



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE December 11, 2017 at 4:00 p.m.

Contact: Andy Nielsen  
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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 \$31,287,081 for the year ended June 30, 2017, a 3.7% increase over the prior year, and included \$15,072,941 from tuition and fees, \$5,391,530 from the federal government and \$5,481,688 from auxiliary enterprises.

Operating expenses for the year ended June 30, 2017 totaled \$60,501,467, a less than 1% decrease from the prior year, and included \$34,304,485 for salaries and benefits, \$13,729,248 for services and \$3,146,042 for materials and supplies.

Non-operating revenues totaled \$30,321,038, including \$18,195,085 from the state, \$5,559,330 from Pell grants, \$5,137,967 from property tax and \$1,249,854 in scholarships for the benefit of students from the Indian Hills Community College Foundation. Non-operating expenses totaled \$56,685, consisting of interest on indebtedness. The College's net position increased \$1,049,967 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 <https://auditor.iowa.gov/reports/1731-1500-B00F>.

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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, 2017**

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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	2019
Tom Keck	Vice President	2017
Beth Danowsky	Member	2017
Richard Gaumer	Member	2017
Jerry Kirkpatrick	Member	2017
Nellie Coltrain	Member	2019
Judith A. Cox	Member	2019
George E. Manning	Member	2019
Alan M. Wilson	Member	2019

**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, 2017, 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, 2017, 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.

### 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 45 through 49 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, 2016 (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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 13, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Indian Hills Community College's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

November 13, 2017

**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 annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

### **2017 FINANCIAL HIGHLIGHTS**

- As a result of fiscal year 2017 operations, total net position of the College increased approximately \$1,050,000, or 1.9%, primarily due to increased miscellaneous operating revenues and Iowa Industrial New Jobs Training Program activity.
- The College issued \$2,050,000 of certificates during the year ended June 30, 2017 for Iowa Industrial New Jobs Training Program projects.

### **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,	
	2017	2016
Current and other assets	\$ 33,651,828	31,157,189
Capital assets, net of accumulated depreciation/amortization	45,946,615	45,300,880
Total assets	79,598,443	76,458,069
Deferred outflows of resources	3,641,834	1,711,817
Current liabilities	6,573,651	6,362,160
Noncurrent liabilities	16,401,313	12,053,468
Total liabilities	22,974,964	18,415,628
Deferred inflows of resources	5,323,947	5,862,859
Net position:		
Net investment in capital assets	45,946,615	45,300,880
Restricted	2,201,239	1,421,214
Unrestricted	6,793,512	7,169,305
Total net position	\$ 54,941,366	53,891,399

The largest portion of the College's net position (84%) is in the category 'Net investment in capital assets' (land, buildings and equipment). The restricted portion of the net position represents resources subject to external restrictions. The remaining net position is unrestricted and may be used to meet the College's operating obligations as they become due.

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

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

Generally, a public, state supported college, such as Indian Hills Community College, will report an operating loss as the financial reporting model 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,	
	2017	2016
Operating revenues:		
Tuition and fees	\$ 15,072,941	16,466,845
Federal appropriations	5,391,530	5,519,829
Sales and services	1,017,135	827,162
Iowa Industrial New Jobs Training Program	1,206,763	157,690
Auxiliary	5,481,688	5,694,885
Miscellaneous	3,117,024	1,501,133
Total operating revenues	31,287,081	30,167,544
Total operating expenses	60,501,467	60,593,526
Operating loss	(29,214,386)	(30,425,982)
Non-operating revenues (expenses):		
State appropriations	18,195,085	18,971,694
Pell grants	5,559,330	6,716,993
Property tax	5,137,967	4,979,238
Gifts from IHCC Foundation	1,249,854	1,314,992
Interest income on investments	145,326	92,300
Donated capital assets	30,000	12,000
Gain/(loss) on sale of capital assets	3,476	(30,181)
Interest expense	(56,685)	(58,427)
Net non-operating revenues	30,264,353	31,998,609
Change in net position	1,049,967	1,572,627
Net position beginning of year	53,891,399	52,318,772
Net position end of year	\$ 54,941,366	53,891,399

Net position of the College increased \$1,049,967 as a result of operations during fiscal year 2017.

In fiscal year 2017, operating revenues totaled approximately \$31.3 million and net non-operating revenues totaled approximately \$30.3 million. Observations regarding the changes in operating and non-operating revenues follow:

- Tuition and fees revenue, as reported herein net of scholarship allowances, decreased due to a decline in enrollment and a reduction of participation and fees collected for the Coast Flight Training partnership.
- Iowa Industrial New Jobs Training revenue increased due to new program activity.
- Miscellaneous revenue increased due to the College implementing a 100% self-funded plan for medical insurance for employees.
- Pell Grant revenue decreased due to a decline in the number of qualifying student recipients.

## Operating Expenses

	Year ended June 30,	
	2017	2016
Education and support:		
Liberal arts and sciences	\$ 5,493,256	5,619,428
Vocational technical	12,747,292	15,902,472
Adult education	3,826,755	3,596,015
Cooperative services	1,243,927	398,691
Administration	2,021,557	1,722,882
Student services	4,597,995	4,502,396
Learning resources	624,829	656,316
Physical plant	4,962,267	5,420,651
General institution	9,139,072	5,892,520
Auxiliary enterprises	6,671,164	7,026,214
Scholarships and grants	2,594,808	3,196,266
Workforce Investment Act	2,571,972	2,493,210
Plant operations	1,250,891	1,680,941
Depreciation/amortization	2,755,682	2,485,524
Total	<u>\$ 60,501,467</u>	<u>60,593,526</u>

The following factors address changes in fiscal year 2017 operating expenses:

- Vocational technical expenses decreased due to a reduction of participation and fees paid for the Coast Flight Training partnership.
- Cooperative services expenses increased due to growth in Iowa Industrial New Jobs Training program activity.
- Scholarship and grant expenses decreased due to a decline in the number of qualifying student recipients.
- General institution expenses increased due to the College implementing a 100% self-funded plan for medical insurance for employees.

### Statement of Cash Flows

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

### Cash Flows

	Year ended June 30,	
	2017	2016
Cash provided (used) by:		
Operating activities	\$ (26,099,702)	(27,838,859)
Non-capital financing activities	31,564,367	31,262,011
Capital and related financing activities	(3,367,941)	(1,888,616)
Investing activities	111,203	64,728
Net change in cash and cash equivalents	2,207,927	1,599,264
Cash and cash equivalents beginning of year	20,787,849	19,188,585
Cash and cash equivalents end of year	<u>\$ 22,995,776</u>	<u>20,787,849</u>

Cash used by 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 investment income received.

### CAPITAL ASSETS

At June 30, 2017, the College had approximately \$45.9 million invested in capital assets, net of accumulated depreciation/amortization of approximately \$41.5 million. Fiscal year 2017 depreciation/amortization charges totaled \$2,755,682. A summary of capital assets, net of accumulated depreciation/amortization, is shown below.

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

	June 30,	
	2017	2016
Land	\$ 458,397	458,397
Construction in progress	1,395,724	-
Capital assets not being depreciated/amortized	1,854,121	458,397
Buildings	38,393,677	38,754,730
Improvements other than buildings	3,757,959	3,923,061
Intangibles	15,499	29,046
Equipment and vehicles	1,925,359	2,135,646
Total	<u>\$ 45,946,615</u>	<u>45,300,880</u>

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

**DEBT**

Outstanding debt at June 30, 2017 was \$3,400,639, which consists of certificates issued for Iowa Industrial New Jobs Training Program projects. During the year ended June 30, 2017, the College issued \$2,050,000 of certificates payable.

