



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

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**NEWS RELEASE**

FOR RELEASE December 7, 2004

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

The College implemented a new reporting standard for the year ended June 30, 2004 to report the Indian Hills Community College Foundation and Indian Hills Community College Development Corporation as component units of the College.

The College's primary government operating revenues totaled \$27,073,946 for the year ended June 30, 2004, including \$7,399,001 from tuition and fees, \$8,925,246 from the federal government and \$6,193,480 from auxiliary enterprises.

Operating expenses for the year totaled \$41,197,340, and included \$23,546,381 for salaries and benefits, \$6,041,270 for services and \$2,140,743 for materials and supplies.

The College reported an operating loss of \$14,123,394. In general, a public college, such as Indian Hills Community College, will report an operating loss, as the financial reporting model classifies state appropriations and property tax as non-operating revenues. Non-operating revenues totaled \$15,470,941, and included \$11,593,825 from state appropriations, \$3,179,361 from local tax and \$431,377 from gifts from the Indian Hills Community College Foundation. Non-operating expenses totaled \$1,033,080, and included \$843,239 from interest on indebtedness. The College ended the year with an increase in net assets of \$314,467.

A copy of the audit report is available for review in the Office of Auditor of State and the Board Secretary's office.

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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, 2004**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		8-14
Basic Financial Statements:	<u>Exhibit</u>	
Statement of Net Assets	A	16-17
Statement of Revenues, Expenses and Changes in Net Assets	B	18-19
Statement of Cash Flows	C	20-21
Component Unit Financial Statements:		
Statement of Net Assets	D	22
Statement of Revenue, Expenses and Changes in Net Assets	E	23
Notes to Financial Statements		24-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Expenditures – Budget and Actual		36
Note to Required Supplementary Information – Budgetary Reporting		37
Other Supplementary Information:	<u>Schedule</u>	
Balance Sheet – All Funds	1	40-43
Schedule of Revenues, Expenditures and Changes in Fund Balances – All Funds	2	44-47
Unrestricted Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balances – Education and Support	3	48-49
Schedule of Revenues, Expenditures and Changes in Fund Balances – Auxiliary Enterprises	4	50
Schedule of Revenues, Expenditures and Changes in Fund Balances – Restricted Fund	5	52-53
Schedule of Changes in Deposits Held in Custody for Others	6	54
Schedule of Credit and Contact Hours	7	56
Schedule of Tax and Intergovernmental Revenues	8	57
Schedule of Current Fund Revenues by Source and Expenditures by Function	9	58
Schedule of Expenditures of Federal Awards	10	59-60
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting		61-62
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance		63-64
Schedule of Findings and Questioned Costs		65-67
Staff		68

## Indian Hills Community College

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Directors</b> (Before September 2002 Election)		
Jim Dorothy	President	2005
Robert L. Pitsch	Vice President	2003
Tom Keck	Member	2003
Richard C. Sharp	Member	2003
Sharon Kline	Member	2004
Kevin M. Kness	Member	2004
John Pothoven	Member	2004
Dr. Donald Berg	Member	2005
H. Roy Lamansky	Member	2005

### Board of Directors (After September 2003 Election)

Jim Dorothy	President	2005
Robert L. Pitsch	Vice President	2006
Sharon Kline	Member	2004
Kevin M. Kness	Member	2004
John Pothoven	Member	2004
Dr. Donald Berg	Member	2005
H. Roy Lamansky	Member	2005
Tom Keck	Member	2006
Richard C. Sharp	Member	2006

### Community College

Dr. Jim Lindenmayer	President
Keith Sasseen	Vice President/Dean of Finance and Records and Board Treasurer
Susan Pixley	Controller
Anne Leathers	College Accountant
Jo Altheide	Grants Accountant

**Indian Hills Community College**



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Independent Auditor's Report

To the Board of Directors of  
Indian Hills Community College:

We have audited the accompanying financial statements of Indian Hills Community College, Ottumwa, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2004, which collectively comprise the College's basic financial statements listed in the table of contents. These financial statements are the responsibility of Indian Hills Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units of the Community College as discussed in note 1, which represent 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to those units is based on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian Hills Community College and its aggregate discretely presented component units at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in note 13 to the financial statements, during the year ended June 30, 2004, Indian Hills Community College adopted Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations Are Component Units.

In accordance with Government Auditing Standards, we have also issued our reports dated September 30, 2004 on our consideration of Indian Hills Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 14 and 36 through 37, respectively, are not required parts of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Indian Hills Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 30, 2004

**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, 2004. We encourage readers to consider this information in conjunction with the financial statements that follow.

### **2004 FINANCIAL HIGHLIGHTS**

- College operating revenues increased 7.7% in the category of tuition and fees. The increase is attributable to a tuition rate increase and enrollment growth.
- For fiscal 2004, state appropriations dropped by approximately 1% compared to the fiscal year 2003 funding level.
- During FY 2004, the net assets of the College increased by \$314,467.
- The College established an endowment fund to stabilize and support the Unrestricted Fund operations.

### **USING THIS ANNUAL REPORT**

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

### **REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES**

#### **Statement of Net Assets**

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

## Net Assets

	June 30	
	2004	2003
Current and other assets	\$ 30,084,250	33,073,411
Capital assets, net of accumulated depreciation	35,391,580	33,172,806
Total assets	65,475,830	66,246,217
Current liabilities	8,864,317	10,151,619
Noncurrent liabilities	12,932,448	12,730,000
Total liabilities	21,796,765	22,881,619
Net assets:		
Invested in capital assets, net of related debt	31,311,580	28,022,806
Restricted	1,183,602	1,254,531
Unrestricted	11,183,883	14,087,261
Total net assets	\$ 43,679,065	43,364,598

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

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

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

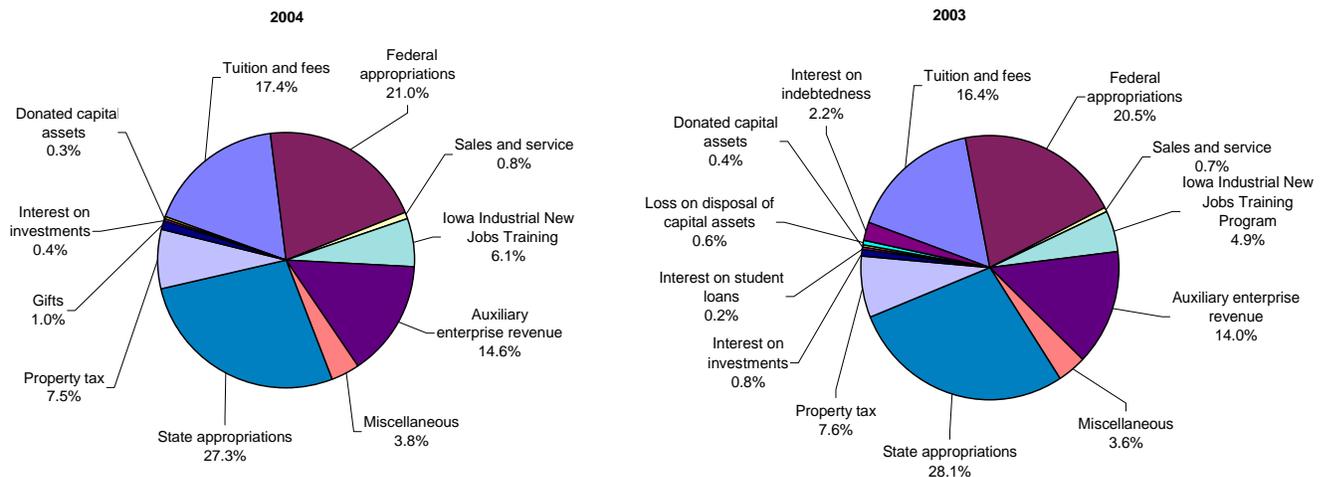
Generally, a public, state supported college such as Indian Hills will report an operating loss, as the financial reporting model required by GASB 34/35 classifies state appropriations and property tax as non-operating revenues. Operating revenue is defined to include only revenues that are received for providing goods and services to the various students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services (performance of the college mission) provided in return for the operating revenues. 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, which allocates the cost of an asset over its expected useful life.

