



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

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**NEWS RELEASE**

FOR RELEASE

January 25, 2010

Contact: Andy Nielsen  
515/281-5834

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 \$27,079,493 for the year ended June 30, 2009, including \$11,395,633 from tuition and fees, \$4,826,450 from the federal government and \$6,026,091 from auxiliary enterprises.

Operating expenses for the year totaled \$51,080,548, and included \$28,450,125 for salaries and benefits, \$7,735,430 for services and \$2,438,246 for materials and supplies.

The College reported an operating loss of \$24,001,055. In general, a public college, such as Indian Hills Community College, will report an operating loss as the financial reporting model classifies state appropriations, Pell grant funds and property tax as non-operating revenues. Non-operating revenues totaled \$26,320,644, and included \$15,615,288 from state appropriations, \$5,806,107 from Pell grants, \$3,573,445 from property tax and \$1,018,628 from gifts from the Indian Hills Community College Foundation. Non-operating expenses totaled \$890,472, and included \$787,749 for interest on indebtedness. The College ended the year with an increase in net assets of \$1,429,117.

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/index.html>.

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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, 2009**

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## Indian Hills Community College

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Trustees</b> (Before September 2008 Election)		
Dr. Donald Berg	President	2008
Robert L. Pitsch	Vice President	2009
James Dorothy	Member	(Resigned)
H. Roy Lamansky	Member	2008
George E. Manning (Appointed)	Member	2008
Tom Keck	Member	2009
Richard C. Sharp	Member	2009
Sharon Kline	Member	2010
Kevin M. Kness	Member	2010
John Pothoven	Member	2010

### Board of Trustees

(After September 2008 Election)

Dr. Donald Berg	President	(Resigned)
John Pothoven	President (effective 12/31/08)	2011 *
Robert L. Pitsch	Vice President	2009
Richard J. Gaumer (Appointed)	Member	2009
Tom Keck	Member	2009
Richard C. Sharp	Member	2009
Sharon Kline	Member	2011 *
Kevin M. Kness	Member	2011 *
H. Roy Lamansky	Member	2011
George E. Manning	Member	2011

### Community College

Dr. Jim Lindenmayer	President
Susan Pixley	Chief Financial Officer and Board Treasurer
Anne Leathers	College Accountant
Kathy Pink	Controller\Grants Accountant

\* Board term extended per the College's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**Indian Hills Community College**



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

Independent Auditor's Report

To the Board of Trustees 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, 2009, 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 discretely presented component units, Indian Hills Community College Development Corporation, Inc. and Indian Hills Community College Foundation, Inc., discussed in note 1, which represent 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

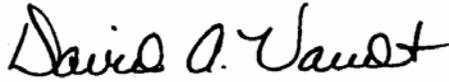
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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.

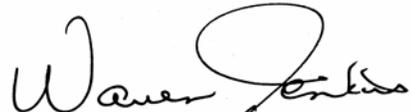
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian Hills Community College and its aggregate discretely presented component units at June 30, 2009, and 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 January 11, 2010 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 Schedule of Funding Progress on pages 8 through 14 and 38 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 eight years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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

January 11, 2010

**Indian Hills Community College**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Indian Hills Community College provides this Management's Discussion and Analysis of the College's financial statements for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the financial statements which follow.

### 2009 FINANCIAL HIGHLIGHTS

- College operating revenues increased over \$1.7 million, or 6.8%, from fiscal year 2008 to fiscal year 2009. Tuition and fees accounted for approximately \$424,000 of the increase, which is attributable to a tuition rate increase of 6.3% effective for the 2008 fall term and a 4% growth in credit hour enrollment over the previous fiscal year.
- Federal appropriations increased approximately \$656,000, or 15.7%, from fiscal year 2008 to 2009 with successful competition for the award of new federal grant funding. Additional federal resources were expended through a community based job training grant focused on advanced manufacturing. Additional funding was also received during fiscal year 2009 through the federal Workforce Investment Act.
- A 19.1% increase in Pell grant award dollars and a 2.3% increase in state appropriations from fiscal year 2008 to 2009 contributed to an overall increase in non-operating revenues of approximately \$1.1 million, or 4.6%.
- Net assets of the College increased approximately \$1.4 million, or 2.7%.