Detailed information is presented in Note 5 to the financial statements.

**Outstanding Debt**

	June 30,	
	2017	2016
Certificates payable	\$ 3,400,639	1,810,424

**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 identify, secure, and allocate the financial resources necessary to best support college, student and regional needs.
- 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 provide a quality learning environment focused on student success.
- Aging College facilities and infrastructure require continual maintenance and renovation to meet the current and future needs.
- To implement technology and equipment solutions that best meet student, staff and regional needs.

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, 2017

	<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	\$ 16,609,603	24,835,181
Restricted cash, cash equivalents and pooled investments	-	4,130,198
Receivables:		
Accounts, net of allowance for doubtful accounts of \$199,362	2,548,524	3,419
Succeeding year property tax	4,875,805	-
Due from other governments	1,180,116	-
Prepaid expenses	184,039	-
Inventories	908,921	-
Total current assets	<u>26,307,008</u>	<u>28,968,798</u>
Noncurrent assets:		
Cash and cash equivalents	6,386,173	-
Receivable for Iowa Industrial New Jobs Training Program	958,647	-
Capital assets, net of accumulated depreciation/amortization	45,946,615	-
Total noncurrent assets	<u>53,291,435</u>	<u>-</u>
<b>Total assets</b>	<u>79,598,443</u>	<u>28,968,798</u>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	<u>3,641,834</u>	<u>-</u>

Indian Hills Community College

Statement of Net Position

June 30, 2017

	Primary Government	Component Units
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,345,349	22,895
Salaries and benefits payable	1,277,704	-
Advances from others	1,704,192	-
Early retirement payable	270,935	-
Compensated absences payable	988,387	-
Deposits held in custody for others	407,084	-
Certificates payable	580,000	-
Total current liabilities	<u>6,573,651</u>	<u>22,895</u>
Noncurrent liabilities:		
Early retirement payable	722,007	-
Certificates payable	2,820,639	-
Net pension liability	12,691,748	-
Net OPEB liability	166,919	-
Total noncurrent liabilities	<u>16,401,313</u>	<u>-</u>
<b>Total liabilities</b>	<u>22,974,964</u>	<u>22,895</u>
<b>Deferred Inflows of Resources</b>		
Unavailable property tax revenue	4,875,805	-
Pension related deferred inflows	448,142	-
<b>Total deferred inflows of resources</b>	<u>5,323,947</u>	<u>-</u>
<b>Net position</b>		
Net investment in capital assets	45,946,615	-
Restricted:		
Nonexpendable:		
Other	-	4,310,198
Expendable:		
Scholarships and fellowships	27,004	-
Cash reserve	288,745	-
Other	1,885,490	6,412,846
Unrestricted	<u>6,793,512</u>	<u>18,222,859</u>
<b>Total net position</b>	<u>\$ 54,941,366</u>	<u>28,945,903</u>

See notes to financial statements.

Indian Hills Community College

Statement of Revenues, Expenses and  
Changes in Net Position

Year ended June 30, 2017

	Primary Government	Component Units
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$3,655,312	\$ 15,072,941	-
Federal appropriations	5,391,530	-
Sales and services	1,017,135	-
Iowa Industrial New Jobs Training Program	1,206,763	-
Auxiliary enterprises, net of scholarship allowances of \$1,059,797	5,481,688	-
Contributions	-	1,951,187
Rental income and facility management	-	648,206
Miscellaneous	3,117,024	87,893
Total operating revenues	31,287,081	2,687,286
Operating expenses:		
Education and support:		
Liberal arts and sciences	5,493,256	-
Vocational technical	12,747,292	-
Adult education	3,826,755	-
Cooperative services	1,243,927	-
Administration	2,021,557	-
Student services	4,597,995	-
Learning resources	624,829	-
Physical plant	4,962,267	-
General institution	9,139,072	-
Auxiliary enterprises	6,671,164	-
Scholarships and grants	2,594,808	-
Workforce Investment Act	2,571,972	-
Plant operations	1,250,891	-
General and administrative Programs	-	413,049
	-	459,344
Depreciation/amortization	2,755,682	-
Total operating expenses	60,501,467	872,393
Operating income (loss)	(29,214,386)	1,814,893

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

Year ended June 30, 2017

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	18,195,085	-
Pell grants	5,559,330	-
Property tax	5,137,967	-
Gifts from Indian Hills Community College Foundation for student scholarships	1,249,854	-
Investment income	145,326	1,895,905
Gifts to Indian Hills Community College for student scholarships	-	(1,249,854)
Donated capital assets	30,000	-
Gain on disposal of capital assets	3,476	-
Interest on indebtedness	(56,685)	-
Net non-operating revenues (expenses)	30,264,353	646,051
Change in net position	1,049,967	2,460,944
Net position beginning of year	53,891,399	26,484,959
Net position end of year	\$ 54,941,366	28,945,903

See notes to financial statements.

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Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2017

	<u>Primary Government</u>
Cash flows from operating activities:	
Tuition and fees	\$ 14,712,344
Federal appropriations	5,505,712
Iowa Industrial New Jobs Training Program	1,026,393
Payments to employees for salaries and benefits	(33,973,131)
Payments to suppliers for goods and services	(19,035,013)
Payments to New Jobs Training Program recipients	(730,532)
Scholarships	(2,594,808)
Payments to subrecipients	(429,136)
Auxiliary enterprise receipts	5,450,556
Other receipts	<u>3,967,913</u>
Net cash used by operating activities	<u>(26,099,702)</u>
Cash flows from non-capital financing activities:	
State appropriations	17,996,606
Pell grants	5,559,330
Property tax	5,137,967
Gifts	1,249,854
Federal direct lending receipts	9,774,536
Federal direct lending disbursements	(9,774,536)
Proceeds from issuance of debt	2,050,000
Principal paid on debt	(459,785)
Interest paid on debt	(56,685)
Agency receipts	1,157,791
Agency disbursements	<u>(1,070,711)</u>
Net cash provided by non-capital financing activities	<u>31,564,367</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	22,375
Acquisition of capital assets	<u>(3,390,316)</u>
Net cash used by capital and related financing activities	<u>(3,367,941)</u>
Cash flows from investing activities:	
Interest on investments	<u>111,203</u>
Net increase in cash and cash equivalents	2,207,927
Cash and cash equivalents beginning of year	<u>20,787,849</u>
Cash and cash equivalents end of year	<u>\$ 22,995,776</u>

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2017

	Primary Government
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (29,214,386)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation/amortization	2,755,682
Provision for doubtful accounts	(56,367)
Changes in assets and liabilities:	
Decrease in accounts receivable	112,082
Increase in New Jobs Training Program receivable	(180,370)
Decrease in due from other governments	114,182
Decrease in prepaid expenses	20,201
Decrease in inventories	126,792
Increase in pension related deferred outflows of resources	(1,930,017)
Increase in accounts payable	504,818
Increase in salaries and benefits payable	14,604
Decrease in advances from others	(613,690)
Increase in compensated absences payable	20,529
Increase in net pension liability	2,815,247
Decrease in pension related deferred inflows of resources	(793,637)
Increase in other postemployment benefits	14,737
Increase in early retirement payable	189,891
Total adjustments	3,114,684
Net cash used by operating activities	\$ (26,099,702)

**Noncash capital and related financing activities:**

The College received donated capital assets with an acquisition value of \$30,000. The trade-in value of equipment deleted was \$37,188.

See notes to financial statements.

