

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

Mary Mosiman, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE

December 14, 2015

Contact: Andy Nielsen  
515-281-5834

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

The College's primary government operating revenues totaled \$27,189,116 for the year ended June 30, 2015, a less than one percent decrease from the prior year, and included \$14,847,834 from tuition and fees, \$4,583,388 from the federal government and \$5,442,480 from auxiliary enterprises.

Operating expenses for the year ended June 30, 2015 totaled \$58,763,712, a 2.7% increase over the prior year, and included \$33,281,798 for salaries and benefits, \$10,028,134 for services and \$3,358,150 for materials and supplies.

Non-operating revenues totaled \$32,641,584, including \$18,600,408 from the state, \$7,682,493 from Pell grants, \$4,944,550 from property tax and \$1,261,993 in scholarships for the benefit of students from the Indian Hills Community College Foundation. Non-operating expenses totaled \$72,990, and consisted primarily of interest on indebtedness. The College's net position increased \$993,998 during the year.

A copy of the audit report is available for review in the Board Secretary's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1531-1500-B00F.pdf>.

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

**JUNE 30, 2015**

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**Indian Hills Community College**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Trustees</b>		
John Pothoven	President	2015
Tom Keck	Vice President	2017
Judith A. Cox	Member	2015
Richard Gaumer	Member	2017
Kevin M. Kness	Member	(Resigned Oct 2014)
Nellie Coltrain (Appointed Nov 2014)	Member	2015
George E. Manning	Member	2015
Alan M. Wilson	Member	2015
Beth Danowsky	Member	2015
Jerry Kirkpatrick	Member	2015

**Community College**

Dr. Marlene Sprouse	President
Bill Meck	Chief Financial Officer and Board Treasurer
Anne Leathers	College Accountant
Kala Mulder	Controller/Grants Accountant

**Indian Hills Community College**



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Independent Auditor's Report

To the Board of Trustees of  
Indian Hills Community College:

Report on the Financial Statements

We have audited the accompanying financial statements of Indian Hills Community College, Ottumwa, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the College's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the Community College discussed in note 1, which represent 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those units, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the component units were not audited in accordance with Government Auditing Standards.

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

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

## Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian Hills Community College and its aggregate discretely presented component units as of June 30, 2015, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of a Matter

As described in Note 14 to the financial statements, Indian Hills Community College adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the College's Proportionate Share of the Net Pension Liability, the Schedule of College Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 14 and 41 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*


Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Indian Hills Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of Indian Hills Community College's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and other auditors. In our opinion, based on our audit, the procedures performed as described above and the report of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2015 on our consideration of Indian Hills Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Indian Hills Community College's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 25, 2015

**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 its financial statements for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- As a result of fiscal year 2015 operations, total net position of the College increased approximately \$994,000, or 1.9%, primarily due to increased non-operating revenues.
- The College refunded outstanding Series 2007-1A, 2007-1B and 2009-1 certificates payable totaling \$1,760,000 on July 11, 2014, resulting in a savings of approximately \$100,000 in aggregate debt service payments.

### USING THIS ANNUAL REPORT

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

### REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

#### The Statement of Net Position

The Statement of Net Position presents financial information on all of the College's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The Statement of Net Position is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The Statement of Net Position includes year-end information concerning current and non-current assets, deferred outflows of resources, current and non-current liabilities, deferred inflows of resources and net position. Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net position. The statement presents the available assets which can be used to satisfy liabilities owed to outside vendors and creditors.

## Net Position

	June 30,	
	2015	2014 (Not Restated)
Current and other assets	\$ 30,612,273	31,505,158
Capital assets, net of accumulated depreciation/amortization	45,915,969	47,195,098
Total assets	76,528,242	78,700,256
Deferred outflows of resources	1,672,129	-
Current liabilities	7,081,558	8,650,336
Noncurrent liabilities	10,772,645	3,561,919
Total liabilities	17,854,203	12,212,255
Deferred inflows of resources	8,027,396	4,452,776
Net position:		
Net investment in capital assets	45,915,969	47,195,098
Restricted	1,550,691	2,088,637
Unrestricted	4,852,112	12,751,490
Total net position	\$ 52,318,772	62,035,225

The largest portion of the College's net position (88%) is in the category 'Net investment in capital assets' (land, buildings and equipment). The restricted portion of the net position represents resources subject to external restrictions. The remaining net position is unrestricted and may be used to meet the College's operating obligations as they become due.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$10,710,451 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information needed to restate these amounts was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

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

Generally, a public, state supported college, such as Indian Hills Community College, will report an operating loss as the financial reporting model classifies state appropriations, Pell grants and property tax as non-operating revenues. Operating revenues are received for providing goods and services to the students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire and produce the goods and services provided in return for the operating revenues and to perform the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation/amortization, which allocates the cost of an asset over its expected useful life.

## Changes in Net Position

	Year ended June 30,	
	2015	2014 (Not Restated)
Operating revenues:		
Tuition and fees	\$ 14,847,834	13,439,465
Federal appropriations	4,583,388	4,679,819
Sales and services	751,363	713,868
Iowa Industrial New Jobs Training Program	596,542	1,916,716
Auxiliary	5,442,480	5,489,871
Miscellaneous	967,509	1,083,118
Total operating revenues	<u>27,189,116</u>	<u>27,322,857</u>
Total operating expenses	<u>58,763,712</u>	<u>57,205,570</u>
Operating loss	<u>(31,574,596)</u>	<u>(29,882,713)</u>
Non-operating revenues (expenses):		
State appropriations	18,600,408	18,099,666
Pell grants	7,682,493	7,823,914
Property tax	4,944,550	4,143,844
Gifts from IHCC Foundation	1,261,993	1,151,013
Interest income on investments	78,372	56,585
Donated capital assets	73,768	90,000
Gain (loss) on sale of capital assets	(577)	4,692
Interest expense	(72,413)	(273,381)
Net non-operating revenues	<u>32,568,594</u>	<u>31,096,333</u>
Change in net position	993,998	1,213,620
Net position beginning of year, as restated	<u>51,324,774</u>	<u>60,821,605</u>
Net position end of year	<u>\$ 52,318,772</u>	<u>62,035,225</u>

As previously discussed, the fiscal year 2015 beginning net position was restated to implement GASB Statement No. 68. The restatement reduced beginning net position by \$10,710,451, from \$62,035,225 as of June 30, 2014 to \$51,324,774 as of July 1, 2014. Net position of the College increased \$993,998 as a result of operations during fiscal year 2015.

In fiscal year 2015, operating revenues totaled approximately \$27.2 million and net non-operating revenues totaled approximately \$32.6 million. Observations regarding the changes in operating and non-operating revenues follow:

- Tuition and fees, as reported herein net of scholarship allowances, increased due primarily to a new partnership with Coast Flight Training.
- Iowa Industrial New Jobs Training revenues decreased due to reduced new program activity.
- State appropriations increased due primarily to receipt of funding related to growth in state general aid.
- Property tax revenues increased due to growth in collections necessary to meet current obligations.

## Operating Expenses

	Year ended June 30,	
	2014	
	2015	(Not Restated)
Education and support:		
Liberal arts and sciences	\$ 5,445,744	5,806,252
Vocational technical	14,207,774	13,460,312
Adult education	3,162,574	2,095,870
Cooperative services	791,043	1,208,644
Administration	1,907,672	2,173,048
Student services	4,638,718	4,911,700
Learning resources	626,728	607,590
Physical plant	5,619,488	5,051,507
General institution	5,615,577	4,868,091
Auxiliary enterprises	6,885,696	6,879,771
Scholarships and grants	3,692,484	3,970,759
Workforce Investment Act	2,260,702	2,130,210
Plant operations	961,589	1,083,277
Depreciation/amortization	2,947,923	2,958,539
Total	\$ 58,763,712	57,205,570

The following factors address changes in fiscal year 2015 operating expenses:

- Vocational technical expenses increased due to a new partnership with Coast Flight Training.
- Adult Education expenses increased due to higher utilization of restricted State and Federal grants.
- Scholarships and grant expenses decreased due to declines in credit hour enrollment and the number of qualifying student recipients.
- Projects and renovations totaling approximately \$2.5 million were completed, which included completion of the Regional Entrepreneurship Center, the Hellyer Building Entryway Addition and the Sustainable Agriculture Building.
- Other projects still in progress at June 30 are:
  - Construction of an institutional roads project.
  - Construction of a truck driver training pad.