### 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 financial statements. Required Supplementary Information includes the Schedule of Funding Progress for the Retiree Health Plan. Other supplementary schedules provide a comparison of the College's budget for the year and detailed information about the individual funds, including the Schedule of Expenditures of Federal Awards which provides details of various federal programs benefiting the College.

## REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

### Statement of Net Assets

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

	<b>Net Assets</b>	
	June 30,	
	2009	2008
Current and other assets	\$ 34,998,914	37,336,737
Capital assets, net of accumulated depreciation	43,376,950	40,723,200
Total assets	<u>78,375,864</u>	<u>78,059,937</u>
Current liabilities	11,362,638	11,118,987
Noncurrent liabilities	13,000,934	14,357,775
Total liabilities	<u>24,363,572</u>	<u>25,476,762</u>
Net assets:		
Invested in capital assets, net of related debt	40,326,950	37,443,200
Restricted	1,237,597	1,182,799
Unrestricted	12,447,745	13,957,176
Total net assets	<u>\$ 54,012,292</u>	<u>52,583,175</u>

The largest portion of the College's net assets (75%) is in the category '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 Community College, will report an operating loss as the financial reporting model required by GASB 34/35 classifies state appropriations, Pell grant and property tax 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.

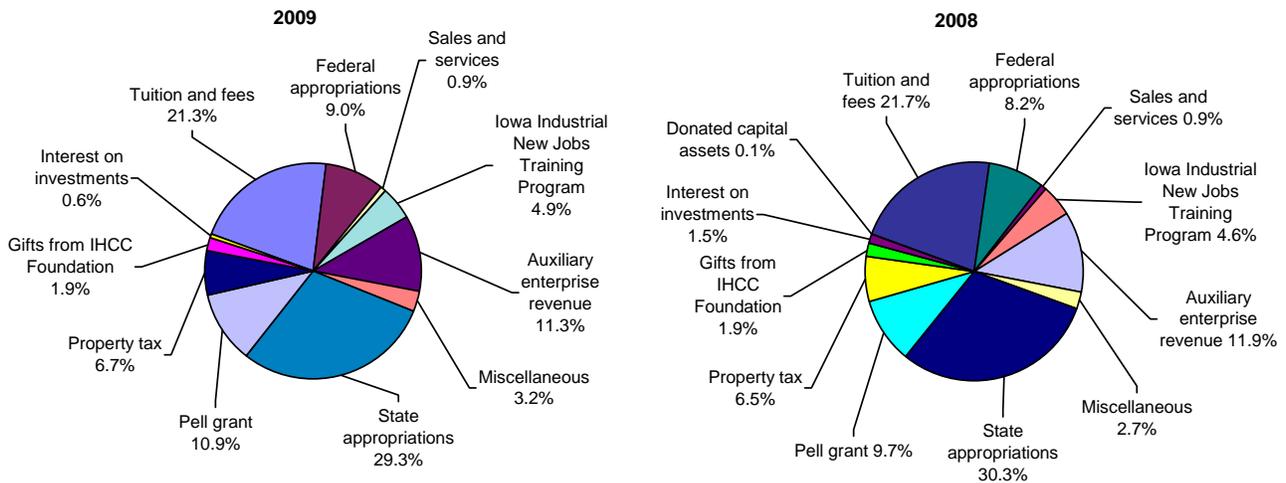
## Changes in Net Assets

	Year ended June 30,	
	2009	2008*
<b>Operating revenues:</b>		
Tuition and fees	\$ 11,395,633	10,971,344
Federal appropriations	4,826,450	4,170,750
Sales and services	491,070	478,269
Iowa Industrial New Jobs Training Program	2,608,568	2,334,015
Auxiliary enterprise revenue	6,026,091	6,027,422
Miscellaneous	1,731,681	1,368,035
Total operating revenues	27,079,493	25,349,835
 Total operating expenses	 51,080,548	 47,588,456
Operating loss	(24,001,055)	(22,238,621)
 <b>Non-operating revenues (expenses):</b>		
State appropriations	15,615,288	15,262,550
Pell grant	5,806,107	4,874,781
Property tax	3,573,445	3,283,331
Gifts from IHCC Foundation	1,018,628	972,226
Interest on investments	307,176	738,038
Donated capital assets	-	24,525
Loss on disposal of capital assets	(1,885)	(33,085)
Interest on indebtedness	(787,749)	(728,504)
Amortization of bond issue costs	(100,838)	(80,854)
Net non-operating revenues	25,430,172	24,313,008
 Increase in net assets	 1,429,117	 2,074,387
Net assets beginning of year	52,583,175	50,508,788
 Net assets end of year	 \$ 54,012,292	 52,583,175

\* - 2008 information was restated to report the change in presentation of Pell grant funds as non-operating to enable the reader to compare fiscal year 2008 to fiscal year 2009.

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 2009, operating revenues totaled approximately \$27.1 million and net non-operating revenues totaled approximately \$26.3 million. Observations regarding the changes in operating and non-operating revenues follow:

- Tuition and fees, as reported herein net of scholarship allowances, increased approximately \$424,000, or 4%. The increase is attributable to a 6.3% increase in the tuition rate coupled with an increase in enrollment.