**Exhibit D**

## Indian Hills Community College

Statement of Net Assets  
Component Units

June 30, 2017

	Indian Hills Community College Development Corp., Inc.	Indian Hills Communtiy College Foundation, Inc.	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 521,690	1,359,561	1,881,251
Investments	-	22,953,930	22,953,930
Restricted cash and investments	-	4,130,198	4,130,198
Accounts receivable	3,419	-	3,419
Total current assets	525,109	28,443,689	28,968,798
Noncurrent assets:			
Capital assets, net of accumulated depreciation of \$15,434	-	-	-
<b>Total assets</b>	525,109	28,443,689	28,968,798
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	22,305	590	22,895
<b>Net assets</b>			
Restricted:			
Nonexpendable:			
Other	-	4,310,198	4,310,198
Expendable:			
Other	-	6,412,846	6,412,846
Unrestricted	502,804	17,720,055	18,222,859
<b>Total net assets</b>	\$ 502,804	28,443,099	28,945,903

See notes to financial statements.

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

Year ended June 30, 2017

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Operating revenues:			
Contributions	\$ -	1,951,187	1,951,187
Rental income and facility management	648,206	-	648,206
Miscellaneous	14,905	72,988	87,893
Total operating revenues	<u>663,111</u>	<u>2,024,175</u>	<u>2,687,286</u>
Operating expenses:			
General and administrative	159,705	253,344	413,049
Programs	459,344	-	459,344
Total operating expenses	<u>619,049</u>	<u>253,344</u>	<u>872,393</u>
Operating income	<u>44,062</u>	<u>1,770,831</u>	<u>1,814,893</u>
Non-operating revenues (expenses):			
Investment income, net of \$87,848 of investment expenses	1,390	1,894,515	1,895,905
Gifts to Indian Hills Community College	-	(1,249,854)	(1,249,854)
Net non-operating revenues (expenses)	<u>1,390</u>	<u>644,661</u>	<u>646,051</u>
Change in net assets	45,452	2,415,492	2,460,944
Net assets beginning of year	<u>457,352</u>	<u>26,027,607</u>	<u>26,484,959</u>
Net assets end of year	<u>\$ 502,804</u>	<u>28,443,099</u>	<u>28,945,903</u>

See notes to financial statements.

Indian Hills Community College

Notes to Financial Statements

June 30, 2017

**(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 career and 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 and outstanding debt obligations attributable to the acquisition, construction or improvements of those assets.

Restricted Net Position:

Nonexpendable - Net position subject to externally imposed stipulations that 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 and The Education Liquidity Fund which are valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized 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, 2017 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets – Capital assets, which include property, equipment and vehicles and intangibles acquired after July 1, 1980, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Positions. Capital assets are recorded at historical costs. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

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 applicable to a future year(s) which 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, contributions from the College after the measurement date but before the end of the College’s reporting period and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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, 2017.

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 applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable which will not be recognized as revenue until the year for which it is levied and the unrecognized items not yet charged to pension expense.

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, 2017 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, 2017, the College had investments of \$2,465,817 in a diversified portfolio in the Iowa Schools Joint Investment Trust (ISJIT). The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor’s Financial Services.

At June 30, 2017, the College had investments of \$2,440,874 in a diversified portfolio in The Education Liquidity Fund (TELF). The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the TELF investments.

The College had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Component Units

The Indian Hills Community College Foundation (Foundation) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Foundation has the following recurring fair value measurement as of June 30, 2017:

<u>Investments</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 467,867	467,867	-
Certificates of deposit	201,076	-	201,076
Mutual funds	312,140	312,140	-
Corporate and government bonds	11,456,905	-	11,456,905
Corporate stocks	14,646,140	14,646,140	-
Total	<u>\$ 27,084,128</u>	<u>15,426,147</u>	<u>11,657,981</u>

Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

At June 30, 2017, the Indian Hills Community College Development Corporation (Development Corporation) had investments of \$500,436 in a diversified portfolio in TELF. The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the TELF investments.

Interest rate risk – The Foundation’s Board has determined that the Foundation can tolerate some interim fluctuation in the funds’ market value and rates of return in order to achieve long-term growth objectives. Given this, the Foundation has determined that its risk tolerance is conservative.

**(3) Inventories**

The College’s inventories at June 30, 2017 are as follows:

Type	Amount
Textbooks and supplies	\$ 565,318
Merchandise held for resale	343,603
Total	<u>\$ 908,921</u>

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated/amortized:				
Land	\$ 458,397	-	-	458,397
Construction in progress	-	1,395,724	-	1,395,724
Total capital assets not being depreciated/amortized	458,397	1,395,724	-	1,854,121
Capital assets being depreciated/amortized:				
Buildings	67,941,013	1,491,543	-	69,432,556
Improvements other than buildings	6,056,047	71,306	-	6,127,353
Intangibles	469,239	-	-	469,239
Equipment and vehicles	9,500,908	498,931	413,439	9,586,400
Total capital assets being depreciated/amortized	83,967,207	2,061,780	413,439	85,615,548
Less accumulated depreciation/amortization for:				
Buildings	29,186,283	1,852,596	-	31,038,879
Improvements other than buildings	2,132,986	236,408	-	2,369,394
Intangibles	440,193	13,547	-	453,740
Equipment and vehicles	7,365,262	653,131	357,352	7,661,041
Total accumulated depreciation/amortization	39,124,724	2,755,682	357,352	41,523,054
Total capital assets being depreciated/amortized, net	44,842,483	(693,902)	56,087	44,092,494
Capital assets, net	\$ 45,300,880	701,822	56,087	45,946,615

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

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Certificates Payable (1)	Net Pension Liability	Net OPEB Liability	Early Retirement	Total
Balance beginning of year	\$ 1,810,424	9,876,501	152,182	803,051	12,642,158
Additions	2,050,000	2,815,247	16,621	497,603	5,379,471
Reductions	459,785	-	1,884	307,712	769,381
Balance end of year	\$ 3,400,639	12,691,748	166,919	992,942	17,252,248
Due within one year	\$ 580,000	-	-	270,935	850,935

(1) The unamortized premium and discount on the certificates were \$2,759 and \$12,120, respectively, at June 30, 2017.

### Certificates Payable

In accordance with agreements dated between July 12, 2010 and June 7, 2017, the College issued certificates totaling \$8,455,000 with interest rates ranging from 1.25% to 4.78% 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:

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 580,000	80,983	660,983
2019	580,000	69,790	649,790
2020	420,000	57,177	477,177
2021	345,000	46,788	391,788
2022	340,000	39,191	379,191
2023-2025	1,145,000	77,952	1,222,952
Total	3,410,000	371,881	3,781,881
Unamortized premium	2,759		
Unamortized discount	(12,120)		
Certificates payable	<u>\$ 3,400,639</u>		

### **(6) Operating Leases**

The College has leased 157 printers and 3 copiers. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2019 and 2020 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, 2017:

<u>Year ending</u> <u>June 30,</u>	<u>Printers</u>	<u>Copiers</u>	<u>Total</u>
2018	\$ 80,370	39,780	120,150
2019	40,185	33,880	74,065
2020	-	14,945	14,945
Total	<u>\$ 120,555</u>	<u>88,605</u>	<u>209,160</u>

Rents for the operating leases for the year ended June 30, 2017 totaled \$120,150.

**(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, PO 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, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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

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

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

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of pay and the College contributed 8.93% of covered payroll, for a total rate of 14.88%.

