



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE February 9, 2007

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

The College's primary government operating revenues totaled \$26,208,555 for the year ended June 30, 2006, including \$8,543,022 from tuition and fees, \$8,496,721 from the federal government and \$5,495,946 from auxiliary enterprises.

Operating expenses for the year totaled \$40,961,740, and included \$24,138,025 for salaries and benefits, \$6,377,278 for services and \$1,805,602 for materials and supplies.

The College reported an operating loss of \$14,753,185. In general, a public college, such as Indian Hills Community College, will report an operating loss as the financial reporting model classifies state appropriations and property tax as non-operating revenues. Non-operating revenues totaled \$18,320,106, and included \$13,848,936 from state appropriations, \$2,888,099 from property tax and \$622,100 from gifts from the Indian Hills Community College Foundation. Non-operating expenses totaled \$1,197,106 and included \$738,735 for interest on indebtedness. The College ended the year with an increase in net assets of \$2,369,815.

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

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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, 2006

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Indian Hills Community College

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Directors (Before September 2005 Election)		
Dr. Donald Berg	President	2008
Robert L. Pitsch	Vice President	2006
Tom Keck	Member	2006
Richard C. Sharp	Member	2006
Sharon Kline	Member	2007
Kevin M. Kness	Member	2007
John Pothoven	Member	2007
Jim Dorothy	Member	2008
H. Roy Lamansky	Member	2008

Board of Directors (After September 2005 Election)

Dr. Donald Berg	President	2008
Robert L. Pitsch	Vice President	2009
Sharon Kline	Member	2007
Kevin M. Kness	Member	2007
John Pothoven	Member	2007
Jim Dorothy	Member	2008
H. Roy Lamansky	Member	2008
Tom Keck	Member	2009
Richard C. Sharp	Member	2009

Community College

Dr. Jim Lindenmayer	President
Keith Sasseen	Executive Vice President, Finance and Records and Board Treasurer, Retired August 2006
Susan Pixley	Chief Financial Officer
Anne Leathers	College Accountant
Kathy Pink	Grants Accountant

Indian Hills Community College



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Independent Auditor's Report

To the Board of Directors of
Indian Hills Community College:

We have audited the accompanying financial statements of Indian Hills Community College, Ottumwa, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2006, which collectively comprise the College's basic financial statements listed in the table of contents. These financial statements are the responsibility of Indian Hills Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units of the Community College as discussed in note 1, which represent 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to those units, is based on the reports of the other auditors.

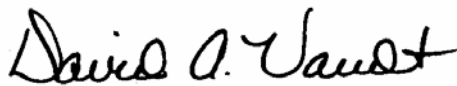
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian Hills Community College and its aggregate discretely presented component units at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2006 on our consideration of Indian Hills Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Indian Hills Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 28, 2006

Indian Hills Community College

MANAGEMENT'S DISCUSSION AND ANALYSIS

Indian Hills Community College provides this Management's Discussion and Analysis of the College's financial statements for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the financial statements that follow.

2006 FINANCIAL HIGHLIGHTS

During fiscal year 2006, beginning cash and cash equivalents were restated to include investments in the Iowa Schools Joint Investment Trust (ISJIT) as cash and cash equivalents rather than investments. The College also determined duplicate activity related to the employee health insurance plan should be eliminated and the amortization of bond issue costs should be reported as a non-operating expense rather than an operating expense. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2005 amounts have been revised to reflect the changes as if the changes had been made in the prior year.

- A 5.37% increase in state aid allocation contributed to an overall 12% increase in non-operating revenues.
- Interest rates increased approximately 2% over the year, increasing the revenue generated by the various College investments.
- Operating expenses remained consistent in total with fiscal year 2005, even though payroll and utility costs increased during the year.
- Net assets of the College increased by \$2.37 million.
- Construction began on a new instructional facility for health programs on the Ottumwa Campus.

USING THIS ANNUAL REPORT

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

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

Statement of Net Assets

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

	June 30,	
	2006	2005
Net Assets		
Current and other assets	\$ 33,716,663	31,923,394
Capital assets, net of accumulated depreciation	36,000,651	35,719,772
Total assets	<u>69,717,314</u>	<u>67,643,166</u>
Current liabilities	9,791,096	9,272,799
Noncurrent liabilities	12,116,036	12,930,000
Total liabilities	<u>21,907,132</u>	<u>22,202,799</u>
Net assets:		
Invested in capital assets, net of related debt	32,300,651	31,824,772
Restricted	913,584	861,408
Unrestricted	14,595,947	12,754,187
Total net assets	<u>\$ 47,810,182</u>	<u>45,440,367</u>

The largest portion of the College's net assets (68%) is in the category of 'Invested in Capital Assets' (land, buildings and equipment), less the related debt. The restricted portion of net assets represents resources subject to external restrictions. The remaining net assets are unrestricted and may be used to meet the College's operating obligations as they become due.

Statement of Revenues, Expenses and Changes in Net Assets

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

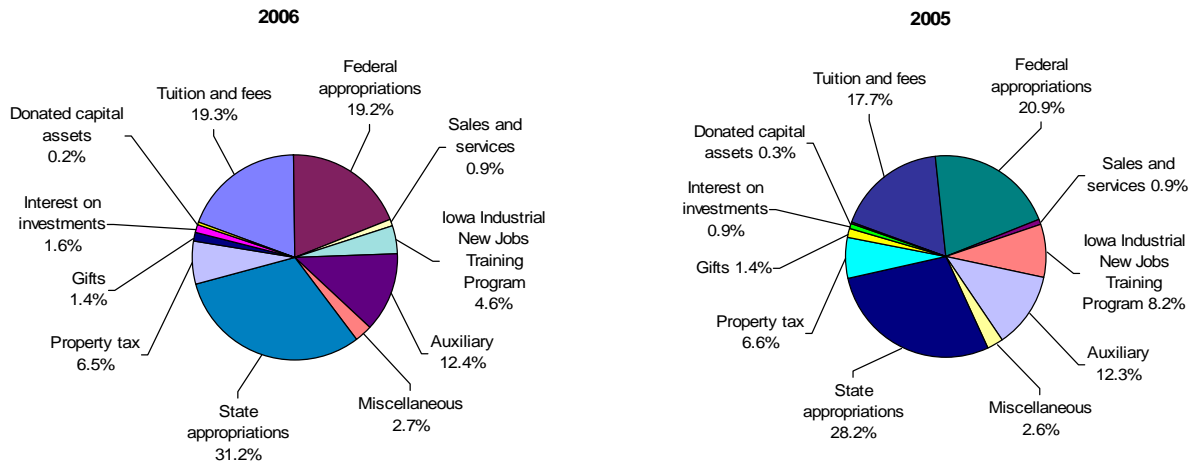
Generally, a public, state supported college such as Indian Hills will report an operating loss as the financial reporting model required by GASB 34/35 classifies state appropriations and property taxes as non-operating revenues. Operating revenue is defined to include only revenues received for providing goods and services to the various students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire and produce the goods and services (perform the mission of the College) in return for the operating revenues. Non-operating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