### Statement of Cash Flows

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

## Cash Flows

	Year ended June 30,	
	2015	2014
Cash provided (used) by:		
Operating activities	\$ (28,970,193)	(26,514,695)
Non-capital financing activities	29,748,605	31,589,240
Capital and related financing activities	(1,595,603)	(4,526,880)
Investing activities	78,687	56,442
Net change in cash and cash equivalents	(738,504)	604,107
Cash and cash equivalents beginning of year	19,927,089	19,322,982
Cash and cash equivalents end of year	\$ 19,188,585	19,927,089

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

### CAPITAL ASSETS

At June 30, 2015, the College had approximately \$45.9 million invested in capital assets, net of accumulated depreciation/amortization of approximately \$37.1 million. Depreciation/amortization charges totaled \$2,947,923 for fiscal year 2015. A summary of capital assets, net of accumulated depreciation/amortization, is shown below.

#### Capital Assets, Net at Year-End

	June 30,	
	2015	2014
Land	\$ 458,397	458,397
Construction in progress	227,636	1,919,470
Capital assets not being depreciated/amortized	686,033	2,377,867
Buildings	40,594,643	40,165,535
Improvements other than buildings	2,837,591	3,009,897
Intangibles	42,592	56,138
Equipment and vehicles	1,755,110	1,585,661
Total	\$ 45,915,969	47,195,098

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

## LONG-TERM DEBT

Outstanding debt at June 30, 2015 was \$2,808,883, which consists of certificates issued for Iowa Industrial New Jobs Training Program projects.

The College refunded outstanding Series 2007-1A, 2007-1B and 2009-1 certificates payable totaling \$1,760,000 on July 11, 2014, producing a savings of approximately \$100,000 in aggregate debt service payments. Detailed information is presented in Note 5 to the financial statements.

### Outstanding Debt

	June 30,	
	2015	2014
Certificates payable	\$ 2,808,883	5,296,249

## ECONOMIC FACTORS

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

- To maintain current levels of services and operations, tuition revenue from rate increases must continue to help offset any shortfall in state funding and enrollment levels.
- Higher tuition is followed by an increased need for student financial aid, scholarship support and student loans.
- To continue to offer current, relevant educational programs and student services to attract and retain the diverse population the College serves.
- To serve students without adversely impacting the student experience and College operations.
- Fifty year-old College facilities and infrastructure require continual maintenance and renovation to meet current technology and delivery needs.
- To continue to provide up-to-date equipment, delivery and operations as technologies change.

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

## CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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



## **Basic Financial Statements**

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Indian Hills Community College

Statement of Net Position

June 30, 2015

	<u>Primary Government</u>	<u>Component Units</u>
<b>Assets</b>		
Current assets:		
Cash, cash equivalents and pooled investments:		
Cash, cash equivalents and pooled investments	\$ 14,258,378	23,334,489
Restricted cash, cash equivalents and pooled investments	-	3,936,374
Receivables:		
Accounts, net of allowance for doubtful accounts of \$210,112	2,596,867	-
Succeeding year property tax	4,478,233	-
Due from other governments	1,703,035	-
Prepaid expenses	94,134	-
Inventories	989,537	-
Total current assets	<u>24,120,184</u>	<u>27,270,863</u>
Noncurrent assets:		
Cash, cash equivalents and pooled investments	4,930,207	-
Receivable for Iowa Industrial New Jobs Training Program	1,561,882	-
Capital assets, net of accumulated depreciation/amortization	45,915,969	-
Total noncurrent assets	<u>52,408,058</u>	<u>-</u>
<b>Total assets</b>	<u>76,528,242</u>	<u>27,270,863</u>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	<u>1,672,129</u>	<u>-</u>

Indian Hills Community College

Statement of Net Position

June 30, 2015

	Primary Government	Component Units
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	929,180	71,148
Salaries and benefits payable	1,310,059	-
Advances from others	2,385,536	-
Early retirement payable	247,990	-
Compensated absences payable	862,722	-
Deposits held in custody for others	361,071	-
Certificates payable	985,000	-
<b>Total current liabilities</b>	<u>7,081,558</u>	<u>71,148</u>
Noncurrent liabilities:		
Early retirement payable	706,630	-
Certificates payable	1,823,883	-
Net pension liability	8,107,120	-
Net OPEB liability	135,012	-
<b>Total noncurrent liabilities</b>	<u>10,772,645</u>	<u>-</u>
<b>Total liabilities</b>	<u>17,854,203</u>	<u>71,148</u>
<b>Deferred Inflows of Resources</b>		
Unavailable property tax revenue	4,478,233	-
Pension related deferred inflows	3,549,163	-
<b>Total deferred inflows of resources</b>	<u>8,027,396</u>	<u>-</u>
<b>Net position</b>		
Net investment in capital assets	45,915,969	-
Restricted:		
Nonexpendable:		
Other	-	3,936,374
Expendable:		
Scholarships and fellowships	44,789	-
Cash reserve	288,745	-
Other	1,217,157	6,524,303
Unrestricted	4,852,112	16,739,038
<b>Total net position</b>	<u>\$ 52,318,772</u>	<u>27,199,715</u>

See notes to financial statements.

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

Year ended June 30, 2015

	Primary Government	Component Units
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$4,547,689	\$ 14,847,834	-
Federal appropriations	4,583,388	-
Sales and services	751,363	-
Iowa Industrial New Jobs Training Program	596,542	-
Auxiliary enterprises, net of scholarship allowances of \$1,267,418	5,442,480	-
Contributions	-	1,060,474
Rental income and facility management	-	549,351
Miscellaneous	967,509	78,261
Total operating revenues	27,189,116	1,688,086
Operating expenses:		
Education and support:		
Liberal arts and sciences	5,445,744	-
Vocational technical	14,207,774	-
Adult education	3,162,574	-
Cooperative services	791,043	-
Administration	1,907,672	-
Student services	4,638,718	-
Learning resources	626,728	-
Physical plant	5,619,488	-
General institution	5,615,577	-
Auxiliary enterprises	6,885,696	-
Scholarships and grants	3,692,484	-
Workforce Investment Act	2,260,702	-
Plant operations	961,589	-
General and administrative	-	156,689
Programs	-	431,002
Depreciation/amortization	2,947,923	-
Total operating expenses	58,763,712	587,691
Operating income (loss)	(31,574,596)	1,100,395

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

Year ended June 30, 2015

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	18,600,408	-
Pell grants	7,682,493	-
Property tax	4,944,550	-
Gifts from Indian Hills Community College Foundation for student scholarships	1,261,993	-
Investment income	78,372	1,002,867
Gifts to Indian Hills Community College for student scholarships	-	(1,261,993)
Donated capital assets	73,768	-
Loss on sale of capital assets	(577)	-
Interest on indebtedness	(72,413)	-
Net non-operating revenues (expenses)	32,568,594	(259,126)
Change in net position	993,998	841,269
Net position beginning of year, as restated	51,324,774	26,358,446
Net position end of year	\$ 52,318,772	27,199,715

See notes to financial statements.

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Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2015

	<u>Primary Government</u>
Cash flows from operating activities:	
Tuition and fees	\$ 15,638,234
Federal appropriations	4,529,491
Iowa Industrial New Jobs Training Program	767,426
Payments to employees for salaries and benefits	(34,099,706)
Payments to suppliers for goods and services	(18,507,910)
Payments to New Jobs Training Program recipients	(547,962)
Scholarships	(3,692,484)
Payments to subrecipients	(155,308)
Auxiliary enterprise receipts	5,427,256
Other receipts	1,670,770
Net cash used by operating activities	<u>(28,970,193)</u>
Cash flows from non-capital financing activities:	
State appropriations	18,279,298
Pell grants	7,682,493
Property tax	4,944,550
Gifts	1,261,993
Federal direct lending receipts	12,652,362
Federal direct lending disbursements	(12,652,362)
Principal paid on debt	(2,487,366)
Interest paid on debt	(72,413)
Agency receipts	1,093,470
Agency disbursements	(953,420)
Net cash provided by non-capital financing activities	<u>29,748,605</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	6,828
Acquisition of capital assets	(1,602,431)
Net cash used by capital and related financing activities	<u>(1,595,603)</u>
Cash flows from investing activities:	
Interest on investments	78,687
Net decrease in cash and cash equivalents	(738,504)
Cash and cash equivalents beginning of year	19,927,089
Cash and cash equivalents end of year	<u>\$ 19,188,585</u>

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2015

	Primary Government
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (31,574,596)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation/amortization	2,947,923
Provision for doubtful accounts	(62,116)
Changes in assets and liabilities:	
Decrease in accounts receivable	453,643
Decrease in New Jobs Training Program receivable	170,884
Increase in due from other governments	(53,897)
Increase in prepaid expenses	(19,291)
Decrease in inventories	17,950
Increase in pension related deferred outflows of resources	(477,617)
Decrease in accounts payable	(252,717)
Increase in salaries and benefits payable	32,521
Increase in advances from others	335,547
Increase in compensated absences payable	214,282
Decrease in net pension liability	(3,797,843)
Increase in pension related deferred inflows of resources	3,549,163
Increase in other postemployment benefits	17,175
Decrease in early retirement payable	(471,204)
Total adjustments	2,604,403
Net cash used by operating activities	\$ (28,970,193)

**Noncash capital and related financing activities:**

The College received donated capital assets with a fair value of \$73,768. The trade-in value of equipment deleted was \$34,120.