The College's contributions to IPERS for the year ended June 30, 2017 totaled \$1,333,781.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the College reported a liability of \$12,691,748 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the College's proportion was 0.201670%, which was an increase of 0.001760% over its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the College recognized pension expense of \$1,427,109. At June 30, 2017, 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	\$ 112,170	151,471
Changes of assumptions	193,637	-
Net difference between projected and actual earnings on IPERS' investments	1,808,174	-
Changes in proportion and differences between College contributions and proportionate share of contributions	194,072	296,671
College's contributions subsequent to the measurement date	1,333,781	-
Total	<u>\$ 3,641,834</u>	<u>448,142</u>

\$1,333,781 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 ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Total
2018	\$ 166,374
2019	166,374
2020	952,387
2021	571,621
2022	3,155
Total	<u>\$1,859,911</u>

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 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.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</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 to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% point higher (8.50%) 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	\$ 20,533,530	12,691,748	6,073,181

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

Payables to IPERS - At June 30, 2017, the College reported payables to IPERS of \$57,623 for legally required employer contributions and \$38,394 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

**(8) Teachers Insurance and Annuity Association (TIAA)**

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

Benefit terms, including contribution requirements, for TIAA are established and specified by the contract with TIAA, 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 the College and employees vest immediately. For the year ended June 30, 2017, employee contributions totaled \$491,034 and the College recognized pension expense of \$768,966.

At June 30, 2017, the College reported payables to the TIAA of \$27,092 for legally required College contributions and \$18,051 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA.

**(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 294 active and 24 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, 2017, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	\$ 19,335
Interest on net OPEB obligation	6,087
Adjustment to annual required contributions	<u>(8,801)</u>
Annual OPEB cost	16,621
Contribution made	<u>(1,884)</u>
Increase in net OPEB obligation	14,737
Net OPEB obligation beginning of year	<u>152,182</u>
Net OPEB obligation end of year	<u>\$ 166,919</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, 2017.

For the year ended June 30, 2017, the College contributed \$1,884 to the medical plan. No contributions were made by plan members during the year ended June 30, 2017.

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
2015	\$ 18,761	8.5%	\$ 135,012
2016	18,756	8.5%	152,182
2017	16,621	11.3%	166,919

Funded Status and Funding Progress - As of January 1, 2017, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$130,765, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$130,765. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$21,288,000 and the ratio of the UAAL to covered payroll was 0.6%. As of June 30, 2017, 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.

Effective January 1, 2017, the actuarial cost method used to determine the actuarial accrued liability was changed to the entry age actuarial cost method with level percentage of payroll normal cost from the projected unit credit actuarial cost method, in anticipation of implementation of GASB Statement 75. The effect of the change is not material to the financial statements.

As of the January 1, 2017 actuarial valuation date, the entry age 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-2016, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the rates on Scale T-8 of the Actuary's Pension Handbook. Projected claim costs of the medical plan are \$15,311 per year for retirees less than age 65 and \$16,842 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 dollar amount 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 employer's 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 \$925,000 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 \$2,000,000 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.

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, 2017, no liability has been recorded in the College's financial statements. As of June 30, 2017, 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) Self-Funded Health Insurance Plan**

The College established a program for the self-funding of the College’s health insurance benefit plan, which is accounted for in the Restricted Fund. The plan is funded by both employee and College contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The College assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

The College’s monthly contributions to the program and employee deductions fund current operations and provide capital for future claims. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark. The College’s contribution for the year ended June 30, 2017 was \$4,209,280.

Amounts payable at June 30, 2017 total \$464,045, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$786,521 at June 30, 2017. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past year. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims beginning of year	\$ -
Incurred claims (including claims incurred but not reported at June 30, 2017)	3,833,799
Payments on claims during the fiscal year	<u>(3,369,754)</u>
Unpaid claims end of year	<u>\$ 464,045</u>

**(12) 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 92 projects with 9 currently receiving project funding. Of the remaining 83 projects, 75 projects have been completed, of which 70 have been fully repaid and 5 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 260F. Approved businesses received forgivable loans from the Workforce Development Fund, a State administered fund. Since inception of this program, the College administered 441 projects. Of these 441 projects, 6 defaulted, 10 withdrew and 23 are active projects.

**(13) Termination Benefits**

On November 9, 2009, December 10, 2012, January 12, 2015, December 14, 2015 and December 12, 2016 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, January 14, 2015 until March 12, 2015, December 14, 2015 until February 1, 2016, and December 12, 2016 until February 1, 2017 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, January 12, 2015, December 14, 2015 and December 12, 2016 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, December 14, 2015, and December 12, 2016 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, \$721 and \$721 per month in insurance premiums until the retiree is eligible for Medicare for the January 12, 2015, December 14, 2015 and December 12, 2016 plans, respectively. 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 under the January 12, 2015 and December 14, 2015 plans. Retirees who waived the College's health insurance will receive monthly cash payments of \$650 until the retiree is eligible for Medicare under the December 12, 2016 plan.

The liability at June 30, 2017 for those employees who elected early retirement under the November 9, 2009, December 10, 2012, January 12, 2015, December 14, 2015, and December 12, 2016 plans was \$6,875, \$210,240, \$205,894, \$73,746 and \$496,187 respectively. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2017, \$307,712 was paid for early retirement benefits.

**(14) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

## College Tax Abatements

The College provides tax abatements for industrial new jobs training projects with the tax increment financing as provided for in Chapters 403.19 of the Code of Iowa and/or state income tax withholding as provided for in section 260E.5 of the Code of Iowa. For these types of projects, the College enters into agreements with employers which require the College, after employers meet the terms of the agreements, to pay the employers for the costs of on-the-job training not to exceed 50% of the annual gross payroll costs for up to one year of the new jobs. No other commitments were made by the College as part of these agreements.

For the year ended June 30, 2017, the College had no abatements of property tax and \$529,440 of state income tax withholding under the projects.

## Tax Abatements of Other Entities

Property tax revenues of the College were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Bloomfield	Urban renewal and economic development projects	\$ 354
City of Fairfield	Urban renewal and economic development projects	2,472
City of Oskaloosa	Urban renewal and economic development projects	6,954
City of Ottumwa	Urban renewal and economic development projects	574
City of Sigourney	Urban renewal and economic development projects	2,323
Lucas County	Urban renewal and economic development projects	4,745
Monroe County	Urban renewal and economic development projects	21,153

### (15) New Accounting Pronouncement

The College adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the College's tax abatements and tax abatements of other entities which impact the College.

### (16) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.

**Indian Hills Community College**

**Required Supplementary Information**

**Indian Hills Community College**

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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  
For the Last Three Years\*  
(In Thousands)

Required Supplementary Information

	2017	2016	2015
College's proportion of the net pension liability	0.201670%	0.199910%	0.204420%
College's proportionate share of the net pension liability	\$ 12,692	9,877	8,107
College's covered-employee payroll	\$ 14,453	13,731	13,405
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.82%	71.93%	60.48%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No.68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

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Indian Hills Community College

Schedule of College Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Required Supplementary Information

	2017	2016	2015	2014
Statutorily required contribution	\$ 1,334	1,291	1,226	1,195
Contributions in relation to the statutorily required contribution	(1,334)	(1,291)	(1,226)	(1,195)
Contribution deficiency (excess)	\$ -	-	-	-
College's covered-employee payroll	\$ 14,936	14,453	13,731	13,405
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.91%

See accompanying independent auditor's report.