## Changes in Net Assets

	Year ended June 30,	
	2004	2003
Operating revenues:		
Tuition and fees	\$ 7,399,001	6,867,023
Federal appropriations	8,925,246	8,552,156
Sales and service	345,413	305,614
Iowa Industrial New Jobs Training Program	2,605,028	2,044,904
Auxiliary enterprise revenue	6,193,480	5,872,087
Miscellaneous	1,605,778	1,514,942
Total operating revenues	27,073,946	25,156,726
Total operating expenses		
	41,197,340	38,269,220
Operating loss	(14,123,394)	(13,112,494)
Non-operating revenues (expenses):		
State appropriations	11,593,825	11,740,024
Property tax	3,179,361	3,163,315
Gifts	431,377	-
Interest on investments	155,228	332,732
Interest on student loans	-	76,330
Donated capital assets	111,150	152,602
Loss on disposal of capital assets	(189,841)	(251,707)
Interest on indebtedness	(843,239)	(921,983)
Net non-operating revenues	14,437,861	14,291,313
Increase in net assets	314,467	1,178,819
Net assets beginning of year	43,364,598	42,185,779
Net assets end of year	\$ 43,679,065	43,364,598

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

### Total Revenue by Source



In fiscal year 2004, operating revenues totaled \$27.1 million and net non-operating revenues totaled \$14.4 million. Observations regarding the changes in operating and non-operating revenues follow:

- Tuition and fee income increased by approximately \$531,978. The increase was a result of the 10% tuition increase effective fall term 2003 and a 2% growth in credit hour enrollment.
- Iowa Industrial New Jobs Training Program revenues showed an increase of 27% over the previous fiscal year.
- Sales and services of auxiliary enterprises increased, generally attributable to College bookstore operations.
- After a 2.5% across the board reduction in state appropriations and supplemental allocations, state aid for FY 2004 dropped to 99% of the FY 2003 funding level.
- Interest on investments fell by over 50% related to lower interest rates and balances available for investment.
- The College discontinued participation in the Perkins Federal Loan program at the end of fiscal 2003. Therefore, no interest revenue on student loans was received in the 2004 fiscal year.

### Operating Expenses

	Year ended June 30,	
	2004	2003
Education and support:		
Liberal arts and sciences	\$ 3,835,129	3,446,451
Vocational technical	8,278,259	7,656,124
Adult education	2,854,038	2,793,894
Cooperative services	1,773,101	1,257,476
Administration	1,524,255	1,502,850
Student services	3,125,826	2,950,658
Learning resources	925,271	852,770
Physical plant	3,046,184	3,062,681
General institution	3,915,154	2,908,017
Auxiliary enterprises	5,685,781	5,584,415
Scholarships and grants	2,943,443	2,859,775
Workforce Investment Act	1,399,255	1,435,059
Loan cancellations and bad debts	45,542	84,906
Plant operations	425,461	504,822
Depreciation	1,420,641	1,369,322
Total	\$ 41,197,340	38,269,220

The following factors address some causes of increased expenses:

- Expenditures for salaries and wages increased in all functional categories due to salary increases and additional employment relating to increased enrollments and services provided to students.
- As Iowa Industrial New Jobs revenue increased, there was a corresponding increase in Cooperative services expenses related to Iowa Code Chapter 260E project training reimbursements. This program issues debt to cashflow the reimbursement of training costs for new job creation. The debt is paid off over a ten-year period by diversion of Iowa income tax withholding.
- The increased expense in the category of Education and Support, General Institution is attributable to the accrual at June 30, 2004 of the cost of the early retirement plan offered to qualifying employees.
- Expenditure categories were carefully budgeted and monitored to maintain an excess of revenue over expenditures.

## Statement of Cash Flows

The Statement of Cash Flows is an important tool in helping users assess an entity'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 financing and investing activities.

### Cash Flows

	Year ended June 30,	
	2004	2003
Cash provided (used) by:		
Operating activities	\$(12,192,354)	(9,965,588)
Non-capital financing activities	14,607,454	13,113,669
Capital and related financing activities	(5,028,411)	(3,473,466)
Investing activities	7,390,404	881,697
Net increase in cash	4,777,093	556,312
Cash and cash equivalents beginning of the year	8,197,020	7,640,708
Cash and cash equivalents end of the year	\$ 12,974,113	8,197,020

Cash provided by operating activities includes revenues from tuition and fees, grants, contracts and auxiliary enterprise receipts. Cash used by 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, local property tax, the receipt and disbursement of federal direct loan program proceeds and issuance of debt for the New Jobs Training Programs. Cash used for capital and related financing activities represents the principal and interest payments on debt and the purchase of capital assets. Cash provided by investing activities includes interest income earned and proceeds from investments.

### CAPITAL ASSETS

At June 30, 2004, the College had \$35 million invested in capital assets, net of accumulated depreciation of approximately \$16 million. Depreciation charges totaled \$1,420,641 for the 2004 fiscal year. A summary breakdown of capital assets net of accumulated depreciation is shown below.

### Net Capital Assets

	June 30,	
	2004	2003
Land	\$ 397,885	374,635
Construction in progress	3,013,445	1,650,452
Capital assets not depreciated	3,411,330	2,025,087
Buildings	29,466,913	29,162,870
Improvements	1,268,000	605,271
Equipment and vehicles	1,245,337	1,379,578
Total	\$ 35,391,580	33,172,806

Capital expenditures during the 2004 fiscal year completed renovation of circa 1960 college dormitories to apartment style living and significant remodeling and updating of the St. John Auditorium. At the Airport Campus, WWII buildings no longer usable by the College were removed. The Centerville Campus hosted remodeling projects in the student union facility, classrooms and office area. The College continues to pursue funding through the Rural Health Education Program to provide an expansion of classroom space for health occupations programs. With the inception of the six-cent levy for instructional equipment, upgrades continue to keep pace with technology and student demand. A five-year replacement schedule is in place to maintain computer technology equipment at required levels. Facility maintenance and roof replacement are also scheduled to meet needs and budgetary constraints. Additional information is provided in Note 4 to the financial statements.

**LONG-TERM DEBT**

Outstanding debt at June 30, 2004 was \$14,470,000. General obligation bonds (school refunding bonds, series 1999) were paid off as of December 2003 with a final principal payment of \$890,000. Current debt consists of certificates issued for Iowa New Jobs Training projects and dormitory revenue bonds. Detailed information is presented in Note 5 to the financial statements.

**Outstanding Debt**

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Certificates payable	\$ 10,390,000	\$ 10,280,000
Bonds payable	<u>4,080,000</u>	<u>5,150,000</u>
Total	<u>\$14,470,000</u>	<u>\$15,430,000</u>

**ECONOMIC FACTORS**

Indian Hills Community College maintained its financial position during the current fiscal year. However, the economic position of the College is closely tied to that of the State of Iowa and the current condition of the economy and educational funding remains a concern to College officials. Like many state assisted community colleges, Indian Hills faces the following potential financial challenges:

- If state aid remains stagnant, there will be an increased reliance on tuition revenue. Savings accruing from response to an early retirement plan enabled the College to hold the FY 2005 tuition increase to \$4 per credit hour (the lowest increase among the 15 Iowa community colleges).
- Increased tuition is followed by an increased need for financial aid and scholarship opportunities.
- Labor and operational expenses continue to increase.
- College facilities require continual maintenance and upkeep.
- Technology continues to advance rapidly, challenging the college to provide instructional equipment and conduct operations at current technological levels.

The College anticipates fiscal year 2005 to follow the same pattern as the previous year, requiring close budget monitoring, the pursuit of new revenue resources and flexibility to react to unknown issues. Our emphasis continues to fulfill the mission of Indian Hills Community College while maintaining high quality instructional programs and services.