- State revenues improved approximately \$353,000 over fiscal year 2008 funding levels. This increase was due to a 2.3% increase in state appropriations, including state aid allocation and state funds awarded through the Workforce Training and Economic Development Fund.
- The increase in net non-operating revenues, offset by a net operating loss, resulted in an increase in the College's net assets of approximately \$1.4 million, or 2.7%, over fiscal year 2008.

### Operating Expenses

	Year ended June 30,	
	2009	2008
Education and support:		
Liberal arts and sciences	\$ 5,125,832	4,840,335
Vocational technical	10,677,262	10,003,282
Adult education	2,483,243	2,645,165
Cooperative services	1,687,087	1,623,500
Administration	2,001,331	1,791,988
Student services	3,363,299	3,169,286
Learning resources	823,415	859,867
Physical plant	4,208,946	4,021,962
General institution	4,437,684	4,076,145
Auxiliary enterprises	7,098,012	6,656,316
Scholarships and grants	4,636,319	3,973,529
Workforce Investment Act	2,079,630	1,815,005
Plant operations	484,600	422,214
Depreciation	1,973,888	1,689,862
Total	\$ 51,080,548	47,588,456

The following factors address some expense issues:

- Salaries and wages increased in all functional categories due to an increase in salaries and benefits for fiscal year 2009 and additional employment related to increased enrollments, services and technology provided to students.
- Scholarships and grants expense increased due to a 9.8% increase in the award amount of the federal Pell grant per student in fiscal year 2009.
- 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 the College's ability to generate future cash flows, meet obligations as they come due and the need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows and is summarized by operating, non-capital financing, capital and related financing and investing activities.

### Cash Flows

	Year ended June 30,	
	2009	2008*
Cash provided (used) by:		
Operating activities	\$ (23,088,248)	(20,447,242)
Non-capital financing activities	24,064,950	26,303,640
Capital and related financing activities	(5,027,844)	(3,894,349)
Investing activities	344,405	804,761
Net increase (decrease) in cash	(3,706,737)	2,766,810
Cash and cash equivalents beginning of year	24,415,742	21,648,932
Cash and cash equivalents end of year	\$ 20,709,005	24,415,742

\* - 2008 information was restated to report the change in presentation of Pell grant funds as non-operating revenues.

Cash provided by operating activities includes revenues from tuition and fees, grants, contracts and auxiliary enterprise receipts. Cash used for operating activities includes payments for salaries and benefits, goods and services, scholarships and auxiliary enterprise payments. Cash provided by non-capital financing activities includes state appropriations, Pell grant funds, 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, 2009, the College had approximately \$43.4 million invested in capital assets, net of accumulated depreciation of approximately \$23.0 million. Depreciation charges totaled \$1,973,888 for the 2009 fiscal year. A summary of capital assets, net of accumulated depreciation, is shown below.