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2013	2012	2011	2010	2009	2008
1,178	1,058	877	857	804	725
(1,178)	(1,058)	(877)	(857)	(804)	(725)
-	-	-	-	-	-
13,590	13,105	12,618	12,893	12,665	11,988
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

Indian Hills Community College

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2017

*Changes of benefit terms:*

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

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

*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 (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

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Indian Hills Community College

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

Required Supplementary Information

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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)
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
2016	January 1, 2015	-	149	149	0.0	19,708	0.8
2017	January 1, 2017	-	131	131	0.0	21,288	0.6

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, 2017

Funds/Levy	Original/ Final Budget	Actual	Variance between Budget and Actual
Unrestricted	\$ 40,195,000	35,889,762	4,305,238
Restricted	8,350,000	9,970,020	(1,620,020)
Unemployment Compensation	37,500	41,774	(4,274)
Insurance	1,450,000	1,354,774	95,226
Tort Liability	465,000	459,362	5,638
Early Retirement	375,000	430,998	(55,998)
Equipment Replacement	499,271	498,888	383
Total Restricted	11,176,771	12,755,816	(1,579,045)
Plant	6,950,000	3,941,424	3,008,576
Total	\$ 58,321,771	52,587,002	5,734,769

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, Loan Funds, Endowment Funds and Agency Funds.

For the year ended June 30, 2017, the College's expenditures did not exceed the total amount budgeted.

See accompanying independent auditor's report.

Indian Hills Community College

Balance Sheet  
All Funds

June 30, 2017

	Current Funds		Quasi- Endowment Funds
	Unrestricted	Restricted	
<b>Assets and Deferred Outflows of Resources</b>			
Cash, cash equivalents and pooled investments	\$ 10,191,391	3,465,278	4,647,977
Receivables:			
Accounts, net of allowance of \$199,362	2,380,872	95,157	2,263
Succeeding year property tax	1,029,058	2,817,689	-
Iowa Industrial New Jobs Training Program	-	958,647	-
Due from other funds	560,468	1,110,824	-
Due from other governments	31,255	1,007,433	-
Prepaid expenses	140,557	20,888	-
Inventories	908,921	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Improvements other than buildings	-	-	-
Intangibles	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation/amortization	-	-	-
<b>Total assets</b>	15,242,522	9,475,916	4,650,240
Deferred Outflows of Resources:			
Pension related deferred outflows	-	-	-
<b>Total assets and deferred outflows of resources</b>	\$ 15,242,522	9,475,916	4,650,240

Plant Funds				
Unex- pended	Investment in Plant	Agency Funds	Adjustments	Total
4,474,360	-	216,770	-	22,995,776
53,481	-	16,751	-	2,548,524
1,029,058	-	-	-	4,875,805
-	-	-	-	958,647
851,005	-	55,813	(2,578,110)	-
-	-	141,428	-	1,180,116
21,844	-	750	-	184,039
-	-	-	-	908,921
-	458,397	-	-	458,397
-	70,828,280	-	-	70,828,280
-	6,127,353	-	-	6,127,353
-	469,239	-	-	469,239
-	9,586,400	-	-	9,586,400
-	-	-	(41,523,054)	(41,523,054)
6,429,748	87,469,669	431,512	(44,101,164)	79,598,443
-	-	-	3,641,834	3,641,834
6,429,748	87,469,669	431,512	(40,459,330)	83,240,277

(continued on next page)

Indian Hills Community College

Balance Sheet  
All Funds

June 30, 2017  
(continued)

	Current Funds		Quasi- Endowment Funds
	Unrestricted	Restricted	
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 880,704	464,045	-
Salaries and benefits payable	1,273,642	1,068	-
Due to other funds	2,017,642	560,468	-
Advances from others	1,581,958	-	-
Early retirement payable	-	992,942	-
Compensated absences	943,032	45,355	-
Deposits held in custody for others	-	-	-
Certificates payable	-	3,400,639	-
Net pension liability	-	-	-
Net OPEB liability	-	-	-
Total liabilities	6,696,978	5,464,517	-
Deferred inflows of resources:			
Succeeding year property tax	1,029,058	2,817,689	-
Pension related deferred inflows	-	-	-
Total deferred inflows of resources	1,029,058	2,817,689	-
Fund balances:			
Net investment in capital assets	-	-	-
Restricted:			
Expendable:			
Scholarships and fellowships	-	27,004	-
Cash reserve	-	288,745	-
Other	-	1,885,490	-
Unrestricted	5,069,535	(1,007,529)	4,650,240
Auxiliary enterprises	2,446,951	-	-
Total fund balances	7,516,486	1,193,710	4,650,240
<b>Total liabilities, deferred inflows of resources and fund balances</b>	\$ 15,242,522	9,475,916	4,650,240

See accompanying independent auditor's report.

Plant Funds		Agency			
Unex-	Investment	Funds	Adjustments		Total
pended	in Plant				
600	-	-	-	-	1,345,349
-	-	2,994	-	-	1,277,704
-	-	-	(2,578,110)	-	-
100,800	-	21,434	-	-	1,704,192
-	-	-	-	-	992,942
-	-	-	-	-	988,387
-	-	407,084	-	-	407,084
-	-	-	-	-	3,400,639
-	-	-	12,691,748	-	12,691,748
-	-	-	166,919	-	166,919
101,400	-	431,512	10,280,557	-	22,974,964
1,029,058	-	-	-	-	4,875,805
-	-	-	448,142	-	448,142
1,029,058	-	-	448,142	-	5,323,947
-	87,469,669	-	(41,523,054)	-	45,946,615
-	-	-	-	-	27,004
-	-	-	-	-	288,745
-	-	-	-	-	1,885,490
5,299,290	-	-	(9,664,975)	-	4,346,561
-	-	-	-	-	2,446,951
5,299,290	87,469,669	-	(51,188,029)	-	54,941,366
6,429,748	87,469,669	431,512	(40,459,330)	-	83,240,277

Indian Hills Community College

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

Year ended June 30, 2017

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
<b>Revenues:</b>			
<b>General:</b>			
State appropriations	\$ 14,639,966	3,134,437	-
Tuition and fees	18,728,253	-	-
Property tax	1,101,822	2,930,396	-
Federal appropriations	-	10,950,860	-
Sales and services	491,767	65,071	-
Interest on investments	91,783	8,591	4,320
Iowa Industrial New Jobs Training Program	-	1,206,763	-
Increase in plant investment due to donated plant assets	-	-	-
Increase in plant investment due to plant expenditures (including \$699,783 of current fund expenditures)	-	-	-
Gifts from the Indian Hills Community College Foundation	-	-	-
Proceeds from sale of capital assets	-	-	-
Miscellaneous	1,954,521	5,260,476	-
	37,008,112	23,556,594	4,320
<b>Auxiliary enterprises:</b>			
Tuition and fees	531,500	-	-
Federal appropriations	14,070	-	-
Sales and services	6,594,242	-	-
Interest on investments	5,404	-	-
Miscellaneous	374,915	-	-
	7,520,131	-	-
<b>Total revenues</b>	44,528,243	23,556,594	4,320
<b>Expenditures:</b>			
<b>Education and support:</b>			
Liberal arts and sciences	5,590,120	274,845	-
Vocational technical	12,920,350	931,967	-
Adult education	1,216,856	3,170,988	-
Cooperative services	52,259	1,514,338	-
Administration	1,629,458	498,888	-
Student services	4,865,540	214,806	-
Learning resources	607,288	64,600	-
Physical plant	3,876,302	1,354,774	-
General institution	5,131,089	4,673,925	-
<b>Total education and support</b>	35,889,262	12,699,131	-