See notes to financial statements.

## Indian Hills Community College

Statement of Net Assets  
Component Units

June 30, 2015

	Indian Hills Community College Development Corp., Inc.	Indian Hills Communitiy College Foundation, Inc.	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 424,500	224,219	648,719
Investments	-	22,685,770	22,685,770
Restricted cash and investments	-	3,936,374	3,936,374
Total current assets	424,500	26,846,363	27,270,863
Noncurrent assets:			
Capital assets, net of accumulated depreciation of \$15,434	-	-	-
<b>Total assets</b>	424,500	26,846,363	27,270,863
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	11,003	60,145	71,148
<b>Net assets</b>			
Restricted:			
Nonexpendable:			
Other	-	3,936,374	3,936,374
Expendable:			
Other	-	6,524,303	6,524,303
Unrestricted	413,497	16,325,541	16,739,038
<b>Total net assets</b>	\$ 413,497	26,786,218	27,199,715

See notes to financial statements.



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

Year ended June 30, 2015

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Operating revenues:			
Contributions	\$ -	1,060,474	1,060,474
Rental income and facility management	549,351	-	549,351
Miscellaneous	25,482	52,779	78,261
Total operating revenues	<u>574,833</u>	<u>1,113,253</u>	<u>1,688,086</u>
Operating expenses:			
General and administrative	133,178	23,511	156,689
Programs	431,002	-	431,002
Total operating expenses	<u>564,180</u>	<u>23,511</u>	<u>587,691</u>
Operating income	<u>10,653</u>	<u>1,089,742</u>	<u>1,100,395</u>
Non-operating revenues (expenses):			
Interest on investments, net of \$91,313 of investment expenses	23	1,002,844	1,002,867
Gifts to Indian Hills Community College	-	(1,261,993)	(1,261,993)
Net non-operating revenues (expenses)	<u>23</u>	<u>(259,149)</u>	<u>(259,126)</u>
Change in net assets	10,676	830,593	841,269
Net assets beginning of year	<u>402,821</u>	<u>25,955,625</u>	<u>26,358,446</u>
Net assets end of year	<u>\$ 413,497</u>	<u>26,786,218</u>	<u>27,199,715</u>

See notes to financial statements.

Indian Hills Community College

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

Indian Hills Community College is a publicly supported school established and operated by Merged Area XV under the provisions of Chapter 260C of the Code of Iowa. Indian Hills Community College offers programs of adult and continuing education, lifelong learning, community education and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. Indian Hills Community College also offers up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. Indian Hills Community College maintains campuses in Ottumwa and Centerville, Iowa, and at the Ottumwa Industrial Airport and has its administrative offices in Ottumwa. Indian Hills Community College is governed by a Board of Trustees whose members are elected from each director district within Merged Area XV.

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

**A. Reporting Entity**

For financial reporting purposes, Indian Hills Community College has included all funds, organizations, agencies, boards, commissions and authorities. The College has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the College to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the College.

These financial statements present Indian Hills Community College (the primary government) and its component units. The component units discussed below are included in the College's reporting entity because of the significance of their operational or financial relationships with the College. Certain disclosures about the component units are not included because the component units have been audited separately and reports have been issued under separate cover. 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 the College and assist in promoting the College. The Development Corporation is governed by a Board of Directors who are appointed by the College. Although the College does not control the timing or amount of receipts from the Development Corporation, the majority of the resources held by the Development Corporation are used for the benefit of the College and its students. The address of the Development Corporation is 525 Grandview Avenue, Ottumwa, Iowa 52501.

Indian Hills Community College Foundation, 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. The Foundation is governed by a Board of Directors who are appointed by the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the resources held are used for the benefit of the College and its students. The address of the Foundation is 525 Grandview Avenue, Ottumwa, Iowa 52501.

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

#### B. Basis of Presentation

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

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation/amortization.

##### Restricted Net Position:

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

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

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

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

C. Measurement Focus and Basis of Accounting

For financial reporting purposes, Indian Hills Community 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

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

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

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

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

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

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2015 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

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

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the College after the measurement date but before the end of the College’s reporting period.

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.

Advances from Others – Advances from others represents fees and payments received in the current fiscal year, but the revenues will not be earned until the following fiscal year.

Compensated Absences – College employees accumulate a limited amount of earned but unused leave for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2015.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable which will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

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

E. Scholarship Allowances and Student Aid

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

**(2) Cash, Cash Equivalents and Pooled Investments**

The College's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2015, the College had investments of \$7,527,935 in a diversified portfolio in the Iowa Schools Joint Investment Trust. The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk – The College’s investments in the Iowa Schools Joint Investment Trust at June 30, 2015 were rated AAAM by Standard & Poor’s Financial Services.

### (3) Inventories

The College’s inventories at June 30, 2015 are as follows:

Type	Amount
Textbooks and supplies	\$ 657,604
Merchandise held for resale	331,933
Total	<u>\$ 989,537</u>

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Reclassi- fications	Additions	Deletions	Balance End of Year
Capital assets not being depreciated/amortized:					
Land	\$ 458,397	-	-	-	458,397
Construction in progress	1,919,470	(1,919,470)	227,636	-	227,636
Total capital assets not being depreciated/amortized	2,377,867	(1,919,470)	227,636	-	686,033
Capital assets being depreciated/amortized:					
Buildings	65,733,657	1,919,470	633,256	-	68,286,383
Improvements other than buildings	4,780,276	-	9,327	-	4,789,603
Intangibles	469,239	-	-	-	469,239
Equipment and vehicles	8,058,894	-	840,100	126,964	8,772,030
Total capital assets being depreciated/amortized	79,042,066	1,919,470	1,482,683	126,964	82,317,255
Less accumulated depreciation/amortization					
Buildings	25,568,122	-	2,123,618	-	27,691,740
Improvements other than buildings	1,770,379	-	181,633	-	1,952,012
Intangibles	413,101	-	13,546	-	426,647
Equipment and vehicles	6,473,233	-	629,126	85,439	7,016,920
Total accumulated depreciation/amortization	34,224,835	-	2,947,923	85,439	37,087,319
Total capital assets being depreciated/amortized, net	44,817,231	1,919,470	(1,465,240)	41,525	45,229,936
Capital assets, net	\$ 47,195,098	-	(1,237,604)	41,525	45,915,969

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

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Certificates Payable (1)	Net Pension Liability	Net OPEB Liability	Early Retirement	Total
Balance beginning of year, as restated	\$ 5,296,249	11,904,963	117,837	1,425,825	18,744,874
Additions	-	-	18,761	331,992	350,753
Reductions	2,487,366	3,797,843	1,586	803,197	7,089,992
Balance end of year	\$ 2,808,883	8,107,120	135,012	954,620	12,005,635
Due within one year	\$ 985,000	-	-	247,990	1,232,990

(1) The unamortized premium and discount on the certificates was \$15,160 and \$6,277, respectively, at June 30, 2015.

Certificates Payable

The College issued \$1,790,000 of Industrial New Jobs Training Refunding Certificates on June 30, 2014 with an interest rate of 2.00% per annum for a current refunding of \$1,760,000 for the Series 2007-1A, 2007-1B and 2009-1 outstanding certificates. The College refunded the certificates to reduce its total debt service payments by approximately \$100,000 and to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$99,000. The \$1,760,000 of certificates refunded were redeemed on July 11, 2014.