Changes in Net Assets

	Year ended June 30,	
	2006	2005
Operating revenues:		
Tuition and fees	\$ 8,543,022	7,706,115
Federal appropriations	8,496,721	9,095,078
Sales and services	419,646	398,188
Iowa Industrial New Jobs Training Program	2,058,203	3,586,833
Auxiliary	5,495,946	5,344,859
Miscellaneous	1,195,017	1,145,838
Total operating revenues	26,208,555	27,276,911
 Total operating expenses	40,961,740	40,550,783
Operating loss	(14,753,185)	(13,273,872)
 Non-operating revenues (expenses):		
State appropriations	13,848,936	12,292,751
Property tax	2,888,099	2,875,524
Gifts	622,100	617,922
Interest on investments	711,964	391,842
Donated capital assets	75,000	112,143
Gain/(loss) on disposal of capital assets	174,007	(72,693)
Amortization of bond issue costs	(458,371)	(424,667)
Interest on indebtedness	(738,735)	(757,648)
Net non-operating revenues	17,123,000	15,035,174
 Increase in net assets	2,369,815	1,761,302
Net assets beginning of year	45,440,367	43,679,065
 Net assets end of year	\$ 47,810,182	45,440,367

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

Total Revenue by Source



In fiscal year 2006, operating revenues totaled \$26.2 million and net non-operating revenues totaled \$17.1 million. Observations regarding the changes in operating and non-operating revenues follow:

- Net non-operating revenues increased 13.9%. This increase, offset by a net operating loss, combined to increase the College's net assets by \$2.4 million, a 5% increase over the previous fiscal year.
- The increase in tuition and fees can be attributed to a 6% increase in tuition rates over fiscal year 2005.
- State revenues improved approximately \$1,550,000 over fiscal year 2005 funding levels. This increase was due to the 5.37% increase in the state aid allocation and additional state funds received through the Accelerated Career Education and Physical Infrastructure Assistance Grants for funding of the instructional facility for health programs.
- Interest revenue on investments continued to increase with improved interest rates.

Operating Expenses

	Year ended June 30,	
	2006	2005
Education and support:		
Liberal arts and sciences	\$ 4,283,997	3,840,659
Vocational technical	9,076,062	8,824,319
Adult education	2,551,786	2,482,312
Cooperative services	1,024,585	2,060,003
Administration	1,748,047	1,564,374
Student services	2,936,287	3,017,213
Learning resources	949,677	937,480
Physical plant	3,391,178	3,263,468
General institution	3,425,346	2,985,839
Auxiliary enterprises	5,350,620	5,119,074
Scholarships and grants	3,167,002	3,324,760
Workforce Investment Act	1,231,398	1,188,327
Plant operations	286,328	473,830
Depreciation	1,539,427	1,469,125
Total	<u>\$ 40,961,740</u>	<u>40,550,783</u>

The following factors address some expense issues:

- Education and support expenses remained constant in total with the prior year. Through fiscal management, the College was able to maintain a constant level of expenses while providing a 4.35% increase in salaries and benefits for fiscal year 2006.
- Expense categories were carefully budgeted and monitored to maintain an excess of revenue over expenses.

Statement of Cash Flows

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

	Cash Flows	
	Year ended June 30,	
	2006	2005
Cash provided (used) by:		
Operating activities	\$ (12,940,586)	(12,790,028)
Non-capital financing activities	15,073,129	15,162,444
Capital and related financing activities	(1,966,891)	(2,152,987)
Investing activities	639,909	391,842
Net increase in cash	805,561	611,271
Cash and cash equivalents beginning of the year, as restated	20,279,713	19,668,442
Cash and cash equivalents end of the year	\$ 21,085,274	20,279,713

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

CAPITAL ASSETS

At June 30, 2006, the College had \$36 million invested in capital assets, net of accumulated depreciation of approximately \$18.7 million. Depreciation charges totaled \$1,539,427 for the 2006 fiscal year. A summary of capital assets, net of accumulated depreciation, is shown below.

	Net Capital Assets	
	June 30,	
	2006	2005
Land	\$ 368,285	397,885
Construction in progress	1,402,202	512,096
Capital assets not depreciated	1,770,487	909,981
Buildings	31,279,313	32,335,319
Improvements	1,811,351	1,261,123
Equipment and vehicles	1,139,500	1,213,349
Total	\$ 36,000,651	35,719,772

Fiscal year 2005 provided finalization of Centerville campus remodeling projects in the student union facility, classrooms and office areas. Appanoose Hall dorm renovation on the Ottumwa campus was also completed. Capital projects during the 2006 fiscal year included construction on the health occupations education facility on the Ottumwa campus, with the building to be completed and furnished during fiscal year 2007. The funding of the six-cent instructional equipment levy has allowed necessary equipment upgrades to keep pace with technology and student demand. A five-year replacement schedule is in place to maintain computer technology equipment at required levels. Facility maintenance and road and sidewalk/curb projects are scheduled to meet needs and budgetary constraints. Additional information is provided in Note 4 to the financial statements.

LONG-TERM DEBT

Outstanding debt at June 30, 2006 was \$13,875,000. Current debt consists of certificates issued for Iowa New Jobs Training projects and dormitory revenue bonds. Detailed information is presented in Note 5 to the financial statements.

Outstanding Debt

	June 30,	
	2006	2005
Certificates payable	\$ 10,175,000	10,905,000
Bonds payable	3,700,000	3,895,000
Total	<u>\$ 13,875,000</u>	<u>14,800,000</u>

ECONOMIC FACTORS

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

- Fiscal year 2006 saw a 5.37% increase in state aid dollars, while state aid as a percentage of overall operating revenues stayed consistent with fiscal year 2005. Tuition income, from rate increases and/or enrollment growth, must continue to balance any decrease in state funding levels.
- Higher tuition is followed by an increased need for financial aid and scholarship opportunities.
- Labor and operational expenses continue to rise, challenging the College to meet the increasing expenses through budget planning.
- College facilities and infrastructure require continual maintenance and upkeep.
- Technology continues to advance rapidly, challenging the College to provide instructional equipment and conduct operations at current technological levels.
- The College must continue to offer additional student services to attract and retain the diverse population that the institution serves.

The College continues close monitoring of expenses, the continued pursuit of new revenue resources and maintaining some budget flexibility to react to unexpected opportunities or challenges. Our emphasis is to fulfill the mission of Indian Hills while maintaining high quality instructional programs and services.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Indian Hills Community College

Statement of Net Assets

June 30, 2006

	Primary Government	Component Units
Assets		
Current assets:		
Cash and investments:		
Cash and pooled investments	\$ 13,901,811	7,788,914
Restricted cash and investments	-	5,456,015
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$281,067	1,801,096	65,998
Mortgages	-	8,635
Succeeding year property tax	2,707,400	-
Iowa Industrial New Jobs Training Program	67,531	-
Due from other governments	2,346,869	-
Prepaid expense	42,236	-
Unamortized bond issue expense	394,048	-
Inventories	930,687	-
Cash surrender value of life insurance	-	54,545
Total current assets	<u>22,191,678</u>	<u>13,374,107</u>
Noncurrent assets:		
Cash and pooled investments	7,183,463	-
Receivable for Iowa Industrial New Jobs Training Program	3,101,129	-
Unamortized bond issue expense	1,240,393	-
Capital assets, net of accumulated depreciation	36,000,651	4,395
Total noncurrent assets	<u>47,525,636</u>	<u>4,395</u>
Total assets	<u>69,717,314</u>	<u>13,378,502</u>

Indian Hills Community College

Statement of Net Assets

June 30, 2006

	Primary Government	Component Units
Liabilities		
Current liabilities:		
Accounts payable	1,065,815	111,482
Salaries and benefits payable	682,964	-
Interest payable	58,520	-
Deferred revenue:		
Succeeding year property tax	2,707,400	-
Other	2,603,880	-
Early retirement payable	40,951	-
Compensated absences payable	535,344	-
Deposits held in custody for others	226,222	-
Certificates payable	1,665,000	-
Bonds payable	205,000	-
Total current liabilities	9,791,096	111,482
Noncurrent liabilities:		
Early retirement payable	111,036	-
Certificates payable	8,510,000	-
Bonds payable	3,495,000	-
Total noncurrent liabilities	12,116,036	-
Total liabilities	21,907,132	111,482
Net assets		
Invested in capital assets, net of related debt	32,300,651	4,395
Restricted:		
Nonexpendable:		
Other	-	1,110,911
Expendable:		
Scholarships and fellowships	51,793	-
Debt service	440,026	-
Cash reserve	288,745	-
Other	133,020	8,498,006
Unrestricted	14,595,947	3,653,708
Total net assets	\$ 47,810,182	13,267,020

See notes to financial statements.