## **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**

**Exhibit A**

## Indian Hills Community College

## Statement of Net Assets

June 30, 2004

	<u>Primary Government</u>	<u>Component Units</u>
<b>Assets</b>		
Current assets:		
Cash and investments:		
Cash and pooled investments	\$ 12,974,113	7,719,386
ISJIT investments	4,286,541	-
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$275,372	1,703,641	122,728
Mortgages	-	8,147
Succeeding year property tax	2,596,000	-
Due from other governments	1,162,005	-
Prepaid expense	39,780	-
Unamortized bond issue expense	1,561,175	-
Inventories	822,491	-
Total current assets	<u>25,145,746</u>	<u>7,850,261</u>
Noncurrent assets:		
Investments	-	4,726,879
ISJIT investments	2,407,788	-
Receivable for Iowa Industrial New Jobs Training Program	2,530,716	-
Capital assets, net of accumulated depreciation	35,391,580	7,862
Total noncurrent assets	<u>40,330,084</u>	<u>4,734,741</u>
<b>Total assets</b>	<u>65,475,830</u>	<u>12,585,002</u>

Indian Hills Community College

Statement of Net Assets

June 30, 2004

	Primary Government	Component Units
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	480,880	76,957
Salaries and benefits payable	616,711	-
Interest payable	56,179	-
Deferred revenue:		
Succeeding year property tax	2,596,000	-
Other	2,005,019	-
Early retirement payable	807,652	-
Compensated absences payable	443,084	-
Deposits held in custody for others	123,792	54,600
Certificates payable	1,550,000	-
Bonds payable	185,000	-
Total current liabilities	<u>8,864,317</u>	<u>131,557</u>
Noncurrent liabilities:		
Early retirement payable	197,448	-
Certificates payable	8,840,000	-
Bonds payable	3,895,000	-
Total noncurrent liabilities	<u>12,932,448</u>	<u>-</u>
<b>Total liabilities</b>	<u>21,796,765</u>	<u>131,557</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	31,311,580	7,862
Restricted:		
Nonexpendable:		
Other	-	872,128
Expendable:		
Scholarships and fellowships	20,493	-
Debt service	745,865	-
Cash reserve	288,745	-
Other	128,499	8,307,322
Unrestricted	11,183,883	3,266,133
<b>Total net assets</b>	<u>\$ 43,679,065</u>	<u>\$ 12,453,445</u>

See notes to financial statements.

**Exhibit B**

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

Year ended June 30, 2004

	<u>Primary Government</u>	<u>Component Units</u>
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$2,686,885	\$ 7,399,001	-
Federal appropriations	8,925,246	-
Sales and services	345,413	-
Iowa Industrial New Jobs Training Program	2,605,028	-
Auxiliary enterprises revenue	6,193,480	-
Contributions	-	6,236,643
Rental income and facility management	-	376,234
Fines, damages and forfeitures	-	25,856
Miscellaneous	1,605,778	130,217
Total operating revenues	<u>27,073,946</u>	<u>6,768,950</u>
Operating expenses:		
Education and support:		
Liberal arts and sciences	3,835,129	-
Vocational technical	8,278,259	-
Adult education	2,854,038	-
Cooperative services	1,773,101	-
Administration	1,524,255	-
Student services	3,125,826	-
Learning resources	925,271	-
Physical plant	3,046,184	-
General institution	3,915,154	-
Auxiliary enterprises	5,685,781	-
Scholarships and grants	2,943,443	-
Workforce Investment Act	1,399,255	-
Loan cancellations and bad debts	45,542	-
Plant operations	425,461	-
General and administrative	-	116,228
Program expenses	-	290,033
Farm and rental expenses	-	79,737
Depreciation	1,420,641	5,649
Total operating expenses	<u>41,197,340</u>	<u>491,647</u>
Operating income (loss)	<u>(14,123,394)</u>	<u>6,277,303</u>

Indian Hills Community College  
Statement of Revenues, Expenses and  
Changes in Net Assets  
Year ended June 30, 2004

	<u>Primary Government</u>	<u>Component Units</u>
Non-operating revenues (expenses):		
State appropriations	11,593,825	-
Property tax	3,179,361	-
Gifts from Indian Hills Community College Foundation	431,377	-
Interest on investments	155,228	310,155
Donated capital assets	111,150	-
Gain (loss) on sale of capital assets	(189,841)	713,661
Gifts to Indian Hills Community College	-	(431,377)
Interest on indebtedness	(843,239)	-
Net non-operating revenues (expenses)	<u>14,437,861</u>	<u>592,439</u>
Change in net assets	314,467	6,869,742
Net assets beginning of year	<u>43,364,598</u>	<u>5,583,703</u>
Net assets end of year	<u>\$ 43,679,065</u>	<u>\$ 12,453,445</u>

See notes to financial statements.

## Indian Hills Community College

## Statement of Cash Flows

Year ended June 30, 2004

Cash flows from operating activities:	
Tuition and fees	\$ 7,363,734
Federal appropriations	8,513,633
Iowa Industrial New Jobs Training Program	2,891,268
Payments to employees for salaries and benefits	(22,171,055)
Payments to suppliers for goods and services	(12,088,894)
Payments to NJTP recipients	(1,606,963)
Scholarships	(2,943,442)
Payments to subrecipients	(297,704)
Loan collections from students	2,398
Auxiliary enterprise receipts	6,193,480
Other receipts	1,951,191
Net cash used by operating activities	<u>(12,192,354)</u>
Cash flows from non-capital financing activities:	
State appropriations	11,593,825
Property tax	3,179,361
Gifts	431,377
Federal direct lending receipts	8,411,730
Federal direct lending disbursements	(8,411,730)
Proceeds from issuance of debt	2,140,000
Principal paid on debt	(2,030,000)
Interest paid on debt	(546,755)
Agency receipts	1,678,166
Agency disbursements	(1,838,520)
Net cash provided by non-capital financing activities	<u>14,607,454</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	2,675
Acquisition of capital assets	(3,720,781)
Principal paid on debt	(1,070,000)
Interest paid on debt	(240,305)
Net cash used by capital and related financing activities	<u>(5,028,411)</u>
Cash flows from investing activities:	
Interest on investments	155,228
Proceeds from investments	7,235,176
Net cash provided by investing activities	<u>7,390,404</u>
Net increase in cash and cash equivalents	4,777,093
Cash and cash equivalents beginning of year	<u>8,197,020</u>
Cash and cash equivalents end of year	<u>\$ 12,974,113</u>

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2004

Reconciliation of operating loss to net cash  
used by operating activities:

Operating loss	<u>\$ (14,123,394)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,420,641
Provisions for doubtful accounts	48,747
Changes in assets and liabilities:	
Decrease in accounts receivable	674,471
Decrease in notes receivable	2,398
Decrease in NJTP receivable	131,165
(Increase) in due from other governments	(411,612)
(Increase) in prepaid expenses	(38,555)
(Increase) in unamortized bond issue expense	(41,663)
(Increase) in inventories	(110,873)
(Decrease) in accounts payable	(561,143)
Increase in salaries and benefits payable	273,154
(Decrease) in deferred revenue	(557,868)
Increase in compensated absences	97,078
Increase in early retirement payable	<u>1,005,100</u>
 Total adjustments	 <u>1,931,040</u>
 Net cash used by operating activities	 <u><u>\$ (12,192,354)</u></u>

Noncash, capital and related financing activities:

The College received donated capital assets with a fair market value of \$111,150.

See notes to financial statements.

**Exhibit D**

## Indian Hills Community College

Statement of Net Assets  
Component Units

June 30, 2004

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
<b>Assets</b>			
Current assets:			
Cash and investments:			
Cash and pooled investments	\$ 159,887	7,559,499	7,719,386
Receivables:			
Accounts	19,801	102,927	122,728
Mortgages	-	8,147	8,147
Total current assets	<u>179,688</u>	<u>7,670,573</u>	<u>7,850,261</u>
Noncurrent assets:			
Cash and pooled investments	-	4,726,879	4,726,879
Capital assets, net of accumulated depreciation	<u>7,862</u>	<u>-</u>	<u>7,862</u>
Total noncurrent assets	<u>7,862</u>	<u>4,726,879</u>	<u>4,734,741</u>
<b>Total assets</b>	<u>187,550</u>	<u>12,397,452</u>	<u>12,585,002</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	64,755	12,202	76,957
Deposits	54,600	-	54,600
Total current liabilities	<u>119,355</u>	<u>12,202</u>	<u>131,557</u>
<b>Total liabilities</b>	<u>119,355</u>	<u>12,202</u>	<u>131,557</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	7,862	-	7,862
Restricted:			
Nonexpendable:			
Other	-	872,128	872,128
Expendable:			
Other	-	8,307,322	8,307,322
Unrestricted	<u>60,333</u>	<u>3,205,800</u>	<u>3,266,133</u>
<b>Total net assets</b>	<u>\$ 68,195</u>	<u>12,385,250</u>	<u>12,453,445</u>

See notes to financial statements.