In accordance with agreements dated between July 12, 2010 and May 16, 2014, the College issued certificates totaling \$6,405,000 with interest rates ranging from 2.62% to 6.91% per annum. The debt was incurred to fund the development and training costs related to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding tax, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 985,000	66,885	1,051,885
2017	350,000	47,185	397,185
2018	355,000	39,645	394,645
2019	365,000	31,532	396,532
2020	215,000	22,545	237,545
2021-2024	530,000	40,328	570,328
Total	2,800,000	248,120	3,048,120
Unamortized premium	15,160		
Unamortized discount	(6,277)		
Certificates payable	\$ 2,808,883		



**(6) Operating Leases**

The College has leased 155 printers and 3 copiers. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases on 2 copiers expired during 2015. The remaining leases expire in 2019 and require various minimum monthly payments.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2015:

Year Ending June 30,	Printers	Copiers	Total
2016	\$ 80,370	14,160	94,530
2017	80,370	14,160	94,530
2018	80,370	14,160	94,530
2019	40,185	8,260	48,445
Total	\$ 281,295	50,740	332,035

Rents for the operating leases for the year ended June 30, 2015 totaled \$101,771.

**(7) Iowa Public Employees' Retirement System (IPERS)**

Plan Description - IPERS membership is mandatory for employees of the College except for those covered by another retirement system. Employees of the College are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50 percent for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the College contributed 8.93% for a total rate of 14.88%.

The College's contributions to IPERS for the year ended June 30, 2015 were \$1,226,234.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the College reported a liability of \$8,107,120 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the College's collective proportion was 0.204420%, which was a decrease of 0.002923% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized pension expense of \$499,937. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,109	-
Changes of assumptions	357,786	-
Net difference between projected and actual earnings on pension plan investments	-	3,091,822
Changes in proportion and differences between College contributions and proportionate share of contributions	-	457,341
College's contributions subsequent to the measurement date	1,226,234	
Total	\$ 1,672,129	3,549,163

\$1,226,234 reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	\$ (775,630)
2017	(775,630)
2018	(775,630)
2019	(775,630)
2020	(748)
Total	<u><u>\$ (3,103,268)</u></u>

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u><u>100%</u></u>	

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

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability:	\$ 15,318,176	\$ 8,107,120	\$ 2,020,242

Pension Plan Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS' financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - At June 30, 2015, the College reported payables to IPERS of \$52,189 for legally required employer contributions and \$34,773 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

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

Benefit terms, including contribution requirements, for TIAA-CREF are established and specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa. For each employee in the pension plan, the College is required to contribute 8.93% of annual salary, including overtime pay, to an individual employee account. Each employee is required to contribute 5.95%. Contributions made by both employer and employee vest immediately. For the year ended June 30, 2015, employee contributions totaled \$495,914 and the College recognized pension expense of \$777,919.

At June 30, 2015, the College reported payables to the defined contribution pension plan of \$33,367 for legally required employer contributions and \$22,232 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA-CREF.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description - The College operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 374 active and 31 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the College's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	\$ 20,863
Interest on net OPEB obligation	4,713
Adjustment to annual required contribution	<u>(6,815)</u>
Annual OPEB cost	18,761
Contributions made	<u>(1,586)</u>
Increase in net OPEB obligation	17,175
Net OPEB obligation beginning of year	<u>117,837</u>
Net OPEB obligation end of year	<u>\$ 135,012</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the College contributed \$1,586 to the medical plan. No contributions were made by plan members during the year ended June 30, 2015.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 21,574	8.5%	\$ 102,240
2014	21,450	27.3%	117,837
2015	18,761	8.5%	135,012

Funded Status and Funding Progress - As of January 1, 2015, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$149,322, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$149,322. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$19,708,000 and the ratio of the UAAL to covered payroll was 0.8%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the January 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the College's funding policy. The projected annual medical trend rate is 5%. The ultimate medical trend rate is 5%. An inflation rate of 3.0% is assumed for the purpose of this computation.

Mortality rates are from the RP2014 Mortality Tables with Scale MP-2014, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the rates on Scale T-6 of the Actuary's Pension Handbook. Projected claim costs of the medical plan are \$14,905 per year for retirees less than age 65 and \$16,396 per year for spouses of retirees less than age 65. All coverage ceases when the retiree attains age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Insurance Management Program for Area Community Colleges (IMPACC)**

The College is a member of the Insurance Management Program for Area Community Colleges (IMPACC), as allowed by Chapter 504A of the Code of Iowa. IMPACC (Program) is a group self-insurance program whose five members are Iowa Community Colleges. The Program was incorporated in May 1988 for the purpose of managing and funding insurance for its members. The Program provides coverage and protection in the following categories: general liability, employee benefits liability, automobile liability, automobile physical damage, property and inland marine, wrongful acts and educators' legal liability, workers compensation and employers liability, crime and employee fidelity, equipment breakdown (boiler and machinery), foreign liability and cyber liability. 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 Program are recorded as prepaid expense from its operating funds at the time of payment. The College amortizes the expense over the periods for which the Program 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 occurrence for wrongful acts, employee benefits liability and educators' legal liability, \$250,000 per occurrence for workers compensation and employer's liability and \$200,000 per occurrence for most other claims. First layer excess insurance is \$800,000 per occurrence for property, general and automobile liability, \$900,000 per occurrence for wrongful acts, employee benefits liability and educators' legal liability and \$250,000 per occurrence for workers compensation. The Program's annual aggregate retention (loss fund) is \$860,000 with stop gap loss protection provided above the loss fund. There is additional excess insurance for workers' compensation to statutory limits and for liability claims to \$10,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention and underlying layer up to \$250,000,000 per occurrence. Flood and earthquake exposures are covered in the property program each having \$16,000,000 limits. Also covered is employee fidelity up to \$1,000,000 having a deductible of \$10,000 per member, boiler and machinery coverage up to \$100,000,000 with a deductible of \$10,000 per member loss, foreign travel coverage with limits of \$1,000,000, as well as cyber liability including identify theft protection up to \$1,000,000 annual aggregate per member with a deductible of \$25,000 per member loss. Stop gap loss protection is provided above the Program'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, 2015, no liability has been recorded in the College's financial statements. As of June 30, 2015, settled claims have not exceeded the Program's coverage in any of the past three fiscal years.

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

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

#### **(11) New Jobs Training Programs**

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area XV in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the case of default, from standby property tax. Since inception, the College has administered 84 projects with 1 currently receiving project funding. Of the remaining 83 projects, 75 projects have been completed, of which 64 have been fully repaid and 11 are in the repayment process. Eight projects have defaulted, one of which was repaid by the guarantor bank, six were repaid by standby property tax and one by the other companies as part of a multiple issuance.

The College also administers the Iowa Jobs Training Program in Area XV in accordance with Chapter 260F of the Code of Iowa. The current program's purpose is to provide tax-aided training or retraining for employers of businesses whose training costs cannot be economically funded under Chapter 260E. Approved businesses received forgivable loans from the Workforce Development Fund, a State administered fund. Since inception of this program, the College administered 417 projects. Of these 417 projects, five defaulted, nine withdrew and 14 are active projects.

**(12) Termination Benefits**

On November 9, 2009, December 10, 2012 and January 12, 2015, the Board of Trustees adopted voluntary early retirement programs. The program enrollment periods ran from November 10, 2009 until January 15, 2010, December 11, 2012 until February 4, 2013 and January 14, 2015 until March 12, 2015, respectively. Full-time staff who had reached the age of 55 and had been employed by the College continually for the previous 10 years were eligible.

For the November 9, 2009 plan, early retirement began at the end of the employee's contract or June 30, 2010. For the December 10, 2012 and January 12, 2015 plans, retirement began at the end of the retiree's employment year or another date agreed upon by the College President and approved by the Board of Trustees. Employees who accepted early retirement under the November 9, 2009 and December 10, 2012 plans received a cash payment equal to 5% of the employee's annualized salary for each full year of employment, up to 100%.

The cash payment for the December 10, 2012 plan was based on the availability of funds allocated for the plan by the Board of Trustees. Retirees under the December 10, 2012 plan received 55% of the calculated cash payment. The 2009 and 2012 plans required the employee to receive the incentive retirement benefits in two equal installments. For each plan, current health coverage determined employee eligibility to receive single coverage health insurance paid by the College until the age of Medicare eligibility or 12 monthly cash payments of a specified amount. Retirees under the January 12, 2015 plan received the option to continue with the College's health insurance plan or waive their right to the College's health insurance plan. For retirees who continue with the College's health insurance plan, the College will pay \$713 per month in insurance premiums until the retiree is eligible for Medicare. Retirees who waived the College's health insurance will receive monthly cash payments of \$500 for a maximum of 36 months following the retirement date.