Plant Funds				
Unex- pended	Investment in Plant	Adjustments		Total
420,682	-	-		18,195,085
-	-	(3,655,312)		15,072,941
1,105,749	-	-		5,137,967
-	-	-		10,950,860
460,297	-	-		1,017,135
40,632	-	-		145,326
-	-	-		1,206,763
-	30,000	-		30,000
-	3,427,504	(3,427,504)		-
-	-	1,249,854		1,249,854
22,375	-	(22,375)		-
51,650	-	(4,149,623)		3,117,024
2,101,385	3,457,504	(10,004,960)		56,122,955
-	-	-		531,500
-	-	-		14,070
-	-	(2,038,443)		4,555,799
-	-	-		5,404
-	-	-		374,915
-	-	(2,038,443)		5,481,688
2,101,385	3,457,504	(12,043,403)		61,604,643
-	-	(371,709)		5,493,256
-	-	(1,105,025)		12,747,292
-	-	(561,089)		3,826,755
-	-	(322,670)		1,243,927
-	-	(106,789)		2,021,557
-	-	(482,351)		4,597,995
-	-	(47,059)		624,829
-	-	(268,809)		4,962,267
-	-	(665,942)		9,139,072
-	-	(3,931,443)		44,656,950

(continued on next page)

Indian Hills Community College

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

Year ended June 30, 2017  
(continued)

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
Expenditures (continued):			
Auxiliary enterprises	7,211,589	-	-
Scholarships and grants	-	7,309,917	-
Workforce Investment Act	-	2,571,972	-
Plant operations	-	-	-
Plant asset acquisitions	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	56,685	-
Depreciation/amortization	-	-	-
Gain on disposal of capital assets	-	-	-
Total expenditures	<u>43,100,851</u>	<u>22,637,705</u>	-
Excess (deficiency) of revenues over (under) expenditures	1,427,392	918,889	4,320
Transfers:			
Non-mandatory transfers	<u>(1,412,308)</u>	71,737	-
Net	15,084	990,626	4,320
Fund balances beginning of year	<u>7,501,402</u>	<u>203,084</u>	<u>4,645,920</u>
Fund balances end of year	<u>\$ 7,516,486</u>	<u>1,193,710</u>	<u>4,650,240</u>

See accompanying independent auditor's report.

Plant Funds			
Unex- pended	Investment in Plant	Adjustments	Total
-	-	(540,425)	6,671,164
-	-	(4,715,109)	2,594,808
-	-	-	2,571,972
1,250,891	-	-	1,250,891
2,690,533	-	(2,690,533)	-
-	413,439	(413,439)	-
-	-	-	56,685
-	-	2,755,682	2,755,682
-	-	(3,476)	(3,476)
3,941,424	413,439	(9,538,743)	60,554,676
(1,840,039)	3,044,065	(2,504,660)	1,049,967
1,340,571	-	-	-
(499,468)	3,044,065	(2,504,660)	1,049,967
5,798,758	84,425,604	(48,683,369)	53,891,399
5,299,290	87,469,669	(51,188,029)	54,941,366

Indian Hills Community College

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

Year ended June 30, 2017

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
Revenues:				
State appropriations	\$ 3,463,562	10,016,838	1,066,271	-
Tuition and fees	3,936,834	14,111,557	610,942	-
Property tax	-	-	-	-
Sales and services	736	26,857	187,658	39
Interest on investments	-	-	-	-
Miscellaneous	350	108,566	1,145	-
Total revenues	<u>7,401,482</u>	<u>24,263,818</u>	<u>1,866,016</u>	<u>39</u>
Expenditures:				
Salaries and benefits	5,264,333	10,158,640	1,009,705	45,539
Services	41,609	1,799,729	83,034	4,520
Materials and supplies	87,431	578,465	90,433	214
Travel	110,901	78,811	18,214	1,751
Loan cancellations and bad debts	84,753	245,154	-	-
Administrative and collections	-	-	-	-
Cost of goods sold	-	-	6,000	-
Miscellaneous	1,093	59,551	9,470	235
Total expenditures	<u>5,590,120</u>	<u>12,920,350</u>	<u>1,216,856</u>	<u>52,259</u>
Excess (deficiency) of revenues over (under) expenditures	1,811,362	11,343,468	649,160	(52,220)
Transfers:				
Non-mandatory transfers	(55,596)	(160,814)	-	(1,179)
Net	<u>\$ 1,755,766</u>	<u>11,182,654</u>	<u>649,160</u>	<u>(53,399)</u>
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	
58,431	-	-	12,707	22,157	14,639,966
-	67,530	-	-	1,390	18,728,253
1,101,822	-	-	-	-	1,101,822
	204,469	254	973	70,781	491,767
91,783	-	-	-	-	91,783
751,215	1,536	336	1,061,068	30,305	1,954,521
2,003,251	273,535	590	1,074,748	124,633	37,008,112
1,168,065	4,240,360	422,660	2,055,339	3,066,822	27,431,463
345,860	433,521	20,893	1,500,874	1,398,034	5,628,074
25,894	93,870	161,999	317,174	377,375	1,732,855
45,962	93,835	1,736	1,429	99,179	451,818
-	1,480	-	-	-	331,387
39,884	-	-	-	-	39,884
-	-	-	-	-	6,000
3,793	2,474	-	1,486	189,679	267,781
1,629,458	4,865,540	607,288	3,876,302	5,131,089	35,889,262
373,793	(4,592,005)	(606,698)	(2,801,554)	(5,006,456)	1,118,850
(890,000)	-	-	-	-	(1,107,589)
(516,207)	(4,592,005)	(606,698)	(2,801,554)	(5,006,456)	11,261
					5,058,274
					<u>\$ 5,069,535</u>

**Indian Hills Community College**

## Indian Hills Community College

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

Year ended June 30, 2017

	Institutional Services	Education Program	Miscellaneous	Total
<b>Revenues:</b>				
Tuition and fees	\$ -	501,500	30,000	531,500
Federal appropriations	-	14,070	-	14,070
Sales and services	3,332,987	2,563,230	698,025	6,594,242
Interest on investments	-	-	5,404	5,404
Miscellaneous	169,687	62,849	142,379	374,915
Total revenues	<u>3,502,674</u>	<u>3,141,649</u>	<u>875,808</u>	<u>7,520,131</u>
<b>Expenditures:</b>				
Salaries and benefits	556,750	957,262	217,754	1,731,766
Services	262,804	274,253	373,622	910,679
Materials and supplies	79,219	374,694	125,948	579,861
Travel	171	325,436	7,528	333,135
Loan cancellations and bad debts	97,270	39,691	25,557	162,518
Plant asset acquisitions	20,107	24,565	180,175	224,847
Miscellaneous	1,147	41,481	10,176	52,804
Cost of goods sold	2,065,400	1,150,579	-	3,215,979
Total expenditures	<u>3,082,868</u>	<u>3,187,961</u>	<u>940,760</u>	<u>7,211,589</u>
Excess (deficiency) of revenues over (under) expenditures	419,806	(46,312)	(64,952)	308,542
<b>Transfers:</b>				
Non-mandatory transfers	<u>(479,279)</u>	<u>64,517</u>	<u>110,043</u>	<u>(304,719)</u>
Net	(59,473)	18,205	45,091	3,823
Fund balances beginning of year	<u>1,847,172</u>	<u>209,371</u>	<u>386,585</u>	<u>2,443,128</u>
Fund balances end of year	<u>\$ 1,787,699</u>	<u>227,576</u>	<u>431,676</u>	<u>2,446,951</u>

See accompanying independent auditor's report.