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

Year ended June 30, 2004

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Operating revenues:			
Contributions	\$ -	6,236,643	6,236,643
Rental income and facility management	376,234	-	376,234
Fines, damages and forfeitures	25,856	-	25,856
Miscellaneous	11,317	118,900	130,217
Total operating revenues	<u>413,407</u>	<u>6,355,543</u>	<u>6,768,950</u>
Operating expenses:			
General and administrative	100,653	15,575	116,228
Program expenses	290,033	-	290,033
Farm and rental expenses	-	79,737	79,737
Depreciation	5,649	-	5,649
Total operating expenses	<u>396,335</u>	<u>95,312</u>	<u>491,647</u>
Operating income	<u>17,072</u>	<u>6,260,231</u>	<u>6,277,303</u>
Non-operating revenues:			
Interest income on investments net of \$25,671 of investment expense	342	309,813	310,155
Gain on sale of capital assets	-	713,661	713,661
Gifts to Indian Hills Community College	-	(431,377)	(431,377)
Net non-operating revenues	<u>342</u>	<u>592,097</u>	<u>592,439</u>
Change in net assets	17,414	6,852,328	6,869,742
Net assets beginning of year	50,781	5,532,922	5,583,703
Net assets end of year	<u>\$ 68,195</u>	<u>12,385,250</u>	<u>12,453,445</u>

See notes to financial statements.

Indian Hills Community College

Notes to Financial Statements

June 30, 2004

**(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. The College offers programs of adult and continuing education, lifelong learning, community education and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. 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 Directors 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 presented 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.

Discrete Component Units

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

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

B. Financial Statement 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 three net asset categories:

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

Restricted Net Assets:

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

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

Unrestricted Net Assets: Net assets not subject to externally imposed stipulations. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and general programs of the College.

GASB Statement No. 35 also requires the Statements of Net Assets, Revenues, Expenses and Changes in Net Assets and Cash Flows be reported on a consolidated basis. The 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 Assets

Cash and Pooled Investments – Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amount 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 Directors to the appropriate County Auditors. The succeeding year property tax receivable represents taxes certified by the Board of Directors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Directors is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenses incurred through June 30, 2004 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

<u>Asset class</u>	<u>Amount</u>
Land, buildings and improvements	\$25,000
Equipment and vehicles	5,000

Depreciation 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
Equipment	3-10
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.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Compensated Absences – College employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2004.

Auxiliary Enterprise Revenues – Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, food service, word processing, 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 load study distributions supplied by the College Registrar.

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

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

E. Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method, as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third party payments (credited to the student’s account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid 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, 2004 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 Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The College had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$6,694,329 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Inventories**

The College’s inventories at June 30, 2004 are as follows:

Type	Amount
Supplies and materials	\$ 321,053
Work in progress	359,009
Merchandise held for resale	142,429
Total	\$ 822,491

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 374,635	23,250	-	397,885
Construction in progress	1,650,452	2,809,227	1,446,234	3,013,445
Total capital assets not being depreciated	2,025,087	2,832,477	1,446,234	3,411,330
Capital assets being depreciated:				
Buildings	39,542,285	1,241,022	3,983	40,779,324
Improvements other than buildings	1,095,332	706,542	-	1,801,874
Equipment and vehicles	5,527,769	498,125	468,498	5,557,396
Total capital assets being depreciated	46,165,386	2,445,689	472,481	48,138,594
Less accumulated depreciation for:				
Buildings	10,379,415	936,978	3,982	11,312,411
Improvements other than buildings	490,061	43,813	-	533,874
Equipment and vehicles	4,148,191	439,850	275,982	4,312,059
Total accumulated depreciation	15,017,667	1,420,641	279,964	16,158,344
Total capital assets being depreciated, net	31,147,719	1,025,048	192,517	31,980,250
Capital assets, net	\$33,172,806	3,857,525	1,638,751	35,391,580

**(5) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	Certificates Payable	Bonds Payable	Total
Balance beginning of year	\$10,280,000	5,150,000	15,430,000
Additions	2,140,000	-	2,140,000
Reductions	2,030,000	1,070,000	3,100,000
Balance end of year	\$10,390,000	4,080,000	14,470,000

Certificates Payable

In accordance with agreements dated between June 13, 1995 and April 14, 2004, the College issued certificates totaling \$18,985,000 with interest rates ranging from 3.41% to 7.82%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 1,550,000	512,747	2,062,747
2006	1,765,000	471,390	2,236,390
2007	1,790,000	371,375	2,161,375
2008	1,650,000	279,247	1,929,247
2009	1,190,000	192,955	1,382,955
2010-2014	2,445,000	298,650	2,743,650
Total	\$ 10,390,000	2,126,364	12,516,364

Dormitory Revenue Bonds

On March 1, 2000, the College issued revenue bonds of \$5,000,000 for the construction of a new dormitory as allowed by Section 260C.19 of the Code of Iowa and approved by the Iowa Department of Education. The interest rate is 5.15% and the College is required to make semiannual interest payments and annual principal payments with a final maturity date of June 2, 2019. The bonds are to be repaid with anticipated revenue from dormitory operations. In fiscal year 2004, principal payments totaled \$180,000.

Details of the College's June 30, 2004 dormitory revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2000			
	Interest Rates	Principal	Interest	Total
2005	5.15%	\$ 185,000	210,120	395,120
2006	5.15	195,000	200,593	395,593
2007	5.15	205,000	190,550	395,550
2008	5.15	215,000	179,993	394,993
2009	5.15	230,000	168,920	398,920
2010-2014	5.15	1,335,000	654,823	1,989,823
2015-2019	5.15	1,715,000	273,980	1,988,980
Total		\$ 4,080,000	1,878,978	5,958,978

**(6) 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 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$631,988, \$602,522 and \$536,149, respectively, equal to the required contributions for each year.

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

The College contributes to the TIAA-CREF retirement program, which is a defined contribution 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 3.70% and the College is required to contribute 5.75%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2004 were \$333,059 and \$217,478, respectively.

**(8) Risk Pool**

The College is a member in 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 six members include Iowa Community Colleges. The Program was incorporated in May 1988 for the purpose of managing and funding insurance against 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 and boiler and machinery. There have been no reductions in insurance coverage from prior years.

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

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

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self insured retention of \$100,000 per claim, except for workers' compensation which has a self insured retention of \$200,000. Excess insurance for all lines is \$900,000 per occurrence, except workers compensation which is \$150,000. There is additional excess above that for another \$9,000,000 per member. Property is insured with excess coverage over the self insured retention of up to \$99,000,000. Stop gap loss protection is provided above the member's loss fund.

The Program's intergovernmental contract with its members provides that in the event any claim or series of claims exceeds the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The College does not report a liability for losses in excess of reinsurance unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the College's financial statements. As of June 30, 2004, 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 underground storage tanks. 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.

**(9) Employee Health Insurance Plan**

The Indian Hills Community College Employee Group Health Fund was established to account for the partial self funding of the College’s health insurance benefit plan. The plan is funded by both employee and College contributions and is administered through service agreements with Employee Group Services. The agreements are subject to automatic renewal provisions. The College assumes liability for claims up to the individual stop loss limitation of \$30,000 per person. Claims in excess of coverage are insured through purchase of stop loss insurance through commercial carriers.

Monthly payments of service fees and plan contributions to the College’s Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services from the Employee Group Health Fund. The College records the plan assets and related liabilities of the Employee Group Health Fund as an Unrestricted Current Fund. Total contributions to the fund for the year ended June 30, 2004 were \$1,140,747.

Amounts payable from the Employee Group Health Fund at June 30, 2004 total \$57,162, which is for claims incurred and not paid as of June 30, 2004. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in the past year. Information on changes in the aggregate liabilities for claims for the current year is as follows:

	Liability, Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability, End of Year
Year ended June 30, 2004	\$ 71,432	1,017,723	(1,031,993)	57,162

**(10) 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 55 projects, with 19 currently receiving project funding. Of the remaining 36 projects, 33 projects have been completed and only repayment of the certificates is left. Three projects have defaulted, one of which was repaid by the guarantor bank and one is being paid by standby levy. In cases where projects exceed the budgeted amounts, the College intends to obtain additional withholding revenue from the companies.

The College also administered the Iowa Small Business New Jobs Training Program (SBNJTP) in Area XV in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses received loans from the Iowa Employment Training Fund, a State administered fund. Since inception, the College administered ten projects. Of the ten projects, four were completed and six defaulted.

**(11) Early Retirement**

On November 10, 2003, the Board of Directors passed an Early Retirement Program. The program enrollment period ran from November 11, 2003 until January 15, 2004. Full-time staff who were between the ages of 55 and 65, had been employed by the College continually for the previous 10 years and were eligible for the College's group health plan during those 10 years were eligible.

