financial statements of the Indian Hills Community College Development Corp., Inc. and the Indian Hills Community College Foundation, Inc., were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

## 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 that are required to be reported under Government Auditing Standards.


Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## Purpose of this Report

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

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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 12, 2013



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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Mary Mosiman, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
For Each Major Federal Program, on Internal Control over Compliance and on  
the Schedule of Expenditures of Federal Awards Required  
by OMB Circular A-133

To the Board of Trustees of  
Indian Hills Community College:

Report on Compliance for Each Major Federal Program

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, 2013. Indian Hills Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Indian Hills Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Indian Hills Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Indian Hills Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.


## Report on Internal Control Over Compliance


The management of Indian Hills Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Indian Hills Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 12, 2013

Indian Hills Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

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

- (a) An unmodified 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 unmodified 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 17.282 – Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants
  - CFDA Number 84.031 – Higher Education\_Institutional Aid
  - Clustered Programs:
    - WIA Cluster:
      - CFDA Number 17.258 – WIA Adult Program
      - CFDA Number 17.259 – WIA Youth Activities
      - CFDA Number 17.278 –WIA Dislocated Workers Formula Grants
    - 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
- (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  
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Year ended June 30, 2013

**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  
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**Part IV: Other Findings Related to Required Statutory Reporting:**

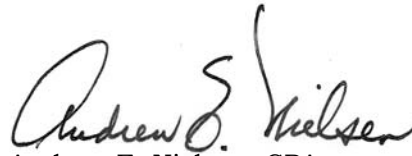
- IV-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 did not exceed the amount budgeted.
- IV-B-13 Questionable Disbursements – No expenditures we believe did not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-13 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-13 Business Transactions and Competitive Bidding Requirements – Business transactions between the College and College officials as detailed as follows:
- | Name, Title and<br>Business Connection             | Transaction<br>Description         | Amount    |
|--|------------------------------------|-----------|
| Tom Keck, Trustee, President<br>of Winger Services | Maintenance and repair,<br>per bid | \$103,951 |
- In accordance Chapter 279.7A of the Code of Iowa, the above transaction with Winger Services does not appear to represent a conflict of interest since it was competitively bid.
- IV-E-13 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-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-13 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-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the College’s investment policy were noted.
- IV-I-13 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:

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