Exhibit B

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

Year ended June 30, 2006

	Primary Government	Component Units
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$2,698,338	\$ 8,543,022	-
Federal appropriations	8,496,721	-
Sales and services	419,646	-
Iowa Industrial New Jobs Training Program	2,058,203	-
Auxiliary enterprises revenue	5,495,946	-
Contributions	-	318,652
Rental income and facility management	-	494,638
Fines, damages and forfeitures	-	22,378
Miscellaneous	1,195,017	74,905
Total operating revenues	26,208,555	910,573
Operating expenses:		
Education and support:		
Liberal arts and sciences	4,283,997	-
Vocational technical	9,076,062	-
Adult education	2,551,786	-
Cooperative services	1,024,585	-
Administration	1,748,047	-
Student services	2,936,287	-
Learning resources	949,677	-
Physical plant	3,391,178	-
General institution	3,425,346	-
Auxiliary enterprises	5,350,620	-
Scholarships and grants	3,167,002	-
Workforce Investment Act	1,231,398	-
Plant operations	286,328	-
General and administrative	-	71,340
Programs	-	383,166
Fund raising	-	9,958
Depreciation	1,539,427	-
Total operating expenses	40,961,740	464,464
Operating income (loss)	(14,753,185)	446,109

Indian Hills Community College
 Statement of Revenues, Expenses and
 Changes in Net Assets
 Year ended June 30, 2006

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	13,848,936	-
Property tax	2,888,099	-
Gifts from Indian Hills Community College Foundation	622,100	-
Interest on investments	711,964	528,153
Donated capital assets	75,000	-
Gain on sale of capital assets	174,007	-
Gifts to Indian Hills Community College		(622,100)
Change in cash surrender value of life insurance	-	12,105
Interest on indebtedness	(738,735)	-
Amortization of bond issue costs	(458,371)	-
Net non-operating revenues (expenses)	<u>17,123,000</u>	<u>(81,842)</u>
Change in net assets	2,369,815	364,267
Net assets beginning of year	<u>45,440,367</u>	<u>12,902,753</u>
Net assets end of year	<u>\$ 47,810,182</u>	<u>13,267,020</u>

See notes to financial statements.

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2006

	Primary Government
Cash flows from operating activities:	
Tuition and fees	\$ 8,172,311
Federal appropriations	8,811,897
Iowa Industrial New Jobs Training Program	2,186,855
Payments to employees for salaries and benefits	(24,129,169)
Payments to suppliers for goods and services	(10,891,815)
Payments to NJTP recipients	(784,320)
Scholarships	(3,167,002)
Payments to subrecipients	(291,289)
Auxiliary enterprise receipts	5,466,719
Other receipts	1,685,227
Net cash used by operating activities	(12,940,586)
Cash flows from non-capital financing activities:	
State appropriations	13,097,013
Property tax	2,888,099
Gifts	622,100
Federal direct lending receipts	8,731,058
Federal direct lending disbursements	(8,731,058)
Proceeds from issuance of debt	1,755,000
Principal paid on debt	(2,485,000)
Interest paid on debt	(544,710)
Bond issue costs	(412,605)
Agency receipts	3,008,373
Agency disbursements	(2,855,141)
Net cash provided by non-capital financing activities	15,073,129
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	272,203
Acquisition of capital assets	(1,843,502)
Principal paid on debt	(195,000)
Interest paid on debt	(200,592)
Net cash used by capital and related financing activities	(1,966,891)
Cash flows from investing activities:	
Interest on investments	639,909
Net increase in cash and cash equivalents	805,561
Cash and cash equivalents beginning of year, as restated	20,279,713
Cash and cash equivalents end of year	\$ 21,085,274

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2006

	<u>Primary Government</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (14,753,185)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,539,427
Provisions for doubtful accounts	13,700
Changes in assets and liabilities:	
(Increase) in accounts receivable	(188,346)
Decrease in NJTP receivable	124,221
Decrease in due from other governments	36,122
Decrease in prepaid expenses	3,716
(Increase) in inventories	(165,358)
Increase in accounts payable	25,177
Increase in salaries and benefits payable	5,364
Increase in deferred revenue	415,085
Increase in compensated absences	48,952
(Decrease) in early retirement payable	(45,461)
Total adjustments	<u>1,812,599</u>
Net cash used by operating activities	<u><u>\$ (12,940,586)</u></u>

Noncash capital and related financing activities:

The College received donated capital assets with a fair market value of \$75,000.

See notes to financial statements.

Exhibit D

Indian Hills Community College

Statement of Net Assets
Component Units

June 30, 2006

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 327,418	565,712	893,130
Investments	-	6,895,784	6,895,784
Restricted cash and investments	-	5,456,015	5,456,015
Receivables:			
Accounts	3,252	62,746	65,998
Mortgages	-	8,635	8,635
Cash surrender value of life insurance	-	54,545	54,545
Total current assets	330,670	13,043,437	13,374,107
Noncurrent assets:			
Capital assets, net of accumulated depreciation	4,395	-	4,395
Total assets	335,065	13,043,437	13,378,502
Liabilities			
Current liabilities:			
Accounts payable	84,014	14,703	98,717
Liability under unitrust agreement	-	12,765	12,765
Total liabilities	84,014	27,468	111,482
Net assets			
Invested in capital assets	4,395	-	4,395
Restricted:			
Nonexpendable:			
Other	-	1,110,911	1,110,911
Expendable:			
Other	-	8,498,006	8,498,006
Unrestricted	246,656	3,407,052	3,653,708
Total net assets	\$ 251,051	13,015,969	13,267,020

See notes to financial statements.

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

Year ended June 30, 2006

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Operating revenues:			
Contributions	\$ -	318,652	318,652
Rental income and facility managemnt	494,638	-	494,638
Fines, damages and forfeitures	22,378	-	22,378
Miscellaneous	4,822	70,083	74,905
Total operating revenues	521,838	388,735	910,573
Operating expenses:			
General and administrative	44,000	27,340	71,340
Programs	383,166	-	383,166
Fund raising	-	9,958	9,958
Total operating expenses	427,166	37,298	464,464
Operating income	94,672	351,437	446,109
Non-operating revenues (expenses):			
Interest on investments, net of \$49,586 of investment expenses	9,627	518,526	528,153
Gifts to Indian Hills Community College	-	(622,100)	(622,100)
Change in cash surrender value of life insurance	-	12,105	12,105
Net non-operating revenues (expenses)	9,627	(91,469)	(81,842)
Change in net assets	104,299	259,968	364,267
Net assets beginning of year	146,752	12,756,001	12,902,753
Net assets end of year	\$ 251,051	13,015,969	13,267,020

See notes to financial statements.

Indian Hills Community College

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Discrete Component Units

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

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

B. Financial Statement Presentation

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

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

Restricted Net Assets:

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

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

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

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

C. Measurement Focus and Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Assets, Liabilities and Net Assets

Cash and Pooled Investments – Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

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 Directors to the appropriate County Auditors. The succeeding year property tax receivable represents taxes certified by the Board of Directors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Directors is required to certify its budget to the County Auditors by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenses incurred through June 30, 2006 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

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

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

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

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

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

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

Compensated Absences – College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2006.