Early retirement would begin at the end of the employee's contract or by June 30, 2004. Employee's who accept early retirement would receive a cash payment equal to 5% of the employee's annualized salary for each full year of employment up to 100%. The employee had the option to receive a one time payment or installments as approved by the employee and the College. Employees could also elect to receive single coverage health insurance paid by the College until the age of 65, or a cash payment made monthly for a maximum of 12 months or until age 65.

The liability at June 30, 2004 for those employees who have elected early retirement was \$1,005,100. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2004, \$7,430 was paid from the Unrestricted Fund.

**(12) Segment Reporting**

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

Dormitory revenue bonds were issued for the construction of a new 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 room and board contracts.

	Residence System
<b>Condensed Statement of Net Assets</b>	
Assets:	
Current assets	\$ 429,649
Capital assets, net of accumulated depreciation	8,890,165
Total assets	9,319,814
Liabilities:	
Current liabilities	185,000
Noncurrent liabilities	3,895,000
Total liabilities	4,080,000
Net assets:	
Invested in capital assets, net of related debt	4,810,165
Restricted	429,649
Total net assets	\$ 5,239,814

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

Operating revenues:	
Sales and services	\$ 535,428
Operating expenses	(340,397)
Depreciation	(204,918)
Operating income	(9,887)
Nonoperating income:	
Investment income	3,267
Decrease in net assets	(6,620)
Net assets beginning of year	5,246,434
Net assets end of year	\$ 5,239,814

**Condensed Statement of Cash Flows**

Net cash flows provided by operating activities	\$ 414,421
Net cash flows provided by investing activities	3,267
Net cash flows used in capital and related financing activities	(399,390)
Net increase in cash and cash equivalents	18,298
Cash and cash equivalents beginning of year	411,351
Cash and cash equivalents end of year	\$ 429,649

**(13) Accounting Change**

For the year ended June 30, 2004, the College implemented Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations Are Component Units. The significant change in the financial statements includes reporting the financial statements of Indian Hills Community College Foundation and Indian Hills Community College Development Corporation as discretely presented component units. Since the component units are discretely presented, there is no change in the College's previously reported net assets.

**Required Supplementary Information**

Indian Hills Community College  
 Budgetary Comparison Schedule of Expenditures  
 Budget and Actual

Required Supplementary Information

Year ended June 30, 2004

Funds/Levy	Original Budget	Amended Budget	Actual	Variance between Actual and Amended Budget
Unrestricted	\$ 24,850,000	27,823,109	24,685,407	3,137,702
Restricted	7,509,000	7,509,000	4,303,432	3,205,568
Unemployment	40,000	40,000	12,524	27,476
Insurance	430,000	430,000	403,683	26,317
Tort Liability	70,000	70,000	132,209	(62,209)
Early Retirement	-	-	930,031	(930,031)
Standby	7,730	7,730	-	7,730
Equipment Replacement	120,161	120,161	119,821	340
Total Restricted	<u>8,176,891</u>	<u>8,176,891</u>	<u>5,901,700</u>	<u>2,275,191</u>
Plant	6,486,085	6,486,085	3,930,989	2,555,096
Bonds and Interest	<u>1,411,215</u>	<u>1,411,215</u>	<u>1,327,965</u>	<u>83,250</u>
Total	<u>\$ 40,924,191</u>	<u>43,897,300</u>	<u>35,846,061</u>	<u>8,051,239</u>

The variance in the Restricted Fund is due to the College budgeting an allowance for NJTP projects which may or may not come to fruition. In addition, the College budgets an additional amount for federal grants which are in process and may or may not be awarded. In fiscal year 2004, the College implemented an Early Retirement Program that was not budgeted.

See accompanying independent auditor's report.

Indian Hills Community College

Note to Required Supplementary Information -  
Budgetary Reporting

June 30, 2004

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the college on a basis consistent with U.S. generally accepting accounting principles. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Directors certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures. During the year a budget amendment increased budgeted expenditures by \$2,973,109 due to the establishment of the Endowment Fund.

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

**Other Supplementary Information**

Other 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 which are supplemental to the educational and general objectives of the College.

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

Loan Funds – The Loan Funds are used to account for loans to students and are financed primarily by the federal government.

Endowment Funds – The Endowment Funds are used to account for resources, the principal of which is maintained inviolate to conform with restrictions by donors or other outside agencies. 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 subfunds:

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

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

Investment in Plant – This subfund 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.

Schedules presented in the other supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting, except for depreciation and other items included in the adjustments column. The statement of revenues, expenditures and changes in fund balance is a statement 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

Balance Sheet  
All Funds

June 30, 2004

	Current Funds		Endowment
	Unrestricted	Restricted	Fund
<b>Assets</b>			
Cash and investments:			
Cash and pooled investments	\$ 2,128,736	5,510,660	3,000,000
ISJIT investments	2,546,803	2,407,788	600,000
Receivables:			
Accounts (less allowance of \$275,372)	1,693,570	3,282	-
Succeeding year property tax	698,000	1,200,000	-
Iowa Industrial New Jobs Training Program	-	2,530,716	-
Due from other funds	554,057	1,073,471	-
Due from other governments	905,760	256,245	-
Prepaid expenses	6,091	33,689	-
Unamortized bond issue expense	-	1,561,175	-
Inventories	822,491	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Construction in progress	-	-	-
Improvements other than buildings	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation	-	-	-
<b>Total assets</b>	\$ 9,355,508	14,577,026	3,600,000

Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
2,001,142	333,575	-	-	-	12,974,113
618,659	429,650	-	91,429	-	6,694,329
6,789	-	-	-	-	1,703,641
698,000	-	-	-	-	2,596,000
-	-	-	-	-	2,530,716
-	150	-	39,570	(1,667,248)	-
-	-	-	-	-	1,162,005
-	-	-	-	-	39,780
-	-	-	-	-	1,561,175
-	-	-	-	-	822,491
-	-	397,885	-	-	397,885
-	-	40,779,324	-	-	40,779,324
-	-	3,013,445	-	-	3,013,445
-	-	1,801,874	-	-	1,801,874
-	-	5,557,396	-	-	5,557,396
-	-	-	-	(16,158,344)	(16,158,344)
3,324,590	763,375	51,549,924	130,999	(17,825,592)	65,475,830

Indian Hills Community College

Balance Sheet  
All Funds

June 30, 2004

	Current Funds		Endowment
	Unrestricted	Restricted	Fund
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 470,335	5,751	-
Salaries and benefits payable	540,205	74,093	-
Bond interest payable	-	38,669	-
Due to other funds	1,148,506	13,477	-
Deferred revenue:			
Succeeding year property tax	698,000	1,200,000	-
Other	592,820	1,412,199	-
Early retirement payable	-	1,005,100	-
Compensated absences	443,084	-	-
Deposits held in custody for others	-	-	-
Certificates payable	-	10,390,000	-
Bonds payable	-	-	-
Total liabilities	3,892,950	14,139,289	-
Fund balances:			
Invested in capital assets, net of related debt	-	-	-
Fund balances:			
Restricted			
Expendable:			
Scholarships and fellowships	-	20,493	-
Debt service	-	-	-
Cash reserve	-	288,745	-
Other	-	128,499	-
Unrestricted	2,081,828	-	3,600,000
Auxiliary enterprises	3,380,730	-	-
Total fund balance	5,462,558	437,737	3,600,000
<b>Total liabilities and fund balances</b>	<b>\$ 9,355,508</b>	<b>14,577,026</b>	<b>3,600,000</b>

See accompanying independent auditor's report.

Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
-	-	-	4,794	-	480,880
-	-	-	2,413	-	616,711
-	17,510	-	-	-	56,179
505,265	-	-	-	(1,667,248)	-
698,000	-	-	-	-	2,596,000
-	-	-	-	-	2,005,019
-	-	-	-	-	1,005,100
-	-	-	-	-	443,084
-	-	-	123,792	-	123,792
-	-	-	-	-	10,390,000
-	-	4,080,000	-	-	4,080,000
1,203,265	17,510	4,080,000	130,999	(1,667,248)	21,796,765
-	-	47,469,924	-	(16,158,344)	31,311,580
-	-	-	-	-	20,493
-	745,865	-	-	-	745,865
-	-	-	-	-	288,745
-	-	-	-	-	128,499
2,121,325	-	-	-	-	7,803,153
-	-	-	-	-	3,380,730
2,121,325	745,865	47,469,924	-	(16,158,344)	43,679,065
3,324,590	763,375	51,549,924	130,999	(17,825,592)	65,475,830

Indian Hills Community College

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

Year ended June 30, 2004

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
State appropriations	\$ 11,304,558	289,267
Tuition and fees	10,085,886	-
Property tax	808,890	655,901
Federal appropriations	1,037,741	7,887,505
Sales and services	93,241	1,367
Interest on investments	31,984	71,576
Iowa Industrial New Jobs Training Program	-	2,605,028
Increase in plant investment due to donated plant assets	-	-
Increase in plant investment due to plant expenditures (including \$221,141 in current fund expenditures)	-	-
Increase in plant investment due to retirement of debt	-	-
Proceeds from sale of capital assets	-	-
Miscellaneous	958,423	898,299
	24,320,723	12,408,943
Auxiliary enterprises:		
Tuition and fees	222,414	-
Federal appropriations	19,588	-
Sales and services	5,311,421	-
Interest on investments	33,496	-
Reimbursement from operating funds for self funded health insurance	1,140,747	-
Miscellaneous	73,816	-
	6,801,482	-
Total revenues	31,122,205	12,408,943
Expenditures:		
Education and support:		
Liberal arts and sciences	3,658,786	251,715
Vocational technical	8,053,174	419,978
Adult education	2,071,086	977,401
Cooperative services	57,860	1,716,040
Administration	1,442,788	132,345
Student services	2,923,878	318,293
Learning resources	938,187	-
Physical plant	2,661,214	403,683
General institution	2,878,434	1,096,821
Total education and support	24,685,407	5,316,276

Loan Funds	Endowment Funds	Plant Funds			Adjustments	Total
		Unex-pended	Retirement of Indebtedness	Investment in Plant		
-	-	-	-	-	-	11,593,825
-	-	-	-	-	(2,686,885)	7,399,001
-	-	810,376	904,194	-	-	3,179,361
-	-	-	-	-	-	8,925,246
-	-	250,805	-	-	-	345,413
-	-	47,373	4,295	-	-	155,228
-	-	-	-	-	-	2,605,028
-	-	-	-	111,150	-	111,150
-	-	-	-	3,720,782	(3,720,782)	-
-	-	-	-	1,070,000	(1,070,000)	-
-	-	2,675	-	-	(2,675)	-
7,117	-	173,316	-	-	-	2,037,155
7,117	-	1,284,545	908,489	4,901,932	(7,480,342)	36,351,407
-	-	-	-	-	-	222,414
-	-	-	-	-	-	19,588
-	-	-	-	-	(608,002)	4,703,419
-	-	-	-	-	-	33,496
-	-	-	-	-	-	1,140,747
-	-	-	-	-	-	73,816
-	-	-	-	-	(608,002)	6,193,480
7,117	-	1,284,545	908,489	4,901,932	(8,088,344)	42,544,887
-	-	-	-	-	(75,372)	3,835,129
-	-	-	-	-	(194,893)	8,278,259
-	-	-	-	-	(194,449)	2,854,038
-	-	-	-	-	(799)	1,773,101
-	-	-	-	-	(50,878)	1,524,255
-	-	-	-	-	(116,345)	3,125,826
-	-	-	-	-	(12,916)	925,271
-	-	-	-	-	(18,713)	3,046,184
-	-	-	-	-	(60,101)	3,915,154
-	-	-	-	-	(724,466)	29,277,217

Indian Hills Community College

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

Year ended June 30, 2004

	Current Funds	
	Unrestricted	Restricted
Expenditures (continued):		
Auxiliary enterprises	5,781,303	-
Scholarships and grants	-	5,630,328
Workforce Investment Act	-	1,402,372
Loan cancellations and bad debts	-	-
Plant operations	-	-
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Disposal of plant assets	-	-
Interest on indebtedness	-	585,424
Depreciation	-	-
Loss on disposal of capital assets	-	-
Total expenditures	<u>30,466,710</u>	<u>12,934,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>655,495</u>	<u>(525,457)</u>
Transfers:		
Mandatory transfers	(414,218)	-
Non-mandatory transfers	(4,177,665)	527,062
Total transfers	<u>(4,591,883)</u>	<u>527,062</u>
Net	(3,936,388)	1,605
Fund balances beginning of year	<u>9,398,946</u>	<u>436,132</u>
Fund balances end of year	<u>\$ 5,462,558</u>	<u>437,737</u>

See accompanying independent auditor's report.

Loan Funds	Endowment Funds	Plant Funds			Adjustments	Total
		Unex-pended	Retirement of Indebtedness	Investment in Plant		
-	-	-	-	-	(95,522)	5,685,781
-	-	-	-	-	(2,686,885)	2,943,443
-	-	-	-	-	(3,117)	1,399,255
45,542	-	-	-	-	-	45,542
-	-	431,348	150	-	(6,037)	425,461
-	-	3,499,641	-	-	(3,499,641)	-
-	-	-	1,070,000	-	(1,070,000)	-
-	-	-	-	472,481	(472,481)	-
-	-	-	257,815	-	-	843,239
-	-	-	-	-	1,420,641	1,420,641
-	-	-	-	-	189,841	189,841
45,542	-	3,930,989	1,327,965	472,481	(6,947,667)	42,230,420
(38,425)	-	(2,646,444)	(419,476)	4,429,451	(1,140,677)	314,467
-	-	-	414,218	-	-	-
(28,851)	3,600,000	79,454	-	-	-	-
(28,851)	3,600,000	79,454	414,218	-	-	-
(67,276)	3,600,000	(2,566,990)	(5,258)	4,429,451	(1,140,677)	314,467
67,276	-	4,688,315	751,123	43,040,473	(15,017,667)	43,364,598
-	3,600,000	2,121,325	745,865	47,469,924	(16,158,344)	43,679,065

Indian Hills Community College

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

Year ended June 30, 2004

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
Revenues:				
State appropriations	\$ 3,303,617	6,533,816	1,323,453	-
Tuition and fees	4,179,828	4,668,634	980,469	65,057
Property tax	-	-	-	-
Federal appropriations	2,250	460,043	415,448	-
Sales and services	1,366	6,544	67,561	-
Interest on investments	18,330	-	-	-
Miscellaneous	1,618	432,483	9,094	-
	<u>7,507,009</u>	<u>12,101,520</u>	<u>2,796,025</u>	<u>65,057</u>
Allocation of support services	555,334	1,055,134	240,644	-
Total revenues	<u>8,062,343</u>	<u>13,156,654</u>	<u>3,036,669</u>	<u>65,057</u>
Expenditures:				
Salaries and benefits	3,362,902	7,431,974	1,355,439	54,126
Services	95,782	182,455	506,744	797
Materials and supplies	173,909	329,286	97,398	2
Travel	26,098	80,935	26,351	2,935
Loan cancellation and bad debts	-	-	3,626	-
Administrative and collections	-	-	30	-
Plant asset acquisitions	-	23,642	-	-
Cost of goods sold	-	2,243	53,734	-
Miscellaneous	95	2,639	27,764	-
	<u>3,658,786</u>	<u>8,053,174</u>	<u>2,071,086</u>	<u>57,860</u>
Allocation of support services	3,253,350	6,181,366	1,409,785	-
Total expenditures	<u>6,912,136</u>	<u>14,234,540</u>	<u>3,480,871</u>	<u>57,860</u>
Excess (deficiency) of revenues over (under) expenditures	1,150,207	(1,077,886)	(444,202)	7,197
Transfers:				
Non-mandatory transfers	-	55,000	382,610	-
Net	<u>\$ 1,150,207</u>	<u>(1,022,886)</u>	<u>(61,592)</u>	<u>7,197</u>

Fund balance beginning of year

Fund balance end of year

Note: The support services allocations are based on the percentage of contact hours reported.

See accompanying independent auditor's report.