### Net Capital Assets

	June 30,	
	2009	2008
Land	\$ 340,590	340,590
Construction in progress	44,077	2,547,551
Capital assets not being depreciated	384,667	2,888,141
Buildings	39,102,755	34,344,475
Improvements	2,283,258	2,009,644
Equipment and vehicles	1,606,270	1,480,940
Total	\$ 43,376,950	40,723,200

Three major capital renovations were completed during fiscal year 2009. The culinary educational program area, the Advanced Technology Center instructional lab and cafeteria projects were completed at the Main Campus, as well as the Trades and Industries Building renovation at the North Campus. The funding of the six-cent instructional equipment levy has assisted with equipment upgrades to keep pace with technology and student demand. An inventory replacement schedule is utilized to maintain technology equipment at required levels. Facility maintenance is 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, 2009 was \$14,700,000. 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,	
	2009	2008
Certificates payable	\$ 11,650,000	12,825,000
Bonds payable	3,050,000	3,280,000
Total	<u>\$ 14,700,000</u>	<u>16,105,000</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 Community College faces the following potential financial challenges:

- To maintain current levels of services and operations, tuition revenue from rate increases and/or enrollment growth must continue to offset any reduction or deappropriation in state funding levels.
- Higher tuition is followed by an increased need for student financial aid and scholarship support. The federal Pell Grant program responded with a 9.8% student grant increase for fiscal year 2009. The challenge for students to finance their education will continue as credit tightens and loan funds are less available.
- Labor and operational expenses continue to rise, challenging the College to meet the increasing expenses through budget planning.
- The College must continue to offer additional student services to attract and retain the diverse population the institution serves.
- College facilities and infrastructure require continual maintenance and renovation to meet current needs.
- Technology continues to advance rapidly, challenging the College to provide up to date instructional equipment and conduct operations at current technological levels.

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. The emphasis is to fulfill the mission of Indian Hills Community College while maintaining high quality instructional programs and services.

## **CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT**

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

## **Basic Financial Statements**

**Exhibit A**

## Indian Hills Community College

## Statement of Net Assets

June 30, 2009

	<u>Primary Government</u>	<u>Component Units</u>
<b>Assets</b>		
Current assets:		
Cash and investments:		
Cash and pooled investments	\$ 12,159,041	12,960,310
Restricted cash and investments	-	5,385,810
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$468,947	2,414,183	84,215
Succeeding year property tax	3,637,000	-
Due from other governments	1,230,979	-
Prepaid expense	20,424	-
Inventories	1,252,835	-
Total current assets	<u>20,714,462</u>	<u>18,430,335</u>
Noncurrent assets:		
Cash and pooled investments	8,549,964	-
Receivable for Iowa Industrial New Jobs Training Program	3,765,062	-
Unamortized bond issue expense	1,969,426	-
Capital assets, net of accumulated depreciation	<u>43,376,950</u>	<u>260,726</u>
Total noncurrent assets	<u>57,661,402</u>	<u>260,726</u>
<b>Total assets</b>	<u>78,375,864</u>	<u>18,691,061</u>

Indian Hills Community College

Statement of Net Assets

June 30, 2009

	Primary Government	Component Units
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	908,099	179,045
Salaries and benefits payable	1,067,607	-
Interest payable	59,513	-
Deferred revenue:		
Succeeding year property tax	3,637,000	-
Other	2,956,993	-
Early retirement payable	43,380	-
Compensated absences payable	641,025	-
Deposits held in custody for others	204,021	-
Certificates payable	1,605,000	-
Bonds payable	240,000	-
Total current liabilities	<u>11,362,638</u>	<u>179,045</u>
Noncurrent liabilities:		
Early retirement payable	124,616	-
Certificates payable	10,045,000	-
Bonds payable	2,810,000	-
Net OPEB liability	21,318	-
Total noncurrent liabilities	<u>13,000,934</u>	<u>-</u>
<b>Total liabilities</b>	<u>24,363,572</u>	<u>179,045</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	40,326,950	260,726
Restricted:		
Nonexpendable:		
Other	-	1,384,148
Expendable:		
Scholarships and fellowships	68,171	-
Debt service	717,940	-
Cash reserve	288,745	-
Other	162,741	8,258,047
Unrestricted	<u>12,447,745</u>	<u>8,609,095</u>
<b>Total net assets</b>	<u>\$ 54,012,292</u>	<u>18,512,016</u>