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

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

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

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

E. Scholarship Allowances and Student Aid

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

(2) Cash and Pooled Investments

The College's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2006, the College had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 8,221,434
Fixed Term Investments	<u>4,300,000</u>
Total	<u>\$ 12,521,434</u>

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

Credit risk. The College's investments in the Iowa Schools Joint Investment Trust were all rated Aaa by Moody's Investors Service.

(3) Inventories

The College's inventories at June 30, 2006 are as follows:

Type	Amount
Supplies and materials	\$ 361,491
Work in progress	391,504
Merchandise held for resale	177,692
Total	<u>\$ 930,687</u>

(4) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 397,885	-	29,600	368,285
Construction in progress	512,096	1,164,603	274,497	1,402,202
Total capital assets not being depreciated	909,981	1,164,603	304,097	1,770,487
Capital assets being depreciated:				
Buildings	44,634,349	-	-	44,634,349
Improvements other than buildings	1,864,865	622,617	-	2,487,482
Equipment and vehicles	5,702,344	405,779	282,566	5,825,557
Total capital assets being depreciated	52,201,558	1,028,396	282,566	52,947,388
Less accumulated depreciation for:				
Buildings	12,299,030	1,056,006	-	13,355,036
Improvements other than buildings	603,742	72,389	-	676,131
Equipment and vehicles	4,488,995	411,032	213,970	4,686,057
Total accumulated depreciation	17,391,767	1,539,427	213,970	18,717,224
Total capital assets being depreciated, net	34,809,791	(511,031)	68,596	34,230,164
Capital assets, net	<u>\$ 35,719,772</u>	<u>653,572</u>	<u>372,693</u>	<u>36,000,651</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	Certificates Payable	Bonds Payable	Total
Balance beginning of year	\$ 10,905,000	3,895,000	14,800,000
Additions	1,755,000	-	1,755,000
Reductions	2,485,000	195,000	2,680,000
Balance end of year	<u>\$ 10,175,000</u>	<u>3,700,000</u>	<u>13,875,000</u>

Certificates Payable

In accordance with agreements dated between June 13, 1995 and May 8, 2006, the College issued certificates totaling \$23,220,000 with interest rates ranging from 3.41% to 7.82%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 1,665,000	511,690	2,176,690
2008	1,710,000	431,778	2,141,778
2009	1,595,000	345,565	1,940,565
2010	1,170,000	262,692	1,432,692
2011	1,205,000	203,430	1,408,430
2012-2016	2,830,000	364,920	3,194,920
Total	\$ 10,175,000	2,120,075	12,295,075

Dormitory Revenue Bonds

On March 1, 2000, the College issued revenue bonds of \$5,000,000 for the construction of a new dormitory as allowed by Section 260C.19 of the Code of Iowa and approved by the Iowa Department of Education. The interest rate is 5.15% and the College is required to make semiannual interest payments and annual principal payments with a final maturity date of June 2, 2019. The bonds are to be repaid with anticipated revenue from dormitory operations. In fiscal year 2006, principal payments totaled \$195,000.

Details of the College's June 30, 2006 dormitory revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2000			
	Interest Rates	Principal	Interest	Total
2007	5.15%	\$ 205,000	190,550	395,550
2008	5.15	215,000	179,993	394,993
2009	5.15	230,000	168,920	398,920
2010	5.15	240,000	157,075	397,075
2011	5.15	255,000	144,715	399,715
2012-2016	5.15	1,475,000	513,713	1,988,713
2017-2019	5.15	1,080,000	113,300	1,193,300
Total		\$ 3,700,000	1,468,266	5,168,266

(6) Iowa Public Employees Retirement System (IPERS)

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

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$639,751, \$614,973 and \$631,988, respectively, equal to the required contributions for each year.

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

The College contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.70% of their annual covered payroll and the College is required to contribute 5.75% of annual covered payroll. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2006 were \$366,721 and \$235,976, respectively.

(8) Risk Pool

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

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

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

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self insured retention of \$200,000 per claim, except for workers' compensation which has a retention of \$100,000. Excess insurance for all lines is \$900,000 per occurrence, except workers compensation which is \$150,000. There is additional excess above that for another \$9,000,000 per member. Property is insured with excess coverage over the self insured retention of up to \$250,000,000. Stop gap loss protection is provided above the member's loss fund.

The Program's intergovernmental contract with its members provides that in the event any claim or series of claims exceeds the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The College does not report a liability for losses in excess of reinsurance unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the College's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

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

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

(9) Employee Health Insurance Plan

The Indian Hills Community College Employee Group Health Fund was established to account for the partial self funding of the College’s health insurance benefit plan. The plan is funded by both employee and College contributions and is administered through service agreements with Auxiant. The agreements are subject to automatic renewal provisions. The College assumes liability for claims up to the individual stop loss limitation of \$40,000 per person. Claims in excess of coverage are insured through purchase of stop loss insurance through commercial carriers.

Monthly payments of service fees and plan contributions to the College’s Employee Group Health Fund, an account within the Unrestricted Fund, are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The College records the plan assets and related liabilities of the Employee Group Health Fund as an Unrestricted Current Fund. Total contributions to the fund from the operating funds for the year ended June 30, 2006 were \$1,237,661.

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$92,945, which is for claims incurred and not paid as of June 30, 2006. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in the past year. Information on changes in the aggregate liabilities for claims for the current year is as follows:

	Liability, Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability, End of Year
Year ended June 30, 2006	\$ 75,957	1,393,845	(1,376,857)	92,945

(10) New Jobs Training Programs

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area XV in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax. Since inception, the College has administered 65 projects, with 19 currently receiving project funding. Of the remaining 46 projects, 43 projects have been completed, of which 28 have been fully repaid and 15 are in the repayment process. Three projects have defaulted, one of which was repaid by the guarantor bank and one is being paid by standby property tax. In cases where projects exceed the budgeted amounts, the College intends to obtain additional withholding revenue from the companies.

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

(11) Early Retirement

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

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

The liability at June 30, 2006 for those employees who elected early retirement was \$151,987. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2006, \$45,461 was paid from the Unrestricted Fund for early retirement benefits.

(12) Segment Reporting

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

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

Condensed Statement of Net Assets	Residence System
Assets:	
Current assets	\$ 455,905
Capital assets, net of accumulated depreciation	8,480,328
Total assets	8,936,233
Liabilities:	
Current liabilities	259,609
Noncurrent liabilities	3,495,000
Total liabilities	3,754,609
Net assets:	
Invested in capital assets, net of related debt	4,780,328
Restricted	401,296
Total net assets	\$ 5,181,624

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues:	
Sales and services	\$ 610,323
Operating expenses	(146,404)
Depreciation	(204,918)
Operating income	259,001
Nonoperating income (expense):	
Investment income	21,307
Interest on indebtedness	(200,593)
Increase in net assets	79,715
Net assets beginning of year	5,101,909
Net assets end of year	\$ 5,181,624

Condensed Statement of Cash Flows

Net cash flows provided by operating activities	\$ 476,769
Net cash flows provided by investing activities	21,307
Net cash flows used in capital and related financing activities	(395,593)
Net decrease in cash and cash equivalents	102,483
Cash and cash equivalents beginning of year	353,422
Cash and cash equivalents end of year	\$ 455,905

(13) Restatement

The cash and cash equivalents balance reported in the Statement of Cash Flows at June 30, 2005 did not include the Iowa School Joint Investment Trust (ISJIT) investments. The ISJIT investments meet the definition of a cash equivalent and should be included in the balance reported on the Statement of Cash Flows. The beginning cash and cash equivalent balance was restated to include the ISJIT investments and is reported at \$20,279,713.