Indian Hills Community College

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

Year ended June 30, 2017

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance	Early Retirement
<b>Revenues:</b>					
State appropriations	\$ 1,037,376	9,192	8,446	28,585	8,165
Property tax	-	489,696	449,799	1,521,819	436,256
Federal appropriations	5,660,012	-	-	-	-
Sales and services	-	-	-	-	-
Interest on investments	-	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-	-
Miscellaneous	498,299	-	-	-	-
Total revenues	<u>7,195,687</u>	<u>498,888</u>	<u>458,245</u>	<u>1,550,404</u>	<u>444,421</u>
<b>Expenditures:</b>					
Salaries and benefits	-	-	76,362	-	430,998
Services	-	-	383,000	1,354,774	-
Materials and supplies	-	458,612	-	-	-
Travel	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Awards to subrecipients	-	-	-	-	-
Plant asset acquisitions	-	40,276	-	-	-
Miscellaneous	-	-	-	-	-
Federal Pell grant program	5,559,330	-	-	-	-
Federal Supplemental Educational Opportunity grant	95,119	-	-	-	-
Iowa College Student Aid Commission	1,037,376	-	-	-	-
Private scholarships	618,092	-	-	-	-
Total expenditures	<u>7,309,917</u>	<u>498,888</u>	<u>459,362</u>	<u>1,354,774</u>	<u>430,998</u>
Excess (deficiency) of revenues over (under) expenditures	(114,230)	-	(1,117)	195,630	13,423
<b>Transfers:</b>					
Non-mandatory transfers	99,156	-	-	-	-
Net	(15,074)	-	(1,117)	195,630	13,423
Fund balances beginning of year	42,078	-	56,029	(536,748)	(666,608)
Fund balances end of year	<u>\$ 27,004</u>	<u>-</u>	<u>54,912</u>	<u>(341,118)</u>	<u>(653,185)</u>

See accompanying independent auditor's report.

Unemploy- ment Compen- sation	State Grants	Federal Grants	Workforce Investment Act	Iowa Industrial New Jobs Training Program	Retraining Program (HF 260F)	Self - Funded Health Insurance Program	Miscel- laneous	Total
619	1,850,050	-	-	-	192,004	-	-	3,134,437
32,826	-	-	-	-	-	-	-	2,930,396
-	-	2,717,378	2,573,470	-	-	-	-	10,950,860
-	17,502	40,000	-	-	-	-	7,569	65,071
-	-	-	-	8,126	465	-	-	8,591
-	-	-	-	1,206,763	-	-	-	1,206,763
-	10,039	-	50	-	-	4,209,280	542,808	5,260,476
33,445	1,877,591	2,757,378	2,573,520	1,214,889	192,469	4,209,280	550,377	23,556,594
41,774	1,153,254	1,709,414	1,631,137	58,540	-	36,244	3,533	5,141,256
-	212,637	341,310	347,795	730,532	103,370	3,705,547	11,530	7,190,495
-	94,830	176,962	64,217	-	-	-	38,705	833,326
-	22,357	133,277	99,687	-	-	-	5,123	260,444
-	-	-	-	56,685	-	-	-	56,685
-	-	-	429,136	-	-	-	-	429,136
-	57,938	94,561	-	-	-	-	282,161	474,936
-	179,093	307,417	-	-	-	-	455,000	941,510
-	-	-	-	-	-	-	-	5,559,330
-	-	-	-	-	-	-	-	95,119
-	-	-	-	-	-	-	-	1,037,376
-	-	-	-	-	-	-	-	618,092
41,774	1,720,109	2,762,941	2,571,972	845,757	103,370	3,741,791	796,052	22,637,705
(8,329)	157,482	(5,563)	1,548	369,132	89,099	467,489	(245,675)	918,889
-	(258,011)	5,563	-	(80,056)	(465)	-	305,550	71,737
(8,329)	(100,529)	-	1,548	289,076	88,634	467,489	59,875	990,626
67,217	289,254	-	(14,774)	229,397	129,462	319,032	288,745	203,084
58,888	188,725	-	(13,226)	518,473	218,096	786,521	348,620	1,193,710

**Indian Hills Community College**

## Indian Hills Community College

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

Year ended June 30, 2017

	Student Organizations	Federal Direct Student Loan Program	Miscel- laneous	Total
Balances beginning of year	\$ 107,718	-	232,188	339,906
Additions:				
State appropriations	-	-	23,372	23,372
Federal appropriations	-	9,774,536	-	9,774,536
Tuition and fees	74,550	-	-	74,550
Sales and services	102,936	-	177,695	280,631
Miscellaneous	25,816	-	731,242	757,058
Total additions	203,302	9,774,536	932,309	10,910,147
Deductions:				
Salaries and benefits	-	-	193,114	193,114
Services	49,766	-	575,115	624,881
Materials and supplies	24,330	-	6,657	30,987
Travel	58,631	-	460	59,091
Miscellaneous	38,571	-	118,919	157,490
Direct student loans	-	9,774,536	-	9,774,536
Cost of goods sold	2,870	-	-	2,870
Total deductions	174,168	9,774,536	894,265	10,842,969
Balances end of year	\$ 136,852	-	270,232	407,084

See accompanying independent auditor's report.

**Indian Hills Community College**

Indian Hills Community College  
 Schedule of Credit and Contact Hours  
 Year ended June 30, 2017

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	40,603	-	40,603	-	-	-
Vocational Education	58,070	-	58,070	-	-	-
Adult Education/ Continuing Education	-	-	-	178,568	13,676	192,244
Total	98,673	-	98,673			

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

	2017	2016	2015	2014
Local (property tax)	\$ 5,137,967	4,979,238	4,944,550	4,143,844
State	18,195,085	18,971,694	18,600,408	18,099,666
Federal	10,964,930	12,252,023	12,281,881	12,526,693
Total	\$ 34,297,982	36,202,955	35,826,839	34,770,203

See accompanying independent auditor's report.

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Years ended June 30,					
2013	2012	2011	2010	2009	2008
3,981,490	4,307,405	4,292,781	4,033,815	3,573,445	3,283,331
15,521,696	16,156,190	13,491,892	12,267,335	15,615,288	15,262,550
13,784,293	15,944,207	18,106,236	19,768,049	10,665,497	9,071,675
33,287,479	36,407,802	35,890,909	36,069,199	29,854,230	27,617,556

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Indian Hills Community College

Schedule of Current Fund Revenues by Source  
and Expenditures by Function

For the Last Ten Years

	2017	2016	2015	2014
<b>Revenues:</b>				
State appropriations	\$ 17,774,403	18,030,920	17,979,069	17,363,247
Tuition and fees	18,728,253	20,784,275	19,395,523	17,579,936
Property tax	4,032,218	3,910,307	3,883,262	3,085,749
Federal appropriations	10,950,860	12,236,822	12,181,578	12,031,460
Sales and services	556,838	383,741	297,256	300,735
Interest on investments	100,374	63,334	51,920	37,972
Iowa Industrial New Jobs Training Program	1,206,763	157,690	596,542	1,916,716
Auxiliary enterprises	7,520,131	7,835,328	7,631,662	7,569,391
Miscellaneous	7,214,997	2,771,633	2,192,017	1,842,141
<b>Total</b>	<b>\$ 68,084,837</b>	<b>66,174,050</b>	<b>64,208,829</b>	<b>61,727,347</b>
<b>Expenditures:</b>				
Liberal arts and sciences	\$ 5,864,965	5,744,156	5,600,909	5,850,290
Vocational technical	13,852,317	16,443,417	14,905,151	13,786,667
Adult education	4,387,844	3,838,136	3,262,739	2,123,833
Cooperative services	1,566,597	457,993	832,692	1,222,017
Administration	2,128,346	2,100,764	2,092,312	2,240,614
Student services	5,080,346	4,605,789	4,745,026	4,984,211
Learning resources	671,888	666,013	639,303	609,387
Physical plant	5,231,076	5,504,060	5,705,919	5,067,087
General institution	9,805,014	6,310,500	6,007,787	5,260,498
Auxiliary enterprises	7,211,589	7,509,776	7,201,078	7,634,273
Scholarships and grants	7,309,917	8,646,281	9,507,591	9,215,765
Workforce Investment Act	2,571,972	2,493,210	2,260,702	2,130,210
Interest on indebtedness	56,685	58,427	72,413	228,566
<b>Total</b>	<b>\$ 65,738,556</b>	<b>64,378,522</b>	<b>62,833,622</b>	<b>60,353,418</b>

See accompanying independent auditor's report.