See notes to financial statements.

**Exhibit B**

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

Year ended June 30, 2009

	<u>Primary Government</u>	<u>Component Units</u>
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$2,668,516	\$ 11,395,633	-
Federal appropriations	4,826,450	-
Sales and services	491,070	-
Iowa Industrial New Jobs Training Program	2,608,568	-
Auxiliary enterprises, net of scholarship allowances of \$800,406	6,026,091	-
Contributions	-	693,410
Rental income and facility management	-	533,661
Fines, damages and forfeitures	-	35,548
Miscellaneous	1,731,681	78,496
Total operating revenues	<u>27,079,493</u>	<u>1,341,115</u>
Operating expenses:		
Education and support:		
Liberal arts and sciences	5,125,832	-
Vocational technical	10,677,262	-
Adult education	2,483,243	-
Cooperative services	1,687,087	-
Administration	2,001,331	-
Student services	3,363,299	-
Learning resources	823,415	-
Physical plant	4,208,946	-
General institution	4,437,684	-
Auxiliary enterprises	7,098,012	-
Scholarships and grants	4,636,319	-
Workforce Investment Act	2,079,630	-
Plant operations	484,600	-
General and administrative	-	150,468
Programs	-	409,813
Depreciation	1,973,888	-
Total operating expenses	<u>51,080,548</u>	<u>560,281</u>
Operating income (loss)	<u>(24,001,055)</u>	<u>780,834</u>

Indian Hills Community College  
 Statement of Revenues, Expenses and  
 Changes in Net Assets  
 Year ended June 30, 2009

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	15,615,288	-
Pell grant	5,806,107	-
Property tax	3,573,445	-
Gifts from Indian Hills Community College Foundation	1,018,628	-
Investment income (loss)	307,176	(767,114)
Loss on disposal of capital assets	(1,885)	-
Gifts to Indian Hills Community College	-	(1,018,628)
Interest on indebtedness	(787,749)	-
Amortization of bond issue costs	(100,838)	-
Net non-operating revenues (expenses)	<u>25,430,172</u>	<u>(1,785,742)</u>
Change in net assets	1,429,117	(1,004,908)
Net assets beginning of year	<u>52,583,175</u>	<u>19,516,924</u>
Net assets end of year	<u>\$ 54,012,292</u>	<u>18,512,016</u>

See notes to financial statements.

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2009

	Primary Government
Cash flows from operating activities:	
Tuition and fees	\$ 11,473,812
Federal appropriations	4,567,489
Iowa Industrial New Jobs Training Program	2,263,043
Payments to employees for salaries and benefits	(28,362,378)
Payments to suppliers for goods and services	(13,861,769)
Payments to NJTP recipients	(1,471,970)
Scholarships	(4,636,319)
Payments to subrecipients	(863,080)
Auxiliary enterprise receipts	5,778,599
Other receipts	2,024,325
	(23,088,248)
Cash flows from non-capital financing activities:	
State appropriations	15,379,525
Pell grant	5,806,107
Property tax	3,573,445
Gifts	1,018,628
Federal direct lending receipts	16,400,432
Federal direct lending disbursements	(16,400,432)
Proceeds from issuance of debt	1,480,000
Principal paid on debt	(2,655,000)
Interest paid on debt	(628,430)
Bond issue costs	(63,595)
Agency receipts	928,570
Agency disbursements	(774,300)
	24,064,950
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	16,815
Acquisition of capital assets	(4,645,738)
Principal paid on debt	(230,000)
Interest paid on debt	(168,921)
	(5,027,844)
Cash flows from investing activities:	
Interest on investments	344,405
	(3,706,737)
Cash and cash equivalents beginning of year	24,415,742
Cash and cash equivalents end of year	\$ 20,709,005