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2006

Funds/Levy	Original/ Final Budget	Actual	Variance between Actual and Budget
Unrestricted	\$ 26,800,000	26,345,336	454,664
Restricted	7,626,797	3,741,049	3,885,748
Unemployment	30,000	16,509	13,491
Insurance	452,870	472,424	(19,554)
Tort Liability	190,577	290,942	(100,365)
Early Retirement	233,327	-	233,327
Equipment Replacement	-	349,427	(349,427)
Total Restricted	8,533,571	4,870,351	3,663,220
Plant	9,038,830	1,734,767	7,304,063
Bonds and Interest	395,593	394,755	838
Total	\$ 44,767,994	33,345,209	11,422,785

See accompanying independent auditor's report.

Indian Hills Community College

Note to Required Supplementary Information -
Budgetary Reporting

June 30, 2006

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

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

Other Supplementary Information

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

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

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

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide non-instructional services for sales to students, staff and/or institutional departments 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.

Endowment Funds – The Endowment Funds are used to account for resources, the principal of which is maintained inviolate to conform with restrictions by donors or other outside agencies. Generally, only the income from these funds may be used.

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

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

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

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

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

Schedules presented in the other 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

Balance Sheet
All Funds

June 30, 2006

	Current Funds	
	Unrestricted	Restricted
Assets		
Cash and pooled investments	\$ 6,402,579	7,111,932
Receivables:		
Accounts (less allowance of \$281,067)	1,758,990	26,317
Succeeding year property tax	720,200	1,267,000
Iowa Industrial New Jobs Training Program	-	3,168,660
Due from other funds	1,149,450	785,998
Due from other governments	578,958	717,750
Prepaid expenses	525	41,711
Unamortized bond issue expense	-	1,634,441
Inventories	927,553	3,134
Capital assets:		
Land	-	-
Buildings	-	-
Construction in progress	-	-
Improvements other than buildings	-	-
Equipment and vehicles	-	-
Accumulated depreciation	-	-
Total assets	\$ 11,538,255	14,756,943

Endowment Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unex- pended	Retirement of Indebtedness	Investment in Plant			
3,600,000	3,380,398	455,905	-	134,460	-	21,085,274
-	8,638	-	-	7,151	-	1,801,096
-	720,200	-	-	-	-	2,707,400
-	-	-	-	-	-	3,168,660
-	-	-	-	9,771	(1,945,219)	-
-	967,515	-	-	82,646	-	2,346,869
-	-	-	-	-	-	42,236
-	-	-	-	-	-	1,634,441
-	-	-	-	-	-	930,687
-	-	-	368,285	-	-	368,285
-	-	-	44,634,349	-	-	44,634,349
-	-	-	1,402,202	-	-	1,402,202
-	-	-	2,487,481	-	-	2,487,481
-	-	-	5,825,558	-	-	5,825,558
-	-	-	-	-	(18,717,224)	(18,717,224)
3,600,000	5,076,751	455,905	54,717,875	234,028	(20,662,443)	69,717,314

Indian Hills Community College

Balance Sheet
All Funds

June 30, 2006

	Current Funds	
	Unrestricted	Restricted
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 1,055,297	7,713
Salaries and benefits payable	624,101	57,114
Interest payable	-	42,641
Due to other funds	821,443	684,578
Deferred revenue:		
Succeeding year property tax	720,200	1,267,000
Other	735,306	1,865,322
Early retirement payable	-	151,987
Compensated absences	503,314	32,030
Deposits held in custody for others	-	-
Certificates payable	-	10,175,000
Bonds payable	-	-
Total liabilities	4,459,661	14,283,385
Fund balances:		
Invested in capital assets, net of related debt	-	-
Fund balances:		
Restricted		
Expendable:		
Scholarships and fellowships	-	51,793
Debt service	-	-
Cash reserve	-	288,745
Other	-	133,020
Unrestricted	2,787,880	-
Auxiliary enterprises	4,290,714	-
Total fund balance	7,078,594	473,558
Total liabilities and fund balances	\$ 11,538,255	14,756,943

See accompanying independent auditor's report.

Endowment Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unex- pended	Retirement of Indebtedness	Investment in Plant			
-	-	-	-	2,805	-	1,065,815
-	-	-	-	1,749	-	682,964
-	-	15,879	-	-	-	58,520
-	439,198	-	-	-	(1,945,219)	-
-	720,200	-	-	-	-	2,707,400
-	-	-	-	3,252	-	2,603,880
-	-	-	-	-	-	151,987
-	-	-	-	-	-	535,344
-	-	-	-	226,222	-	226,222
-	-	-	-	-	-	10,175,000
-	-	-	3,700,000	-	-	3,700,000
-	1,159,398	15,879	3,700,000	234,028	(1,945,219)	21,907,132
-	-	-	51,017,875	-	(18,717,224)	32,300,651
-	-	-	-	-	-	51,793
-	-	440,026	-	-	-	440,026
-	-	-	-	-	-	288,745
-	-	-	-	-	-	133,020
3,600,000	3,917,353	-	-	-	-	10,305,233
-	-	-	-	-	-	4,290,714
3,600,000	3,917,353	440,026	51,017,875	-	(18,717,224)	47,810,182
3,600,000	5,076,751	455,905	54,717,875	234,028	(20,662,443)	69,717,314

Indian Hills Community College

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

Year ended June 30, 2006

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
State appropriations	\$ 12,112,538	651,281
Tuition and fees	11,241,360	-
Property tax	786,221	1,315,535
Federal appropriations	908,076	7,346,558
Sales and services	134,153	-
Interest on investments	282,712	295,041
Iowa Industrial New Jobs Training Program	-	2,058,203
Increase in plant investment due to donated plant assets	-	-
Increase in plant investment due to plant expenditures (including \$345,832 in current fund expenditures and \$49,231 in trade-in value)	-	-
Increase in plant investment due to retirement of debt	-	-
Proceeds from sale of assets	-	-
Gain on sale of assets	-	-
Gifts from the Indian Hills Community College Foundation	-	-
Miscellaneous	830,676	914,597
	<u>26,295,736</u>	<u>12,581,215</u>
Auxiliary enterprises:		
Tuition and fees	170,551	-
Federal appropriations	32,846	-
Sales and services	5,639,921	-
Interest on investments	125,972	-
Reimbursement from operating funds for self funded health insurance	1,237,661	-
Miscellaneous	217,311	-
	<u>7,424,262</u>	<u>-</u>
Total revenues	<u>33,719,998</u>	<u>12,581,215</u>
Expenditures:		
Education and support:		
Liberal arts and sciences	4,092,528	281,343
Vocational technical	8,476,929	873,702
Adult education	2,120,537	542,885
Cooperative services	67,816	1,416,326
Administration	1,500,946	365,936
Student services	2,972,593	87,813
Learning resources	966,732	-
Physical plant	2,937,978	472,423
General institution	3,209,277	290,943
Total education and support	<u>26,345,336</u>	<u>4,331,371</u>