General Adminis- tration	Support				Education and Support Total
	Student Services	Learning Resources	Physical Plant	General Institution	
-	10,000	128,760	4,912	-	11,304,558
72,751	119,147	-	-	-	10,085,886
808,890	-	-	-	-	808,890
-	160,000	-	-	-	1,037,741
-	9,673	6,293	16	1,788	93,241
13,654	-	-	-	-	31,984
181,724	10,000	2,365	291,920	29,219	958,423
1,077,019	308,820	137,418	296,848	31,007	24,320,723
(1,077,019)	(308,820)	(137,418)	(296,848)	(31,007)	-
-	-	-	-	-	24,320,723
941,151	2,639,706	456,127	1,498,130	1,736,220	19,475,775
111,827	156,914	339,876	918,068	736,227	3,048,690
23,912	101,311	133,882	238,975	236,250	1,334,925
39,429	24,752	3,212	255	80,534	284,501
223,576	-	-	-	-	227,202
102,893	-	-	-	-	102,923
-	-	-	5,786	-	29,428
-	-	-	-	-	55,977
-	1,195	5,090	-	89,203	125,986
1,442,788	2,923,878	938,187	2,661,214	2,878,434	24,685,407
(1,442,788)	(2,923,878)	(938,187)	(2,661,214)	(2,878,434)	-
-	-	-	-	-	24,685,407
-	-	-	-	-	(364,684)
28,851	-	-	-	(3,579,591)	(3,113,130)
28,851	-	-	-	(3,579,591)	(3,477,814)
					5,559,642
					<u>\$ 2,081,828</u>

**Schedule 4**

## Indian Hills Community College

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

Year ended June 30, 2004

	Institutional Services	Education Program	Miscellaneous	Total
Revenues:				
Tuition and fees	\$ -	201,899	20,515	222,414
Federal appropriations	-	19,588	-	19,588
Sales and services	3,024,504	1,688,713	598,204	5,311,421
Interest on investments	445	-	33,051	33,496
Reimbursements from operating funds for self funded health insurance	1,140,747	-	-	1,140,747
Miscellaneous	-	55,819	17,997	73,816
Total revenues	<u>4,165,696</u>	<u>1,966,019</u>	<u>669,767</u>	<u>6,801,482</u>
Expenditures:				
Salaries and benefits	283,164	845,507	71,835	1,200,506
Services	157,797	149,815	68,667	376,279
Materials and supplies	132,287	23,838	18,740	174,865
Travel	11,347	1,972	2,148	15,467
Loan cancellation and bad debts	36,399	-	-	36,399
Plant asset acquisitions	7,000	6,984	-	13,984
Group health claims	1,031,993	-	-	1,031,993
Miscellaneous	-	217,571	689	218,260
Cost of goods sold	2,065,638	647,912	-	2,713,550
Total expenditures	<u>3,725,625</u>	<u>1,893,599</u>	<u>162,079</u>	<u>5,781,303</u>
Excess of revenues over expenditures	<u>440,071</u>	<u>72,420</u>	<u>507,688</u>	<u>1,020,179</u>
Transfers:				
Mandatory transfers	-	-	(414,218)	(414,218)
Non-mandatory transfers	(1,046,368)	(55,000)	36,833	(1,064,535)
Total transfers	<u>(1,046,368)</u>	<u>(55,000)</u>	<u>(377,385)</u>	<u>(1,478,753)</u>
Net	(606,297)	17,420	130,303	(458,574)
Fund balances beginning of year	<u>2,899,584</u>	<u>(2,773)</u>	<u>942,493</u>	<u>3,839,304</u>
Fund balances end of year	<u>\$ 2,293,287</u>	<u>14,647</u>	<u>1,072,796</u>	<u>3,380,730</u>

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, 2004

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance
<b>Revenues:</b>				
State appropriations	\$ 255,727	-	-	-
Property tax	-	119,821	110,703	378,360
Federal appropriations	4,748,643	-	-	-
Interest on investments	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Services	-	-	-	-
Miscellaneous	607,883	-	-	-
Total revenues	<u>5,612,253</u>	<u>119,821</u>	<u>110,703</u>	<u>378,360</u>
<b>Expenditures:</b>				
Salaries and benefits	-	-	48,269	-
Services	12,536	-	83,940	403,683
Materials and supplies	-	83,742	-	-
Travel	-	-	-	-
Interest on indebtedness	-	-	-	-
Awards to subrecipients	-	-	-	-
Plant asset acquisitions	-	36,079	-	-
Miscellaneous	-	-	-	-
Federal Pell grant program	4,645,727	-	-	-
Federal supplemental educational opportunity grant	90,537	-	-	-
Iowa College Student Aid Commission	241,592	-	-	-
Private scholarships	639,936	-	-	-
Total expenditures	<u>5,630,328</u>	<u>119,821</u>	<u>132,209</u>	<u>403,683</u>
Excess (deficiency) of revenues over (under) expenditures	(18,075)	-	(21,506)	(25,323)
<b>Transfers:</b>				
Non-mandatory transfers	-	-	30,799	-
Net	(18,075)	-	9,293	(25,323)
Fund balances beginning of year	<u>38,568</u>	<u>-</u>	<u>(9,293)</u>	<u>31,239</u>
Fund balances end of year	<u>\$ 20,493</u>	<u>-</u>	<u>-</u>	<u>5,916</u>

See accompanying independent auditor's report.

Early Retirement	Unemployment Compensation	Higher Education Institutional Aid (Title III)	Workforce Investment Act	Equity Grant	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
-	-	-	-	33,540	-	-	289,267
-	39,549	-	-	-	7,468	-	655,901
-	-	397,747	1,404,510	-	-	1,336,605	7,887,505
-	-	-	-	-	71,576	-	71,576
-	-	-	-	-	2,605,028	-	2,605,028
-	-	-	-	-	-	1,367	1,367
-	-	-	-	1,042	-	289,374	898,299
-	39,549	397,747	1,404,510	34,582	2,684,072	1,627,346	12,408,943
930,031	12,524	203,550	853,022	-	148,185	674,519	2,870,100
-	-	519	192,611	27,767	1,565,300	329,945	2,616,301
-	-	102,751	36,002	1,525	310	406,624	630,954
-	-	11,473	23,033	4,390	2,243	36,742	77,881
-	-	-	-	-	585,424	-	585,424
-	-	-	297,704	-	-	-	297,704
-	-	-	-	-	-	141,650	177,729
-	-	-	-	900	-	59,615	60,515
-	-	-	-	-	-	-	4,645,727
-	-	-	-	-	-	-	90,537
-	-	-	-	-	-	-	241,592
-	-	-	-	-	-	-	639,936
930,031	12,524	318,293	1,402,372	34,582	2,301,462	1,649,095	12,934,400
(930,031)	27,025	79,454	2,138	-	382,610	(21,749)	(525,457)
930,031	-	(79,454)	-	-	(382,610)	28,296	527,062
-	27,025	-	2,138	-	-	6,547	1,605
-	9,288	-	17,371	-	-	348,959	436,132
-	36,313	-	19,509	-	-	355,506	437,737

**Schedule 6**

## Indian Hills Community College

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

Year ended June 30, 2004

	Athletics and Student Organizations	Federal Direct Student Loan Program	Retraining Program (HF 550)	Miscel- laneous	Total
Balance beginning of year	\$ 44,803	-	152,205	87,138	284,146
Additions:					
State appropriations		-	105,031	-	105,031
Federal appropriations	-	8,411,730	-	-	8,411,730
Tuition and fees	190,835	-	-	-	190,835
Interest on investments	-	-	780	-	780
Sales and services	187,348	-	-	62,799	250,147
Miscellaneous	25,410	-	-	1,084,446	1,109,856
Flexible spending contributions	-	-	-	21,517	21,517
Total additions	403,593	8,411,730	105,811	1,168,762	10,089,896
Deductions:					
Salaries and benefits	6,203	-	-	106,131	112,334
Services	107,263	-	166,587	60,145	333,995
Materials and supplies	85,185	-	-	5,834	91,019
Travel	227,478	-	-	-	227,478
Miscellaneous	21,740	-	-	1,028,295	1,050,035
Cost of goods sold	8,155	-	-	-	8,155
Direct student loans	-	8,411,730	-	-	8,411,730
Flexible spending disbursements	-	-	-	15,504	15,504
Total deductions	456,024	8,411,730	166,587	1,215,909	10,250,250
Balance end of year	\$ (7,628)	-	91,429	39,991	123,792

See accompanying independent auditor's report.