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2009

	<u>Primary Government</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	<u>\$ (24,001,055)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,973,888
Provision for doubtful accounts	74,777
Amortization	(33,749)
Changes in assets and liabilities:	
(Increase) in accounts receivable	(382,256)
(Increase) in NJTP receivable	(340,621)
(Increase) in due from other governments	(258,960)
(Increase) in prepaid expenses	(11,462)
(Increase) in inventories	(230,960)
(Decrease) in accounts payable	(37,266)
Increase in salaries and benefits payable	94,525
Increase in deferred revenue	50,351
Increase in compensated absences	44,101
Increase in other postemployment benefits	21,318
(Decrease) in early retirement payable	<u>(50,879)</u>
Total adjustments	<u>912,807</u>
Net cash used by operating activities	<u><u>\$ (23,088,248)</u></u>

**Noncash capital and related financing activities:**

The trade-in value of equipment deleted was \$34,200.

See notes to financial statements.

Indian Hills Community College

Statement of Net Assets  
Component Units

June 30, 2009

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 379,270	107,472	486,742
Investments	-	12,473,568	12,473,568
Restricted cash and investments	-	5,385,810	5,385,810
Accounts receivable	5,106	79,109	84,215
Total current assets	384,376	18,045,959	18,430,335
Noncurrent assets:			
Capital assets, net of accumulated depreciation	260,726	-	260,726
<b>Total assets</b>	<b>645,102</b>	<b>18,045,959</b>	<b>18,691,061</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	126,392	44,271	170,663
Liability under unitrust agreement	-	8,382	8,382
<b>Total liabilities</b>	<b>126,392</b>	<b>52,653</b>	<b>179,045</b>
<b>Net assets</b>			
Invested in capital assets	260,726	-	260,726
Restricted:			
Nonexpendable:			
Other	-	1,384,148	1,384,148
Expendable:			
Other	-	8,258,047	8,258,047
Unrestricted	257,984	8,351,111	8,609,095
<b>Total net assets</b>	<b>\$ 518,710</b>	<b>17,993,306</b>	<b>18,512,016</b>

See notes to financial statements.

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

Year ended June 30, 2009

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Operating revenues:			
Contributions	\$ -	693,410	693,410
Rental income and facility managemnt	533,661	-	533,661
Fines, damages and forfeitures	35,548	-	35,548
Miscellaneous	335	78,161	78,496
Total operating revenues	<u>569,544</u>	<u>771,571</u>	<u>1,341,115</u>
Operating expenses:			
General and administrative	138,307	12,161	150,468
Programs	409,813	-	409,813
Total operating expenses	<u>548,120</u>	<u>12,161</u>	<u>560,281</u>
Operating income	<u>21,424</u>	<u>759,410</u>	<u>780,834</u>
Non-operating revenues (expenses):			
Interest on investments, net of \$62,849 of investment expenses	5,925	(773,039)	(767,114)
Gifts to Indian Hills Community College	-	(1,018,628)	(1,018,628)
Net non-operating revenues (expenses)	<u>5,925</u>	<u>(1,791,667)</u>	<u>(1,785,742)</u>
Change in net assets	27,349	(1,032,257)	(1,004,908)
Net assets beginning of year	<u>491,361</u>	<u>19,025,563</u>	<u>19,516,924</u>
Net assets end of year	<u>\$ 518,710</u>	<u>17,993,306</u>	<u>18,512,016</u>

See notes to financial statements.

Indian Hills Community College

Notes to Financial Statements

June 30, 2009

**(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 Trustees whose members are elected from each director district within Merged Area XV.

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

A. Reporting Entity

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

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

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 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.