Endowment Funds	Plant Funds			Adjustments	Total
	Unex- pended	Retirement of Indebtedness	Investment in Plant		
-	1,085,117	-	-	-	13,848,936
-	-	-	-	(2,698,338)	8,543,022
-	786,343	-	-	-	2,888,099
-	242,087	-	-	-	8,496,721
-	285,493	-	-	-	419,646
-	112,904	21,307	-	-	711,964
-	-	-	-	-	2,058,203
-	-	-	75,000	-	75,000
-	-	-	1,843,502	(1,843,502)	-
-	-	-	195,000	(195,000)	-
-	222,972	-	-	(222,972)	-
-	-	-	-	174,007	174,007
-	-	-	-	622,100	622,100
-	71,844	-	-	(622,100)	1,195,017
-	2,806,760	21,307	2,113,502	(4,785,805)	39,032,715
-	-	-	-	-	170,551
-	-	-	-	-	32,846
-	-	-	-	(690,655)	4,949,266
-	-	-	-	-	125,972
-	-	-	-	(1,237,661)	-
-	-	-	-	-	217,311
-	-	-	-	(1,928,316)	5,495,946
-	2,806,760	21,307	2,113,502	(6,714,121)	44,528,661
-	-	-	-	(89,874)	4,283,997
-	-	-	-	(274,569)	9,076,062
-	-	-	-	(111,636)	2,551,786
-	-	-	-	(1,186)	1,482,956
-	-	-	-	(118,835)	1,748,047
-	-	-	-	(124,119)	2,936,287
-	-	-	-	(17,055)	949,677
-	-	-	-	(19,223)	3,391,178
-	-	-	-	(74,874)	3,425,346
-	-	-	-	(831,371)	29,845,336

Indian Hills Community College
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances
 All Funds

Year ended June 30, 2006

	Current Funds	
	Unrestricted	Restricted
Expenditures (continued):		
Auxiliary enterprises	6,790,798	-
Scholarships and grants	-	5,865,340
Workforce Investment Act	-	1,233,997
Plant operations	-	-
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Disposal of plant assets	-	-
Interest on indebtedness	-	538,980
Depreciation	-	-
Total expenditures	<u>33,136,134</u>	<u>11,969,688</u>
Excess (deficiency) of revenues over (under) expenditures	<u>583,864</u>	<u>611,527</u>
Transfers:		
Mandatory transfers	(476,768)	-
Non-mandatory transfers	348,128	(662,671)
Total transfers	<u>(128,640)</u>	<u>(662,671)</u>
Net	455,224	(51,144)
Fund balances beginning of year	<u>6,623,370</u>	<u>524,702</u>
Fund balances end of year	<u>\$ 7,078,594</u>	<u>473,558</u>

See accompanying independent auditor's report.

Endowment Funds	Plant Funds			Adjustments	Total
	Unex- pended	Retirement of Indebtedness	Investment in Plant		
-	-	-	-	(1,440,178)	5,350,620
-	-	-	-	(2,698,338)	3,167,002
-	-	-	-	(2,599)	1,231,398
-	286,328	-	-	-	286,328
-	1,448,439	-	-	(1,448,439)	-
-	-	195,000	-	(195,000)	-
-	-	-	312,166	(312,166)	-
-	-	199,755	-	-	738,735
-	-	-	-	1,539,427	1,539,427
-	1,734,767	394,755	312,166	(5,388,664)	42,158,846
-	1,071,993	(373,448)	1,801,336	(1,325,457)	2,369,815
-	-	476,768	-	-	-
-	314,543	-	-	-	-
-	314,543	476,768	-	-	-
-	1,386,536	103,320	1,801,336	(1,325,457)	2,369,815
3,600,000	2,530,817	336,706	49,216,539	(17,391,767)	45,440,367
3,600,000	3,917,353	440,026	51,017,875	(18,717,224)	47,810,182

Indian Hills Community College

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

Year ended June 30, 2006

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
Revenues:				
State appropriations	\$ 4,372,029	6,032,531	1,571,921	-
Tuition and fees	4,228,168	5,785,702	1,133,010	71,745
Property tax	-	-	-	-
Federal appropriations	50	433,064	314,972	-
Sales and services	303	4,489	105,960	-
Interest on investments	272,029	-	-	-
Miscellaneous	30	222,764	6,183	-
	<u>8,872,609</u>	<u>12,478,550</u>	<u>3,132,046</u>	<u>71,745</u>
Allocation of support services	504,828	1,009,656	226,302	-
Total revenues	<u>9,377,437</u>	<u>13,488,206</u>	<u>3,358,348</u>	<u>71,745</u>
Expenditures:				
Salaries and benefits	3,809,423	7,819,019	1,485,487	61,210
Services	147,212	172,549	414,115	3,234
Materials and supplies	95,874	341,738	83,842	384
Travel	29,369	132,588	44,439	2,988
Loan cancellation and bad debts	-	-	-	-
Administrative and collections	-	-	360	-
Plant asset acquisitions	-	6,500	6,080	-
Cost of goods sold	-	238	78,895	-
Miscellaneous	10,650	4,297	7,319	-
	<u>4,092,528</u>	<u>8,476,929</u>	<u>2,120,537</u>	<u>67,816</u>
Allocation of support services	3,360,383	6,720,766	1,506,377	-
Total expenditures	<u>7,452,911</u>	<u>15,197,695</u>	<u>3,626,914</u>	<u>67,816</u>
Excess (deficiency) of revenues over (under) expenditures	1,924,526	(1,709,489)	(268,566)	3,929
Transfers:				
Non-mandatory transfers	19,726	75,000	(8,000)	-
Net	<u>\$ 1,944,252</u>	<u>(1,634,489)</u>	<u>(276,566)</u>	<u>3,929</u>
Fund balance beginning of year				
Fund balance end of year				

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

See accompanying independent auditor's report.

General Adminis- tration	Support				Education and Support Total
	Student Services	Learning Resources	Physical Plant	General Institution	
-	4,164	122,317	9,576	-	12,112,538
1,894	20,841	-	-	-	11,241,360
786,221	-	-	-	-	786,221
-	159,990	-	-	-	908,076
-	18,439	2,824	1,094	1,044	134,153
10,683	-	-	-	-	282,712
212,754	9,562	2,514	364,790	12,079	830,676
1,011,552	212,996	127,655	375,460	13,123	26,295,736
(1,011,552)	(212,996)	(127,655)	(375,460)	(13,123)	-
-	-	-	-	-	26,295,736
950,012	2,668,019	477,124	1,581,126	1,962,095	20,813,515
129,504	186,997	357,633	1,109,852	857,284	3,378,380
4,367	89,044	124,495	245,002	205,348	1,190,094
57,939	26,702	4,022	458	86,883	385,388
245,781	-	-	-	-	245,781
110,995	-	-	-	-	111,355
-	-	-	-	-	12,580
-	-	-	-	-	79,133
2,348	1,831	3,458	1,540	97,667	129,110
1,500,946	2,972,593	966,732	2,937,978	3,209,277	26,345,336
(1,500,946)	(2,972,593)	(966,732)	(2,937,978)	(3,209,277)	-
-	-	-	-	-	26,345,336
-	-	-	-	-	(49,600)
163,628	-	-	-	-	250,354
163,628	-	-	-	-	200,754
					2,587,126
					<u>\$ 2,787,880</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, 2006

	Institutional Services	Education Program	Miscellaneous	Total
Revenues:				
Tuition and fees	\$ -	147,807	22,744	170,551
Federal appropriations	-	32,846	-	32,846
Sales and services	3,107,161	1,855,612	677,148	5,639,921
Interest on investments	10,222	-	115,750	125,972
Reimbursements from operating funds for self funded health insurance	1,237,661	-	-	1,237,661
Miscellaneous	120,261	68,125	28,925	217,311
Total revenues	4,475,305	2,104,390	844,567	7,424,262
Expenditures:				
Salaries and benefits	390,076	1,000,868	84,352	1,475,296
Services	208,422	150,573	98,228	457,223
Materials and supplies	162,732	21,841	11,601	196,174
Travel	19,826	1,416	761	22,003
Loan cancellation and bad debts	48,049	1,739	-	49,788
Plant asset acquisitions	36,890	-	87,466	124,356
Group health claims	1,120,447	-	-	1,120,447
Miscellaneous	402,727	179,709	363	582,799
Cost of goods sold	2,097,833	664,879	-	2,762,712
Total expenditures	4,487,002	2,021,025	282,771	6,790,798
Excess of revenues over expenditures	(11,697)	83,365	561,796	633,464
Transfers:				
Mandatory transfers	-	-	(476,768)	(476,768)
Non-mandatory transfers	439,830	(75,000)	(267,056)	97,774
Total transfers	439,830	(75,000)	(743,824)	(378,994)
Net	428,133	8,365	(182,028)	254,470
Fund balances beginning of year	2,753,852	46,622	1,235,770	4,036,244
Fund balances end of year	\$ 3,181,985	54,987	1,053,742	4,290,714

See accompanying independent auditor's report.