The liability at June 30, 2015 for those employees who elected early retirement under the November 9, 2009, December 10, 2012 and January 12, 2015 plans was \$61,875, \$560,753 and \$331,992, respectively. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2015, \$803,197 was paid for early retirement benefits.

**(13) Construction Commitments**

The College has entered into contracts totaling \$905,412 for building projects. As of June 30, 2015, costs of \$119,416 on the projects have been incurred. The balance of \$785,996 remaining on the contracts at June 30, 2015 will be paid as work on the projects progresses.



**(14) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Net Position</u>
Net position June 30, 2014, as previously reported	\$ 62,035,225
Net pension liability at June 30, 2014	(11,904,963)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>1,194,512</u>
Net position July 1, 2014, as restated	<u>\$ 51,324,774</u>

**Required Supplementary Information**

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Indian Hills Community College

Schedule of the College's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Required Supplementary Information

	<u>2015</u>
College's collective proportion of the net pension liability	0.204420%
College's collective proportionate share of the net pension liability	\$ 8,107
College's covered-employee payroll	\$ 13,405
College's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.48%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Indian Hills Community College

Schedule of College Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 1,226	1,195	1,178	1,058
Contributions in relation to the statutorily required contribution	<u>(1,226)</u>	<u>(1,195)</u>	<u>(1,178)</u>	<u>(1,058)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
College's covered-employee payroll	\$ 13,731	13,405	13,590	13,105
Contributions as a percentage of covered-employee payroll	8.93%	8.91%	8.67%	8.07%

See accompanying independent auditor's report.

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<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
877	857	804	725	667	640
<u>(877)</u>	<u>(857)</u>	<u>(804)</u>	<u>(725)</u>	<u>(667)</u>	<u>(640)</u>
-	-	-	-	-	-
12,618	12,893	12,665	11,988	11,597	11,126
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

Indian Hills Community College

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.

Indian Hills Community College

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2010	-	\$ 203	203	0.0%	\$ 17,379	1.2%
2012	July 1, 2010	-	203	203	0.0	17,379	1.2
2013	January 1, 2013	-	206	206	0.0	18,981	1.1
2014	January 1, 2013	-	206	206	0.0	18,891	1.1
2015	January 1, 2015	-	149	149	0.0	19,708	0.8

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

See accompanying independent auditor's report.

**Indian Hills Community College**



## **Supplementary Information**

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

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

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

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

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

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

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

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

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

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

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

Schedules presented in supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The schedule of revenues, expenditures and changes in fund balances is a schedule of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Indian Hills Community College  
 Budgetary Comparison Schedule of Expenditures –  
 Budget to Actual

Year ended June 30, 2015

Funds/Levy	Original/ Final Budget	Actual	Variance between Budget and Actual
Unrestricted	\$ 37,275,000	36,334,818	940,182
Restricted	9,766,500	4,996,597	4,769,903
Unemployment Compensation	110,000	74,176	35,824
Insurance	930,000	1,213,307	(283,307)
Tort Liability	410,000	439,235	(29,235)
Early Retirement	768,000	331,158	436,842
Equipment Replacement	469,729	474,960	(5,231)
Total Restricted	12,454,229	7,529,433	4,924,796
Plant	6,990,500	2,103,004	4,887,496
Bonds and Interest	399,310	-	399,310
 Total	 \$ 57,119,039	 45,967,255	 11,151,784

Note to Budgetary Reporting:

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

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

For the year ended June 30, 2015, the College's expenditures did not exceed the amount budgeted.

See accompanying independent auditor's report.

Indian Hills Community College

Balance Sheet  
All Funds

June 30, 2015

	Current Funds		Quasi- Endowment Funds
	Unrestricted	Restricted	
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 8,736,281	1,979,869	4,641,462
Receivables:			
Accounts, net of allowance of \$210,112	2,570,481	-	1,103
Succeeding year property tax	961,249	2,555,735	-
Iowa Industrial New Jobs Training Program	-	1,561,882	-
Due from other funds	2,627,002	1,710,633	-
Due from other governments	70,443	1,109,241	-
Prepaid expenses	91,599	1,785	-
Inventories	989,537	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Construction in progress	-	-	-
Improvements other than buildings	-	-	-
Intangibles	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation/amortization	-	-	-
<b>Total assets</b>	16,046,592	8,919,145	4,642,565
Deferred Outflows of Resources:			
Pension related deferred outflows	-	-	-
<b>Total assets and deferred outflows of resources</b>	\$ 16,046,592	8,919,145	4,642,565

Plant Funds		Agency Funds	Adjustments	Total
Unex- pended	Investment in Plant			
3,672,254	-	158,719	-	19,188,585
4,300	-	20,983	-	2,596,867
961,249	-	-	-	4,478,233
-	-	-	-	1,561,882
997,597	-	2,705	(5,337,937)	-
268,346	-	255,005	-	1,703,035
-	-	750	-	94,134
-	-	-	-	989,537
-	458,397	-	-	458,397
-	68,286,383	-	-	68,286,383
-	227,636	-	-	227,636
-	4,789,603	-	-	4,789,603
-	469,239	-	-	469,239
-	8,772,030	-	-	8,772,030
-	-	-	(37,087,319)	(37,087,319)
5,903,746	83,003,288	438,162	(42,425,256)	76,528,242
-	-	-	1,672,129	1,672,129
5,903,746	83,003,288	438,162	(40,753,127)	78,200,371

Indian Hills Community College

Balance Sheet  
All Funds

June 30, 2015

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 911,902	3,106	-
Salaries and benefits payable	1,233,003	73,150	-
Due to other funds	2,710,935	2,507,002	-
Advances from others	2,159,123	-	-
Early retirement payable	-	954,620	-
Compensated absences	827,657	35,065	-
Deposits held in custody for others	-	-	-
Certificates payable	-	2,808,883	-
Net pension liability	-	-	-
Net OPEB liability	-	-	-
Total liabilities	7,842,620	6,381,826	-
Deferred inflows of resources:			
Succeeding year property tax	961,249	2,555,735	-
Pension related deferred inflows	-	-	-
Total deferred inflows of resources	961,249	2,555,735	-
Fund balances:			
Net investment in capital assets	-	-	-
Restricted:			
Expendable:			
Scholarships and fellowships	-	44,789	-
Cash reserve	-	288,745	-
Other	-	1,217,157	-
Unrestricted	5,041,781	(1,569,107)	4,642,565
Auxiliary enterprises	2,200,942	-	-
Total fund balances	7,242,723	(18,416)	4,642,565
<b>Total liabilities, deferred inflows of resources and fund balances</b>	\$ 16,046,592	8,919,145	4,642,565

See accompanying independent auditor's report.

Plant Funds				
Unex- pended	Investment in Plant	Agency Funds	Adjustments	Total
600	-	13,572	-	929,180
-	-	3,906	-	1,310,059
120,000	-	-	(5,337,937)	-
166,800	-	59,613	-	2,385,536
-	-	-	-	954,620
-	-	-	-	862,722
-	-	361,071	-	361,071
-	-	-	-	2,808,883
-	-	-	8,107,120	8,107,120
-	-	-	135,012	135,012
287,400	-	438,162	2,904,195	17,854,203
961,249	-	-	-	4,478,233
-	-	-	3,549,163	3,549,163
961,249	-	-	3,549,163	8,027,396
-	83,003,288	-	(37,087,319)	45,915,969
-	-	-	-	44,789
-	-	-	-	288,745
-	-	-	-	1,217,157
4,655,097	-	-	(10,119,166)	2,651,170
-	-	-	-	2,200,942
4,655,097	83,003,288	-	(47,206,485)	52,318,772
5,903,746	83,003,288	438,162	(40,753,127)	78,200,371