Years ended June 30,					
2013	2012	2011	2010	2009	2008
15,111,760	14,551,548	12,633,837	12,228,203	15,442,692	14,834,079
18,196,872	17,868,770	18,767,263	17,044,910	14,064,149	13,376,779
2,957,789	3,330,915	3,352,711	3,131,607	2,707,554	2,468,561
13,751,605	15,711,640	18,044,436	19,742,867	10,632,557	9,045,531
238,768	171,215	305,266	250,654	226,627	185,247
59,773	80,746	97,588	107,931	282,958	597,696
1,342,184	1,451,917	1,606,070	1,835,403	3,067,908	2,693,218
8,422,448	8,141,095	8,840,122	8,343,338	9,306,142	9,920,671
1,448,965	1,238,987	1,602,279	1,475,699	2,667,175	2,203,443
61,530,164	62,546,833	65,249,572	64,160,612	58,397,762	55,325,225
6,201,782	6,128,369	5,776,120	5,254,600	5,227,040	4,940,265
13,532,045	13,450,906	12,662,111	11,967,322	10,914,226	10,226,319
2,165,784	2,527,489	2,411,689	2,314,128	2,673,018	2,805,029
675,129	1,063,639	1,054,744	1,281,494	2,248,721	2,065,302
2,144,312	2,275,963	2,022,809	2,125,380	2,122,678	1,933,925
5,069,400	4,185,342	3,962,638	3,844,065	3,493,592	3,303,044
613,975	602,093	611,580	717,093	832,129	872,263
4,691,539	4,793,837	4,758,517	4,054,447	4,275,086	4,045,280
6,974,687	4,616,827	4,555,092	7,023,970	4,745,672	4,232,615
9,280,259	7,745,980	7,673,920	7,152,283	8,879,662	9,045,392
11,089,617	11,621,322	13,871,194	12,701,869	8,105,241	7,105,369
1,899,227	1,671,189	1,455,604	2,339,810	2,095,278	1,825,038
315,247	394,435	499,401	551,318	619,816	549,434
64,653,003	61,077,391	61,315,419	61,327,779	56,232,159	52,949,275

Indian Hills Community College  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2017

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures	New Loans and New Loan Guarantees
Direct:				
U.S. Department of Agriculture: Rural Business Development Grant	10.351		\$ 16,553	-
U.S. Department of Justice: Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525		90,449	-
National Science Foundation: Education and Human Resources (\$185,269 provided to subrecipients)	47.076		925,373	-
U.S. Department of Education: Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007		100,682	-
Federal Work-Study Program	84.033		107,660	-
Federal Pell Grant Program	84.063		5,559,330	-
Federal Direct Student Loans	84.268		-	9,774,536
Total Student Financial Assistance Cluster:			5,767,672	9,774,536
TRIO Cluster:				
TRIO_Student Support Services	84.042		274,845	-
TRIO_Talent Search	84.044		155,181	-
TRIO_Educational Opportunity Centers	84.066		214,799	-
Total TRIO Cluster			644,825	-
Total Direct			7,444,872	9,774,536
Indirect:				
U.S. Department of Agriculture: Iowa Department of Education: Child and Adult Care Food Program	10.558		14,070	-
U.S. Department of Labor: Des Moines Area Community College: Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		3,642	-
Hawkeye Community College: Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		188,705	-
			192,347	-

Indian Hills Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2017

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures	New Loans and New Loan Guarantees
Indirect (continued):				
U.S. Department of Labor:				
Iowa Department of Workforce Development:				
National Emergency Grants:				
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	15-W-FR-JD-0-14	65,927	
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	16-W-15-WI-OA	173,179	
			239,106	-
WIOA Cluster:				
WIOA Adult Program	17.258	16-W-15-WI-OA-F	57	-
WIOA Adult Program	17.258	16-W-15-WI-OA	422,109	-
			422,166	-
WIOA Youth Activities	17.259	16-W-15-WI-OA	282,155	-
WIOA Dislocated Worker Formula Grants	17.278	16-W-15-WI-OA	288,338	-
Total WIOA Cluster			992,659	-
U.S. Small Business Administration:				
Iowa State University:				
Small Business Development Centers	59.037		94,097	-
U.S. Department of Education:				
Iowa Department of Education:				
Adult Education - Basic Grants to States	84.002		148,214	-
Career and Technical Education - Basic Grants to States	84.048		497,860	-
U.S. Department of Health and Human Services:				
Iowa Department of Workforce Development:				
TANF Cluster				
Temporary Assistance for Needy Families	93.558	14-15-PF-PH-05-P1	1,337,613	-
Temporary Assistance for Needy Families	93.558	16-W-PF-SM-0-14	4,092	-
Total of TANF Cluster			1,341,705	-
Total Indirect			3,520,058	-
Total			\$ 10,964,930	9,774,536

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Indian Hills Community College under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Indian Hills Community College, it is not intended to and does not present the financial position, changes in financial position or cash flows of Indian Hills Community College.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** – Indian Hills Community College has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

**Indian Hills Community College**



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

Mary Mosiman, CPA  
Auditor of State

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

To the Board of Trustees of Indian Hills Community College:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Indian Hills Community College, Ottumwa, Iowa, and the aggregate discretely presented component units as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 13, 2017. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Indian Hills Community College's internal control. 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 noncompliance 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, 2017 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 Responses 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

November 13, 2017



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

Mary Mosiman, CPA  
Auditor of State

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Independent Auditor's Report on Compliance  
For Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

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) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether 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, 2017.

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Indian Hills Community College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

November 13, 2017

Indian Hills Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2017

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

- (a) An unmodified opinion was issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (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 the Uniform Guidance, Section 200.515.
- (g) Major programs were as follows:
  - CFDA Number 47.076 – Education and Human Resources
  - Student Financial Assistance Cluster
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (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, 2017

**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.

Sample Community College  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2017

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

- IV-A-17 Certified Budget – Expenditures for the year ended June 30, 2017 did not exceed the amount budgeted.
- IV-B-17 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-17 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-17 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	\$168,182

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-17 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-17 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-17 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-17 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.

Sample Community College

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

IV-I-17 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, 2017 were supported by detailed records maintained by the College, except for an overstatement of 185 credit hours, as shown below:

	Reported	Total per Supporting Documentation	Difference
Arts and Sciences: Credit Hours	40,603		
Career and Technical Education: Credit Hours	58,070		
Total	98,673	98,488	185

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  
Cole L. Hocker, Staff Auditor  
Alex N. Kawamura, CPA, Staff Auditor  
Elizabeth P. Dawson, Assistant Auditor  
Cody L Mathews, Assistant Auditor  
Adam R. McCleish, Assistant Auditor

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