**Indian Hills Community College**

**Schedule 7**

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Indian Hills Community College  
Schedule of Credit and Contact Hours  
Year ended June 30, 2004

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	47,839	-	47,839	905,820	-	905,820
Vocational Education	56,998	-	56,998	1,733,263	-	1,733,263
Adult Education/Continuing Education	-	-	-	367,725	11,444	379,169
Cooperative programs/services	-	-	-	-	-	-
Related Services and Activities	-	-	-	-	-	-
Total	<u>104,837</u>	-	<u>104,837</u>	<u>3,006,808</u>	<u>11,444</u>	<u>3,018,252</u>

See accompanying independent auditor's report.

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Indian Hills Community College  
Schedule of Tax and Intergovernmental Revenues

	Years ended June 30,			
	2004	2003	2002	2001
Local (property tax)	\$ 3,179,361	3,163,315	3,039,503	3,046,900
State	11,593,825	11,740,024	12,569,921	12,983,480
Federal	8,944,834	8,563,371	7,753,398	6,195,634
Total	<u>\$ 23,718,020</u>	<u>23,466,710</u>	<u>23,362,822</u>	<u>22,226,014</u>

See accompanying independent auditor's report.

**Schedule 9**

## Indian Hills Community College

Schedule of Current Fund Revenues by Source  
and Expenditures by Function

For the Last Four Years

	Years ended June 30,			
	2004	2003	2002	2001
Revenues:				
State appropriations	\$ 11,877,824	11,740,024	11,903,254	12,931,112
Tuition and fees	10,085,886	9,290,403	8,153,196	6,769,630
Property tax	1,464,791	1,444,351	1,456,252	1,445,763
Federal appropriations	8,925,246	8,552,156	7,741,431	6,181,892
Sales and services	702,491	57,281	28,982	36,439
Interest on investments	103,560	204,443	323,758	611,783
Iowa Industrial New Jobs Training Program	2,605,028	2,044,904	2,691,786	2,487,532
Auxiliary enterprises	6,801,482	6,445,944	6,092,312	6,526,862
Miscellaneous	964,840	1,418,976	973,531	845,564
Total	\$ 43,531,148	41,198,482	39,364,502	37,836,577
Expenditures:				
Liberal arts and sciences	\$ 3,910,501	3,519,765	3,130,772	3,390,166
Vocational technical	8,473,152	7,862,347	7,681,105	7,171,627
Adult education	3,048,487	3,099,715	2,222,860	1,844,938
Cooperative services	1,773,900	1,890,954	2,637,049	349,073
Administration	1,575,133	1,535,790	1,269,738	1,365,426
Student services	3,242,171	3,038,017	2,952,997	2,234,009
Learning resources	938,187	867,409	804,581	897,957
Physical plant	3,064,897	3,111,572	2,661,665	2,706,806
General institution	3,975,255	2,977,428	2,843,839	2,755,138
Auxiliary enterprises	5,781,303	5,690,620	5,339,799	5,912,931
Scholarships and grants	5,630,328	5,283,155	4,196,945	3,123,861
Workforce Investment Act	1,402,372	1,444,968	2,015,869	1,485,069
Interest on indebtedness	585,424	632,708	652,472	635,495
Total	\$ 43,401,110	40,954,448	38,409,691	33,872,496

See accompanying independent auditor's report.

Indian Hills Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Direct:				
U.S. Department of Education:				
Student Financial Aid - Cluster:				
Federal Supplemental Educational Opportunity Grant	84.007		103,063	-
Federal Direct Student Loans	84.268		-	8,411,730
Federal Work-Study Program	84.033		160,000	-
Federal Pell Grant Program	84.063		4,645,580	-
			<u>4,908,643</u>	<u>8,411,730</u>
TRIO Cluster:				
TRIO-Student Support Services	84.042		251,715	-
TRIO-Upward Bound	84.047		92,305	-
TRIO-Educational Opportunity Centers	84.066		267,227	-
			<u>611,247</u>	
Higher Education-Institutional Aid	84.031		397,747	-
Congregational Set-aside	84.116Z		484,051	-
Community Technology Centers	84.341		125,626	-
National Science Foundation:				
Education and Human Resources	47.076		108,575	-
Total direct			<u>6,635,889</u>	<u>8,411,730</u>
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Child and Adult Care Food Program	10.558		19,588	-
U.S. Department of Labor:				
Iowa Department of Education:				
Mine Health and Safety Grants	17.600		3,265	-
Iowa Department of Workforce Development:				
Employment Service	17.207	1-W-15-FR	29,691	-
Unemployment Insurance	17.225	1-W-15-FR	30,684	-
Welfare-to-Work Grants to States and Localities	17.253	1-W-15-FR	3,175	-
Local Veterans' Employment Representative Program	17.804	1-W-15-FR	2,853	-
WIA Cluster:				
WIA Adult Program	17.258	1-W-15-FR	320,958	-
WIA Youth Activities	17.259	1-W-15-FR	299,951	-
WIA Dislocated Workers	17.260	1-W-15-FR	227,142	-
			<u>848,051</u>	<u>-</u>

**Schedule 10**

Indian Hills Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
U.S. Federal Mediation and Conciliation Service: Iowa Department of Workforce Development: Labor Management Cooperation	34.002		799	-
National Endowment for the Humanities: Humanities of Iowa: Promotion of the Humanities - Federal/State Partnership	45.129		2,250	-
Small Business Administration: Iowa State University: Small Business Development Center	59.037		50,000	-
U.S. Department of Education: Iowa Department of Education: Adult Education - State Grant Program	84.002		270,558	-
Vocational Education - Basic Grants to States	84.048		558,774	-
U.S. Department of Health and Human Services: Iowa Department of Workforce Development: Temporary Assistance for Needy Families Total indirect	93.558	1-W-15-FR	489,257 2,308,945	- -
Total			<u>\$8,944,834</u>	<u>8,411,730</u>

**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 on 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.



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

State Capitol Building  
Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Directors of  
Indian Hills Community College:

We have audited the statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, of Indian Hills Community College, Ottumwa, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, non-compliance 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 non-compliance that are required to be reported under Government Auditing Standards.

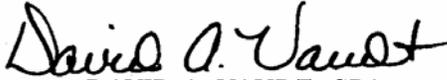
Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all 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.

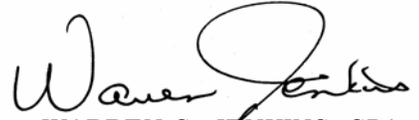
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Indian Hills Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Indian Hills Community College during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 30, 2004



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance

To the Board of Directors of  
Indian Hills Community College:

Compliance

We have audited the compliance of Indian Hills Community College, Ottumwa, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Indian Hills Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Indian Hills Community College's management. Our responsibility is to express an opinion on Indian Hills Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, 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 provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Indian Hills Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Indian Hills Community College's compliance with those requirements.

In our opinion, Indian Hills Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Indian Hills Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Indian Hills Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 30, 2004

Indian Hills Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any 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:
  - WIA Cluster
    - CFDA Number – 17.258 WIA Adult Program
    - CFDA Number – 17.259 WIA Youth Activities
    - CFDA Number – 17.260 WIA Dislocated Workers
  - CFDA Number – 84.002 Adult Education – State Grant Program
  - Student Financial Aid – Cluster:
    - CFDA Number – 84.007 Federal Supplemental Educational Opportunity Grants
    - CFDA Number – 84.033 Federal Work-Study Program
    - CFDA Number – 84.268 Federal Direct Student Loan
    - CFDA Number – 84.063 Federal Pell Grant Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Indian Hills Community College did qualify as a low-risk auditee.

Indian Hills Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No material weaknesses in internal control over compliance were noted.

Indian Hills Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

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

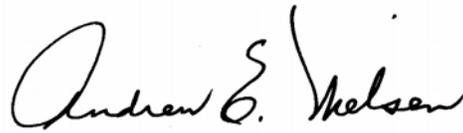
- IV-A-03 Official Depositories – Official depositories have been adopted by the Board. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- IV-B-03 Certified Budget – Expenditures for the year ended June 30, 2004 did not exceed the amounts budgeted.
- IV-C-03 Questionable Disbursements – No expenditures that did not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-D-03 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-E-03 Business Transactions – No business transactions between the College and College officials or employees were noted.
- IV-F-03 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 insure the coverage is adequate for current operations.
- IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-03 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-I-03 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College’s investment policy were noted.
- IV-J-03 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.

Indian Hills Community College

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
James S. Cunningham, CPA, Senior Auditor II  
Kip M. Druecker, Staff Auditor  
Daniel L. Durbin, CPA, Staff Auditor  
Dustin S. Boxa, CPA, Assistant Auditor  
Jessica L. Christensen, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State