Indian Hills Community College

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

Year ended June 30, 2015

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
<b>Revenues:</b>			
<b>General:</b>			
State appropriations	\$ 14,805,630	3,173,439	-
Tuition and fees	19,395,523	-	-
Property tax	1,057,623	2,825,639	-
Federal appropriations	-	12,181,578	-
Sales and services	296,860	396	-
Interest on investments	51,790	130	2,856
Iowa Industrial New Jobs Training Program	-	596,542	-
Increase in plant investment due to donated plant assets	-	-	-
Increase in plant investment due to plant expenditures (including \$461,016 of current fund expenditures)	-	-	-
Gifts from the Indian Hills Community College Foundation	-	-	-
Proceeds from sale of capital assets	-	-	-
Miscellaneous	1,633,098	558,919	-
	37,240,524	19,336,643	2,856
<b>Auxiliary enterprises:</b>			
Tuition and fees	367,900	-	-
Federal appropriations	16,000	-	-
Sales and services	6,870,890	-	-
Interest on investments	17	-	-
Miscellaneous	376,855	-	-
	7,631,662	-	-
Total revenues	44,872,186	19,336,643	2,856
<b>Expenditures:</b>			
<b>Education and support:</b>			
Liberal arts and sciences	5,287,016	313,893	-
Vocational technical	13,254,667	1,650,484	-
Adult education	1,450,288	1,812,451	-
Cooperative services	104,776	727,916	-
Administration	1,617,352	474,960	-
Student services	4,325,586	419,440	-
Learning resources	639,303	-	-
Physical plant	4,492,612	1,213,307	-
General institution	5,163,218	844,569	-
Total education and support	36,334,818	7,457,020	-



Plant Funds			
Unex- pended	Investment in Plant	Adjustments	Total
621,339	-	-	18,600,408
-	-	(4,547,689)	14,847,834
1,061,288	-	-	4,944,550
84,303	-	-	12,265,881
454,107	-	-	751,363
23,596	-	-	78,372
-	-	-	596,542
-	73,768	-	73,768
-	1,636,551	(1,636,551)	-
-	-	1,261,993	1,261,993
6,828	-	(6,828)	-
37,485	-	(1,261,993)	967,509
2,288,946	1,710,319	(6,191,068)	54,388,220
-	-	-	367,900
-	-	-	16,000
-	-	(2,189,182)	4,681,708
-	-	-	17
-	-	-	376,855
-	-	(2,189,182)	5,442,480
2,288,946	1,710,319	(8,380,250)	59,830,700
-	-	(155,165)	5,445,744
-	-	(697,377)	14,207,774
-	-	(100,165)	3,162,574
-	-	(41,649)	791,043
-	-	(184,640)	1,907,672
-	-	(106,308)	4,638,718
-	-	(12,575)	626,728
-	-	(86,431)	5,619,488
-	-	(392,210)	5,615,577
-	-	(1,776,520)	42,015,318

Indian Hills Community College

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

Year ended June 30, 2015

	Current Funds		Quasi-
	Unrestricted	Restricted	Endowment Funds
Expenditures (continued):			
Auxiliary enterprises	7,201,078	-	-
Scholarships and grants	-	9,507,591	-
Workforce Investment Act	-	2,260,702	-
Plant operations	-	-	-
Plant asset acquisitions	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	72,413	-
Depreciation/amortization	-	-	-
Loss on disposal of capital assets	-	-	-
Total expenditures	43,535,896	19,297,726	-
Excess (deficiency) of revenues over (under) expenditures	1,336,290	38,917	2,856
Transfers:			
Non-mandatory transfers	(956,108)	(275,151)	-
Net	380,182	(236,234)	2,856
Fund balances beginning of year, as restated	6,862,541	217,818	4,639,709
Fund balances end of year	\$ 7,242,723	(18,416)	4,642,565

See accompanying independent auditor's report.

Plant Funds			
Unex- pended	Investment in Plant	Adjustments	Total
-	-	(315,382)	6,885,696
-	-	(5,815,107)	3,692,484
-	-	-	2,260,702
961,589	-	-	961,589
1,141,415	-	(1,141,415)	-
-	126,964	(126,964)	-
-	-	-	72,413
-	-	2,947,923	2,947,923
-	-	577	577
2,103,004	126,964	(6,226,888)	58,836,702
185,942	1,583,355	(2,153,362)	993,998
1,231,259	-	-	-
1,417,201	1,583,355	(2,153,362)	993,998
3,237,896	81,419,933	(45,053,123)	51,324,774
4,655,097	83,003,288	(47,206,485)	52,318,772

Indian Hills Community College

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

Year ended June 30, 2015

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
Revenues:				
State appropriations	\$ 5,102,443	8,398,658	1,178,469	-
Tuition and fees	6,136,960	12,586,215	654,752	-
Property tax	-	-	-	-
Sales and services	1,031	56,456	104,278	1,068
Interest on investments	-	-	-	-
Miscellaneous	-	16,525	6,003	11,705
<b>Total revenues</b>	<b>11,240,434</b>	<b>21,057,854</b>	<b>1,943,502</b>	<b>12,773</b>
Expenditures:				
Salaries and benefits	4,914,529	10,107,618	1,218,558	90,077
Services	48,718	1,814,006	121,706	6,382
Materials and supplies	58,802	757,966	61,911	3,175
Travel	111,713	275,864	28,759	4,951
Loan cancellations and bad debts	152,228	250,599	-	-
Administrative and collections	-	-	-	-
Cost of goods sold	-	-	9,342	-
Miscellaneous	1,026	48,614	10,012	191
<b>Total expenditures</b>	<b>5,287,016</b>	<b>13,254,667</b>	<b>1,450,288</b>	<b>104,776</b>
Excess (deficiency) of revenues over (under) expenditures	5,953,418	7,803,187	493,214	(92,003)
Transfers:				
Non-mandatory transfers	-	-	-	-
<b>Net</b>	<b>\$ 5,953,418</b>	<b>7,803,187</b>	<b>493,214</b>	<b>(92,003)</b>

Fund balances beginning of year

Fund balances end of year

See accompanying independent auditor's report.

General Adminis- tration	Support				Education and Support Total
	Student Services	Learning Resources	Physical Plant	General Institution	
49,097	-	64,256	12,707	-	14,805,630
-	16,316	-	-	1,280	19,395,523
1,057,623	-	-	-	-	1,057,623
-	116,764	498	253	16,512	296,860
51,790	-	-	-	-	51,790
575,120	3,079	464	1,018,751	1,451	1,633,098
1,733,630	136,159	65,218	1,031,711	19,243	37,240,524
1,129,137	3,783,325	442,347	2,130,629	3,189,546	27,005,766
372,447	307,016	26,834	1,782,546	1,399,591	5,879,246
43,085	143,063	167,165	578,482	296,208	2,109,857
54,608	88,329	2,957	955	140,293	708,429
-	-	-	-	-	402,827
14,025	-	-	-	-	14,025
-	-	-	-	-	9,342
4,050	3,853	-	-	137,580	205,326
1,617,352	4,325,586	639,303	4,492,612	5,163,218	36,334,818
116,278	(4,189,427)	(574,085)	(3,460,901)	(5,143,975)	905,706
(853,000)	-	-	-	-	(853,000)
(736,722)	(4,189,427)	(574,085)	(3,460,901)	(5,143,975)	52,706
					4,989,075
					<u>\$ 5,041,781</u>

**Schedule 5**

## Indian Hills Community College

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

Year ended June 30, 2015

	Institutional Services	Education Program	Miscellaneous	Total
Revenues:				
Tuition and fees	\$ -	335,300	32,600	367,900
Federal appropriations	-	16,000	-	16,000
Sales and services	3,877,164	2,350,852	642,874	6,870,890
Interest on investments	-	-	17	17
Miscellaneous	144,993	49,126	182,736	376,855
Total revenues	4,022,157	2,751,278	858,227	7,631,662
Expenditures:				
Salaries and benefits	466,716	901,857	189,043	1,557,616
Services	340,034	305,666	420,531	1,066,231
Materials and supplies	72,234	284,628	92,791	449,653
Travel	1,173	289,934	4,098	295,205
Loan cancellations and bad debts	94,521	823	-	95,344
Plant asset acquisitions	5,030	24,601	-	29,631
Miscellaneous	1,278	63,847	6,421	71,546
Cost of goods sold	2,500,836	1,135,016	-	3,635,852
Total expenditures	3,481,822	3,006,372	712,884	7,201,078
Excess (deficiency) of revenues over (under) expenditures	540,335	(255,094)	145,343	430,584
Transfers:				
Non-mandatory transfers	(383,875)	281,090	(323)	(103,108)
Net	156,460	25,996	145,020	327,476
Fund balances beginning of year	1,550,552	94,597	228,317	1,873,466
Fund balances end of year	\$ 1,707,012	120,593	373,337	2,200,942

See accompanying independent auditor's report.