Indian Hills Community College

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

Year ended June 30, 2006

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance
Revenues:				
State appropriations	\$ 316,457	-	-	-
Property tax	-	349,427	222,142	449,941
Federal appropriations	4,701,232	-	-	-
Interest on investments	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	872,629	-	24,886	2,394
Total revenues	5,890,318	349,427	247,028	452,335
Expenditures:				
Salaries and benefits	-	-	87,766	-
Services	13,641	-	202,969	470,030
Materials and supplies	-	246,468	-	-
Travel	-	-	207	-
Interest on indebtedness	-	-	-	-
Awards to subrecipients	-	-	-	-
Plant asset acquisitions	-	102,959	-	-
Miscellaneous	-	-	-	2,394
Federal Pell grant program	4,383,755	-	-	-
Federal supplemental educational opportunity grant	113,555	-	-	-
Health and Human Services Nursing	190,281	-	-	-
Iowa College Student Aid Commission	108,318	-	-	-
Private scholarships	1,055,790	-	-	-
Total expenditures	5,865,340	349,427	290,942	472,424
Excess (deficiency) of revenues over (under) expenditures	24,978	-	(43,914)	(20,089)
Transfers:				
Non-mandatory transfers	-	-	8,788	-
Net	24,978	-	(35,126)	(20,089)
Fund balances beginning of year	26,815	-	35,126	69,560
Fund balances end of year	\$ 51,793	-	-	49,471

See accompanying independent auditor's report.

Early Retirement	Unemployment Compensation	Higher Education Institutional Aid (Title III)	Workforce Investment Act	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
-	-	-	45,631	-	289,193	651,281
203,161	10,632	-	-	80,232	-	1,315,535
-	-	87,813	1,179,125	-	1,378,388	7,346,558
-	-	-	-	295,041	-	295,041
-	-	-	-	2,058,203	-	2,058,203
-	-	-	5,227	-	9,461	914,597
203,161	10,632	87,813	1,229,983	2,433,476	1,677,042	12,581,215
-	16,509	33,378	694,534	145,292	871,735	1,849,214
-	-	389	186,501	1,269,442	398,703	2,541,675
-	-	51,319	33,807	-	87,740	419,334
-	-	2,727	27,866	1,592	90,722	123,114
-	-	-	-	538,980	-	538,980
-	-	-	291,289	-	-	291,289
-	-	-	-	-	105,937	208,896
-	-	-	-	-	143,093	145,487
-	-	-	-	-	-	4,383,755
-	-	-	-	-	-	113,555
-	-	-	-	-	-	190,281
-	-	-	-	-	-	108,318
-	-	-	-	-	-	1,055,790
-	16,509	87,813	1,233,997	1,955,306	1,697,930	11,969,688
203,161	(5,877)	-	(4,014)	478,170	(20,888)	611,527
(203,161)	-	-	-	(478,170)	9,872	(662,671)
-	(5,877)	-	(4,014)	-	(11,016)	(51,144)
-	23,922	-	13,647	-	355,632	524,702
-	18,045	-	9,633	-	344,616	473,558

Indian Hills Community College

Indian Hills Community College

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

Year ended June 30, 2006

	Athletics and Student Organizations	Federal Direct Student Loan Program	Retraining Program (HF 260F)	Miscel- laneous	Total
Balance beginning of year	\$ (64,715)	-	82,467	49,606	67,358
Additions:					
State appropriations	-	-	297,059	1,908,478	2,205,537
Federal appropriations	-	8,731,058	-	-	8,731,058
Tuition and fees	278,000	-	-	-	278,000
Sales and services	180,808	-	-	67,991	248,799
Miscellaneous	106,211	-	-	145,992	252,203
Flexible spending contributions	-	-	-	30,279	30,279
Total additions	565,019	8,731,058	297,059	2,152,740	11,745,876
Deductions:					
Salaries and benefits	10,744	-	-	141,863	152,607
Services	128,003	-	245,067	68,071	441,141
Materials and supplies	74,293	-	-	666	74,959
Travel	196,632	-	-	112	196,744
Miscellaneous	48,952	-	-	1,905,233	1,954,185
Cost of goods sold	7,292	-	-	2,667	9,959
Direct student loans	-	8,731,058	-	-	8,731,058
Flexible spending disbursements	-	-	-	26,359	26,359
Total deductions	465,916	8,731,058	245,067	2,144,971	11,587,012
Balance end of year	\$ 34,388	-	134,459	57,375	226,222

See accompanying independent auditor's report.

Schedule 7

Indian Hills Community College
Schedule of Credit and Contact Hours
Year ended June 30, 2006

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	43,393	-	43,393	856,227	-	856,227
Vocational Education	57,165	-	57,165	1,746,606	-	1,746,606
Adult Education/Continuing Education	-	-	-	361,074	15,900	376,974
Total	100,558	-	100,558	2,963,907	15,900	2,979,807

See accompanying independent auditor's report.

Indian Hills Community College
 Schedule of Tax and Intergovernmental Revenues
 For the Last Six Years

	Years ended June 30,					
	2006	2005	2004	2003	2002	2001
Local (property tax)	\$ 2,888,099	2,875,524	3,179,361	3,163,315	3,039,503	3,046,900
State	13,848,936	12,292,751	11,593,825	11,740,024	12,569,921	12,983,480
Federal	8,496,721	9,123,246	8,944,834	8,563,371	7,753,398	6,195,634
Total	<u>\$ 25,233,756</u>	<u>24,291,521</u>	<u>23,718,020</u>	<u>23,466,710</u>	<u>23,362,822</u>	<u>22,226,014</u>

See accompanying independent auditor's report.

Schedule 9

Indian Hills Community College
 Schedule of Current Fund Revenues by Source
 and Expenditures by Function
 For the Last Six Years