The College applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Assets, Liabilities and Net Assets

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

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known 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, 2009 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

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

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

<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 – Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose. Deferred revenue consists of unspent grant proceeds, succeeding year property tax receivable, advanced student tuition and deferred administrative and training revenue for NJTP projects.

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 accumulated vacation hours are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2009.

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

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

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

Operating and Non-operating Activities – Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Non-operating activities include state appropriations, Pell grant funds, 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, 2009 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, 2009, the College had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 12,075,269
Fixed Term Investments	<u>1,500,000</u>
Total	<u>\$ 13,575,269</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, 2009 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 480,335
Work in progress	491,972
Merchandise held for resale	<u>280,528</u>
Total	<u>\$ 1,252,835</u>

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 340,590	-	-	340,590
Construction in progress	2,547,551	44,077	2,547,551	44,077
Total capital assets not being depreciated	2,888,141	44,077	2,547,551	384,667
Capital assets being depreciated:				
Buildings	49,811,525	6,126,551	-	55,938,076
Improvements other than buildings	2,880,621	382,016	-	3,262,637
Equipment and vehicles	6,401,831	675,445	321,077	6,756,199
Total capital assets being depreciated	59,093,977	7,184,012	321,077	65,956,912
Less accumulated depreciation for:				
Buildings	15,467,050	1,368,271	-	16,835,321
Improvements other than buildings	870,977	108,402	-	979,379
Equipment and vehicles	4,920,891	497,215	268,177	5,149,929
Total accumulated depreciation	21,258,918	1,973,888	268,177	22,964,629
Total capital assets being depreciated, net	37,835,059	5,210,124	52,900	42,992,283
Capital assets, net	\$ 40,723,200	5,254,201	2,600,451	43,376,950

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

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	Certificates Payable	Bonds Payable	Total
Balance beginning of year	\$ 12,825,000	3,280,000	16,105,000
Additions	1,480,000	-	1,480,000
Reductions	2,655,000	230,000	2,885,000
Balance end of year	\$ 11,650,000	3,050,000	14,700,000
Due within on year	\$ 1,605,000	240,000	1,845,000

Certificates Payable

In accordance with agreements dated between June 13, 1995 and May 7, 2009, the College issued certificates totaling \$31,395,000 with interest rates ranging from 3.41% to 7.16% per annum. 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
2010	\$ 1,605,000	557,081	2,162,081
2011	1,540,000	487,921	2,027,921
2012	1,500,000	419,681	1,919,681
2013	1,415,000	350,391	1,765,391
2014	1,505,000	282,496	1,787,496
2015-2019	4,085,000	476,943	4,561,943
Total	\$ 11,650,000	2,574,513	14,224,513

#### 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% per annum 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 2009, principal payments totaled \$230,000.

Details of the College's June 30, 2009 dormitory revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2000			
	Interest Rates	Principal	Interest	Total
2010	5.15%	\$ 240,000	157,075	397,075
2011	5.15	255,000	144,715	399,715
2012	5.15	265,000	131,583	396,583
2013	5.15	280,000	117,935	397,935
2014	5.15	295,000	103,515	398,515
2015-2019	5.15	1,715,000	273,980	1,988,980
Total		\$ 3,050,000	928,803	3,978,803

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

The College has leased 141 printers and a bus which will be used by the College's athletic teams. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2011 and 2014 and require various minimum monthly payments.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2009:

Year Ending June 30,	Printers	Bus	Total
2010	158,782	13,455	172,237
2011	158,782	13,455	172,237
2012	158,782	-	158,782
2013	158,782	-	158,782
2014	27,202	-	27,202
Total	662,330	26,910	689,240

Rents for the year ended June 30, 2009 for the operating leases totaled \$215,443.

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

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

Plan members are required to contribute 4.10% of their annual covered salary and the College is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$804,319, \$725,250 and \$666,837, respectively, equal to the required contributions for each year.

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

The College contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 4.10% and the College is required to contribute 6.35%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2009 were \$476,726 and \$307,807, respectively.