**Indian Hills Community College**

Indian Hills Community College

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

Year ended June 30, 2015

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance	Early Retirement
<b>Revenues:</b>					
State appropriations	\$ 1,175,327	4,901	3,393	10,345	8,018
Property tax	-	470,059	325,674	983,662	768,292
Federal appropriations	7,792,584	-	-	-	-
Sales and services	-	-	-	-	-
Interest on investments	-	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-	-
Miscellaneous	430,673	-	-	-	-
Total revenues	<u>9,398,584</u>	<u>474,960</u>	<u>329,067</u>	<u>994,007</u>	<u>776,310</u>
<b>Expenditures:</b>					
Salaries and benefits	-	-	74,801	-	331,158
Services	-	-	364,434	1,213,307	-
Materials and supplies	-	309,746	-	-	-
Travel	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Awards to subrecipients	-	-	-	-	-
Plant asset acquisitions	-	165,214	-	-	-
Miscellaneous	-	-	-	-	-
Federal Pell grant program	7,682,493	-	-	-	-
Federal Supplemental Educational Opportunity grant	110,091	-	-	-	-
Iowa College Student Aid Commission	1,149,557	-	-	-	-
Private scholarships	565,450	-	-	-	-
Total expenditures	<u>9,507,591</u>	<u>474,960</u>	<u>439,235</u>	<u>1,213,307</u>	<u>331,158</u>
Excess (deficiency) of revenues over (under) expenditures	(109,007)	-	(110,168)	(219,300)	445,152
<b>Transfers:</b>					
Non-mandatory transfers	103,109	-	-	-	-
Net	(5,898)	-	(110,168)	(219,300)	445,152
Fund balances beginning of year	50,687	-	174,243	(262,231)	(1,530,608)
Fund balances end of year	<u>\$ 44,789</u>	<u>-</u>	<u>64,075</u>	<u>(481,531)</u>	<u>(1,085,456)</u>

See accompanying independent auditor's report.



Unemploy- ment Compen- sation	Iowa						Miscel- laneous	Total
	State Grants	Federal Grants	Workforce Investment Act	Industrial New Jobs Training Program	Retraining Program (HF 260F)			
2,297	1,784,549	-	49,991	642	133,976	-	3,173,439	
216,479	-	-	-	61,473	-	-	2,825,639	
-	-	2,185,164	2,203,830	-	-	-	12,181,578	
-	-	-	-	-	-	396	396	
-	-	-	-	130	-	-	130	
-	-	-	-	596,542	-	-	596,542	
-	-	-	-	-	-	128,246	558,919	
218,776	1,784,549	2,185,164	2,253,821	658,787	133,976	128,642	19,336,643	
74,176	1,086,841	1,459,942	1,556,749	64,456	-	70,293	4,718,416	
-	206,176	118,168	455,713	547,962	115,488	61,409	3,082,657	
-	181,469	249,934	54,562	-	-	2,929	798,640	
-	31,664	106,183	38,370	10	-	8,100	184,327	
-	-	-	-	72,413	-	-	72,413	
-	-	-	155,308	-	-	-	155,308	
-	141,029	125,142	-	-	-	-	431,385	
-	221,194	125,795	-	-	-	-	346,989	
-	-	-	-	-	-	-	7,682,493	
-	-	-	-	-	-	-	110,091	
-	-	-	-	-	-	-	1,149,557	
-	-	-	-	-	-	-	565,450	
74,176	1,868,373	2,185,164	2,260,702	684,841	115,488	142,731	19,297,726	
144,600	(83,824)	-	(6,881)	(26,054)	18,488	(14,089)	38,917	
-	(305,130)	-	-	(89,149)	-	16,019	(275,151)	
144,600	(388,954)	-	(6,881)	(115,203)	18,488	1,930	(236,234)	
(77,980)	1,027,902	-	4,761	421,699	119,140	290,205	217,818	
66,620	638,948	-	(2,120)	306,496	137,628	292,135	(18,416)	

**Schedule 7**

## Indian Hills Community College

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

Year ended June 30, 2015

	Student Organizations	Federal Direct Student Loan Program	Miscel- laneous	Total
Balances beginning of year	\$ 125,163	-	162,969	288,132
Additions:				
State appropriations	-	-	61,475	61,475
Federal appropriations	-	12,652,362	-	12,652,362
Tuition and fees	73,675	-	-	73,675
Sales and services	83,593	-	171,602	255,195
Miscellaneous	23,283	-	627,300	650,583
Total additions	180,551	12,652,362	860,377	13,693,290
Deductions:				
Salaries and benefits	1,831	-	199,050	200,881
Services	53,697	-	582,053	635,750
Materials and supplies	16,430	-	2,750	19,180
Travel	57,893	-	2,365	60,258
Miscellaneous	48,706	-	-	48,706
Cost of goods sold	1,566	-	1,648	3,214
Direct student loans	-	12,652,362	-	12,652,362
Total deductions	180,123	12,652,362	787,866	13,620,351
Balances end of year	\$ 125,591	-	235,480	361,071

See accompanying independent auditor's report.

Indian Hills Community College  
 Schedule of Credit and Contact Hours  
 Year ended June 30, 2015

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	40,757	-	40,757	-	-	-
Vocational Education	67,085	-	67,085	-	-	-
Adult Education/ Continuing Education	-	-	-	232,660	4,032	236,692
Total	107,842	-	107,842			

See accompanying independent auditor's report.

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Indian Hills Community College

Schedule of Taxes and Intergovernmental Revenues

For the Last Ten Years

	2015	2014	2013	2012
Local (property tax)	\$ 4,944,550	4,143,844	3,981,490	4,307,405
State	18,600,408	18,099,666	15,521,696	16,156,190
Federal	12,281,881	12,526,693	13,784,293	15,944,207
Total	\$ 35,826,839	34,770,203	33,287,479	36,407,802

See accompanying independent auditor's report.

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Years ended June 30,					
2011	2010	2009	2008	2007	2006
4,292,781	4,033,815	3,573,445	3,283,331	3,011,282	2,888,099
13,491,892	12,267,335	15,615,288	15,262,550	14,812,393	13,848,936
18,106,236	19,768,049	10,665,497	9,071,675	9,131,763	8,496,721
35,890,909	36,069,199	29,854,230	27,617,556	26,955,438	25,233,756

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Indian Hills Community College

Schedule of Current Fund Revenues by Source  
and Expenditures by Function

For the Last Ten Years

	2015	2014	2013	2012
<b>Revenues:</b>				
State appropriations	\$ 17,979,069	17,363,247	15,111,760	14,551,548
Tuition and fees	19,395,523	17,579,936	18,196,872	17,868,770
Property tax	3,883,262	3,085,749	2,957,789	3,330,915
Federal appropriations	12,181,578	12,031,460	13,751,605	15,711,640
Sales and services	297,256	300,735	238,768	171,215
Interest on investments	51,920	37,972	59,773	80,746
Iowa Industrial New Jobs Training Program	596,542	1,916,716	1,342,184	1,451,917
Auxiliary enterprises	7,631,662	7,569,391	8,422,448	8,141,095
Miscellaneous	2,192,017	1,842,141	1,448,965	1,238,987
Total	<u>\$ 64,208,829</u>	<u>61,727,347</u>	<u>61,530,164</u>	<u>62,546,833</u>
<b>Expenditures:</b>				
Liberal arts and sciences	\$ 5,600,909	5,850,290	6,201,782	6,128,369
Vocational technical	14,905,151	13,786,667	13,532,045	13,450,906
Adult education	3,262,739	2,123,833	2,165,784	2,527,489
Cooperative services	832,692	1,222,017	675,129	1,063,639
Administration	2,092,312	2,240,614	2,144,312	2,275,963
Student services	4,745,026	4,984,211	5,069,400	4,185,342
Learning resources	639,303	609,387	613,975	602,093
Physical plant	5,705,919	5,067,087	4,691,539	4,793,837
General institution	6,007,787	5,260,498	6,974,687	4,616,827
Auxiliary enterprises	7,201,078	7,634,273	9,280,259	7,745,980
Scholarships and grants	9,507,591	9,215,765	11,089,617	11,621,322
Workforce Investment Act	2,260,702	2,130,210	1,899,227	1,671,189
Interest on indebtedness	72,413	228,566	315,247	394,435
Total	<u>\$ 62,833,622</u>	<u>60,353,418</u>	<u>64,653,003</u>	<u>61,077,391</u>

See accompanying independent auditor's report.