	Years ended June 30,					
	2006	2005	2004	2003	2002	2001
Revenues:						
State appropriations	\$ 12,763,819	12,055,153	11,877,824	11,740,024	11,903,254	12,931,112
Tuition and fees	11,241,360	10,431,661	10,085,886	9,290,403	8,153,196	6,769,630
Property tax	2,101,756	2,082,575	1,464,791	1,444,351	1,456,252	1,445,763
Federal appropriations	8,254,634	9,095,078	8,925,246	8,552,156	7,741,431	6,181,892
Sales and services	134,153	107,876	702,491	57,281	28,982	36,439
Interest on investments	577,753	345,361	103,560	204,443	323,758	611,783
Iowa Industrial New Jobs Training Program	2,058,203	3,586,833	2,605,028	2,044,904	2,691,786	2,487,532
Auxiliary enterprises	7,424,262	7,211,806	6,801,482	6,445,944	6,092,312	6,526,862
Miscellaneous	1,745,273	1,623,025	964,840	1,418,976	973,531	845,564
Total	\$ 46,301,213	46,539,368	43,531,148	41,198,482	39,364,502	37,836,577
Expenditures:						
Liberal arts and sciences	\$ 4,373,871	3,913,839	3,910,501	3,519,765	3,130,772	3,390,166
Vocational technical	9,350,631	9,148,834	8,473,152	7,862,347	7,681,105	7,171,627
Adult education	2,663,422	2,584,709	3,048,487	3,099,715	2,222,860	1,844,938
Cooperative services	1,484,142	2,485,196	1,773,900	1,890,954	2,637,049	349,073
Administration	1,866,882	1,652,553	1,575,133	1,535,790	1,269,738	1,365,426
Student services	3,060,406	3,129,312	3,242,171	3,038,017	2,952,997	2,234,009
Learning resources	966,732	953,797	938,187	867,409	804,581	897,957
Physical plant	3,410,401	3,296,010	3,064,897	3,111,572	2,661,665	2,706,806
General institution	3,500,220	3,055,668	3,975,255	2,977,428	2,843,839	2,755,138
Auxiliary enterprises	6,790,798	6,450,441	5,781,303	5,690,620	5,339,799	5,912,931
Scholarships and grants	5,865,340	6,050,306	5,630,328	5,283,155	4,196,945	3,123,861
Workforce Investment Act	1,233,997	1,193,859	1,402,372	1,444,968	2,015,869	1,485,069
Interest on indebtedness	538,980	548,322	585,424	632,708	652,472	635,495
Total	\$ 45,105,822	44,462,846	43,401,110	40,954,448	38,409,691	33,872,496

See accompanying independent auditor's report.

Indian Hills Community College
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Direct:				
U.S. Department of Commerce - Economic Development				
Administration:				
Grants for Public Works and Economic Development Facilities	11.300		\$ 242,087	-
U.S. Department of Labor:				
WIA Pilots, Demonstrations and Research Projects	17.261		374,519	-
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007 *		127,196	-
Federal Work-Study Program	84.033 *		159,990	-
Federal Pell Grant Program	84.063 *		4,383,755	-
Federal Direct Student Loans	84.268 *		-	8,731,058
Trio Cluster:				
TRIO-Student Support Services	84.042		269,573	-
TRIO-Upward Bound	84.047		187,198	-
TRIO-Educational Opportunity Center	84.066		208,277	-
			665,048	-
Higher Education-Institutional Aid	84.031		87,813	-
U.S. Department of Health and Human Services:				
Scholarships for Health Profession Students from Disadvantaged Backgrounds	93.925 *		190,281	-
Total direct			6,230,689	8,731,058
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Child and Adult Care Food Program	10.558		32,847	-
U.S. Department of Labor:				
Forsyth Technical Community College:				
WIA Pilots, Demonstrations and Research Projects	17.261		156,652	-
Iowa Department of Education:				
Incentive grants -WIA Section 503	17.267		12,971	-
Mine Health and Safety Grants	17.600		2,260	-
Iowa Department of Workforce Development:				
Employment Service/Wagner - Peysner Funded Activities	17.207	1-W-15-FR	2,133	-
Unemployment Insurance	17.225	1-W-15-FR	2,648	-
Trade Adjustment Assistance	17.245	1-W-15-FR	1,954	-
WIA Cluster:				
WIA Adult Program	17.258	1-W-15-FR	275,010	-
WIA Youth Activities	17.259	1-W-15-FR	213,167	-
WIA Dislocated Workers	17.260	1-W-15-FR	205,809	-
			693,986	-

Schedule 10

Indian Hills Community College
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Indirect (continued):				
U.S. Department of Labor:				
Iowa Department of Workforce Development:				
Work Incentive Grants	17.266	1-W-15-FR	2,522	-
Local Veterans' Employment Representative Program	17.804	1-W-15-FR	4,246	-
NAAFTA Rapid Response	17.000	1-W-15-FR	1,245	-
Federal Mediation and Conciliation Services:				
Iowa Department of Workforce Development:				
Labor Management Cooperation	34.002		792	-
Small Business Administration:				
Iowa State University:				
Small Business Development Center	59.037		35,749	-
U.S. Department of Education:				
Iowa Department of Education:				
Adult Education - State Grant Program	84.002		287,076	-
Vocational Education - Basic Grants to States	84.048		522,485	-
U.S. Department of Health and Human Services:				
Iowa Department of Workforce Development				
Temporary Assistance for Needy Families	93.558	1-W-15-FR	479,069	-
Iowa Department of Public Health:				
Specially Selected Health Projects	93.888		69,000	-
Total indirect			2,307,635	-
Total			\$ 8,538,324	8,731,058

* – Combined student financial assistance expenditures treated as major financial assistance program, Student Financial Assistance Cluster.

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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 Directors of
Indian Hills Community College:

We have audited the accompanying financial statements of Indian Hills Community College, Ottumwa, Iowa, and the aggregate discretely presented component units as of and for the year ended June 30, 2006, which collectively comprise the College's basic financial statements listed in the table of contents, and have issued our report thereon dated September 28, 2006. 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. The financial statements of the component units were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

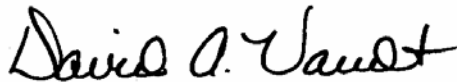
Compliance and Other Matters

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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 28, 2006



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Directors of
Indian Hills Community College:

Compliance

We have audited the compliance of Indian Hills Community College, Ottumwa, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Indian Hills Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Indian Hills Community College's management. Our responsibility is to express an opinion on Indian Hills Community College's compliance based on our audit.

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

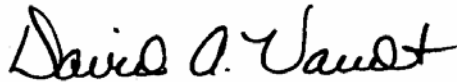
In our opinion, Indian Hills Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

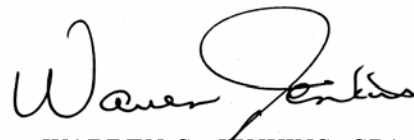
The management of Indian Hills Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Indian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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 28, 2006

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number – 11.300 Grants for Public Works and Economic Development Facilities
 - TRIO Cluster
 - CFDA 84.042 – TRIO - Student Support Services
 - CFDA 84.047 – TRIO - Upward Bound
 - CFDA 84.066 – TRIO - Educational Opportunity Center
 - Student Financial Aid – Cluster:
 - CFDA Number – 84.007 Federal Supplemental Educational Opportunity Grants
 - CFDA Number – 84.033 Federal Work-Study Program
 - CFDA Number – 84.063 Federal Pell Grant Program
 - CFDA Number – 84.268 Federal Direct Student Loans
 - CFDA Number – 93.925 Scholarships for Health Profession Students from Disadvantaged Backgrounds
 - CFDA Number – 93.558 Temporary Assistance for Needy Families
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Indian Hills Community College did qualify as a low-risk auditee.

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

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.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over compliance were noted.

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

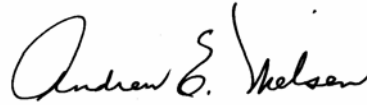
- IV-A-03 Certified Budget – Expenditures for the year ended June 30, 2006 did not exceed the amounts budgeted.
- IV-B-03 Questionable Disbursements – No expenditures we believe did not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-03 Travel Expense – No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.
- IV-D-03 Business Transactions – No business transactions between the College and College officials or employees were noted.
- IV-E-03 Bond Coverage – Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-F-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-03 Publication – The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.
- IV-H-03 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College’s investment policy were noted.
- IV-I-03 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.

Indian Hills Community College

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
James S. Cunningham, CPA, Senior Auditor II
Philip J. Cloos, Staff Auditor
Daniel L. Durbin, CPA, Staff Auditor
Michael P. Piehl, Assistant Auditor
Joseph M. Seuntjens, Assistant Auditor
Paula J. White, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State