Years ended June 30,					
2011	2010	2009	2008	2007	2006
12,633,837	12,228,203	15,442,692	14,834,079	14,073,316	12,763,819
18,767,263	17,044,910	14,064,149	13,376,779	12,206,286	11,241,360
3,352,711	3,131,607	2,707,554	2,468,561	2,209,835	2,101,756
18,044,436	19,742,867	10,632,557	9,045,531	8,340,575	8,254,634
305,266	250,654	226,627	185,247	165,304	134,153
97,588	107,931	282,958	597,696	742,983	577,753
1,606,070	1,835,403	3,067,908	2,693,218	2,403,017	2,058,203
8,840,122	8,343,338	9,306,142	9,920,671	8,574,455	7,424,262
1,602,279	1,475,699	2,667,175	2,203,443	2,034,241	1,745,273
65,249,572	64,160,612	58,397,762	55,325,225	50,750,012	46,301,213
5,776,120	5,254,600	5,227,040	4,940,265	4,917,349	4,373,871
12,662,111	11,967,322	10,914,226	10,226,319	9,906,322	9,350,631
2,411,689	2,314,128	2,673,018	2,805,029	2,566,441	2,663,422
1,054,744	1,281,494	2,248,721	2,065,302	1,597,677	1,484,142
2,022,809	2,125,380	2,122,678	1,933,925	1,892,886	1,866,882
3,962,638	3,844,065	3,493,592	3,303,044	3,046,111	3,060,406
611,580	717,093	832,129	872,263	854,279	966,732
4,758,517	4,054,447	4,275,086	4,045,280	3,709,805	3,410,401
4,555,092	7,023,970	4,745,672	4,232,615	5,076,544	3,500,220
7,673,920	7,152,283	8,879,662	9,045,392	7,665,202	6,790,798
13,871,194	12,701,869	8,105,241	7,105,369	6,097,517	5,865,340
1,455,604	2,339,810	2,095,278	1,825,038	1,685,342	1,233,997
499,401	551,318	619,816	549,434	515,116	538,980
61,315,419	61,327,779	56,232,159	52,949,275	49,530,591	45,105,822

Indian Hills Community College  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Grantor/Program	CFDA Number	Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Direct:				
U.S. Department of Agriculture:				
New ERA Rural Technology Competitive Grants Program	10.314		\$ 17,781	-
U.S. Department of Commerce:				
Investments for Public Works and Economic Development Facilities	11.300		84,303	-
National Science Foundation:				
Education and Human Resources	47.076		289,946	-
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007 *		110,091	-
Higher Education_Institutional Aid	84.031		179,581	-
Federal Work-Study Program	84.033 *		115,613	-
Federal Pell Grant Program	84.063 *		7,682,493	-
Federal Direct Student Loans	84.268 *			12,652,362
TRIO Cluster:				
TRIO_Student Support Services	84.042		313,893	-
TRIO_Educational Opportunity Centers	84.066		224,180	-
Total TRIO Cluster			538,073	-
Total Direct			9,017,881	12,652,362
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Child and Adult Care Food Program	10.558		16,000	-
U.S. Department of Labor:				
Des Moines Area Community College:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		163,486	-
Hawkeye Community College:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		119,615	-
			283,101	-



Indian Hills Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2015

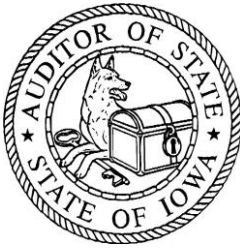
Grantor/Program	CFDA Number	Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Indirect (continued):				
U.S. Department of Labor:				
Iowa Department of Workforce Development:				
WIA Cluster:				
WIA Adult Program	17.258	7-W-15-FR-0	245,955	-
WIA Youth Activities	17.259	7-W-15-FR-0	255,014	-
WIA Dislocated Worker Formula Grants	17.278	7-W-15-FR-0	344,123	-
Total WIA Cluster			845,092	
U.S. Small Business Administration:				
Iowa State University:				
Small Business Development Centers	59.037		63,021	-
U.S. Department of Education:				
Iowa Department of Education:				
Adult Education - Basic Grants to States	84.002		178,247	-
Career and Technical Education - Basic Grants to States	84.048		519,801	-
U.S. Department of Health and Human Services:				
Iowa Department of Workforce Development:				
Temporary Assistance for Needy Families	93.558	97-6-PR15-B	1,358,738	-
Total Indirect			3,264,000	-
Total			\$ 12,281,881	12,652,362

\* - Total for Student Financial Assistance Cluster is \$20,560,559.

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

See accompanying independent auditor's report.

**Indian Hills Community College**



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

Mary Mosiman, 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 Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Trustees of  
Indian Hills Community College:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Indian Hills Community College, Ottumwa, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 25, 2015. Our report includes a reference to other auditors who audited the financial statements of the Indian Hills Community College Development Corp., Inc. and the Indian Hills Community College Foundation, Inc., as described in our report on Indian Hills Community College's financial statements. The financial statements of the Indian Hills Community College Development Corp., Inc. and the Indian Hills Community College Foundation, Inc. were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2015 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.


## Indian Hills Community College's Response to the Finding


Indian Hills Community College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Indian Hills Community College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

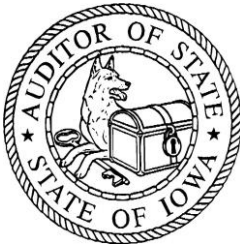
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in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

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 25, 2015



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

Mary Mosiman, 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  
For Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Board of Trustees of  
Indian Hills Community College:

Report on Compliance for Each Major Federal Program

We have audited Indian Hills Community College's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Indian Hills Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Indian Hills Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Indian Hills Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Indian Hills Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance


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

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

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 25, 2015

Indian Hills Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

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

- (a) An unmodified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.002 – Adult Education – Basic Grants to States
  - CFDA Number 93.558 – Temporary Assistance for Needy Families
  - Clustered Programs:
    - Student Financial Assistance Cluster:
      - CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grants
      - CFDA Number 84.033 – Federal Work-Study Program
      - CFDA Number 84.063 – Federal Pell Grant Program
      - CFDA Number 84.268 – Federal Direct Student Loans
    - TRIO Cluster:
      - CFDA Number 84.042 – TRIO\_Student Support Services
      - CFDA Number 84.066 – TRIO\_Educational Opportunity Centers
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Indian Hills Community College qualified as a low-risk auditee.

Indian Hills Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

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

**INTERNAL CONTROL DEFICIENCIES:**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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



Indian Hills Community College  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2015

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

IV-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 did not exceed the amount budgeted.

IV-B-15 Questionable Disbursements – No expenditures we believe did not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-15 Travel Expense – No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.

IV-D-15 Business Transactions and Competitive Bidding Requirements – Business transactions between the College and College officials as detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tom Keck, Trustee, President of Winger Services	Maintenance and repair, per bid	\$75,685

In accordance Chapter 279.7A of the Code of Iowa, the above transactions with Winger Services do not appear to represent conflicts of interest since they were entered into through competitive bid.

IV-E-15 Bond Coverage – Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-15 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-15 Publication – The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

IV-H-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the College’s investment policy were noted.

Indian Hills Community College  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2015

IV-I-15 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College for the year ended June 30, 2015 were supported by detailed records maintained by the College, except for an overstatement of 255 credit hours, as shown below:

	Reported	Total per Supporting Documentation	Difference
Arts and Sciences: Credit Hours	\$ 40,757		
Vocational Education: Credit Hours	<u>67,085</u>		
Total	<u>\$ 107,842</u>	<u>107,587</u>	<u>255</u>

Recommendation – The College should develop procedures to ensure the report submitted to the Iowa Department of Education is supported by detailed records.

Response – The College has investigated and identified the cause of the difference, and has implemented procedures to ensure that future credit and contact hour reporting is accurate and in agreement with detail records.


Conclusion – Response accepted.

Indian Hills Community College

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Selina V. Johnson, CPA, Senior Auditor II  
April D. Harbst, Senior Auditor  
Trent M. Mussman, Staff Auditor  
Dan S. Nilsen, Staff Auditor  
Kyle C. Smith, CPA, Staff Auditor  
Cole L. Hocker, Assistant Auditor  
Trent B. Huss, Audit Intern

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State