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

The College implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The College operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 357 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the College's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	\$ 25,678
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	25,678
Contributions made	<u>(4,360)</u>
Increase in net OPEB obligation	21,318
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 21,318</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the College contributed \$4,360 to the medical plan. Plan members eligible for benefits contributed \$8,147, or 65% of the premium costs.

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 25,678	17.0%	\$ 21,318

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$197,993, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$197,993. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$17,157,000 and the ratio of the UAAL to covered payroll was 1.2%. As of June 30, 2009, there were no trust fund assets.

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

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

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the College's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP 2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the rates on Scale T-6 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$12,507 per year for retirees less than age 65 and \$13,758 per year for spouses of retirees less than age 65. All coverage ceases when the retiree attains age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(10) Risk 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 errors and omissions which has a retention of \$100,000. Excess insurance for all lines is \$800,000 per occurrence, except for errors and omissions which is \$900,000 and 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. Flood and earthquake exposures are covered in the property program each having \$16,000,000 limits. Also covered is employee fidelity up to \$1,000,000 and boiler and machinery coverage up to \$50,000,000. 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, 2009, no liability has been recorded in the College's financial statements. As of June 30, 2009, 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.

**(11) 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 and Mercer. The agreements are subject to automatic renewal provisions. The College assumes liability for claims up to the individual stop loss limitation of \$50,000 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 expenses from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant and Mercer 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, 2009 were \$1,479,755.

Amounts payable from the Employee Group Health Fund at June 30, 2009 totaled \$110,811, which is for claims incurred and not paid as of June 30, 2009. 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, 2009	\$ 166,980	1,679,564	(1,735,733)	110,811

**(12) New Jobs Training Programs**

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area XV in accordance with Chapter 260E of the Code of Iowa. NJTP’s purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, budgeted reserves and, in the case of default, from standby property tax. Since inception, the College has administered 82 projects, with 21 currently receiving project funding. Of the remaining 61 projects, 54 projects have been completed,

of which 40 have been fully repaid and 14 are in the repayment process. Seven projects have defaulted, one of which was repaid by the guarantor bank, three were repaid by standby property tax and three are currently being paid by standby property tax.

The College also administers the Iowa Jobs Training Program in Area XV in accordance with Chapter 260F of the Code of Iowa. The current program's purpose is to provide tax-aided training or retraining for employees of businesses whose training costs cannot be economically funded under Chapter 260E. Approved businesses received forgivable loans from the Workforce Development Fund, a State administered fund. Since inception of this program, the College administered 357 projects. Of these 357 projects, five defaulted, two withdrew and 28 are active projects.

Previously, the College administered the Iowa Small Business New Jobs Training Program (SBNJTP), formerly Chapter 280C of the Code of Iowa. The SBNJTP's purpose was to provide tax-aided training for employees of small businesses which were new to or were expanding their operations within the State of Iowa. Approved small businesses received loans from the Iowa Employment Training Fund, a State administered fund. The College administered ten projects. Of the ten projects, four were completed and six defaulted.

### **(13) Termination Benefits**

On November 10, 2003 and December 11, 2006, the Board of Trustees passed voluntary early retirement programs. The program enrollment periods ran from November 11, 2003 until January 15, 2004 and December 14, 2006 until January 15, 2007, respectively. Full-time staff who had reached the age of 55, 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 and June 30, 2007, respectively. 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 Medicare eligibility or a cash payment made monthly for a maximum of 12 months or until the age of Medicare eligibility.

The liability at June 30, 2009 for those employees who elected early retirement under the two programs was \$50,061 and \$117,935, respectively. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2009, \$50,879 was paid for early retirement benefits.

### **(14) 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.

	<u>Residence System</u>
<b>Condensed Statement of Net Assets</b>	
Assets:	
Current assets	\$ 770,784
Capital assets, net of accumulated depreciation	7,907,093
Total assets	<u>8,677,877</u>
Liabilities:	
Current liabilities	240,000
Noncurrent liabilities	2,810,000
Deferred revenue	39,754
Total liabilities	<u>3,089,754</u>
Net assets:	
Invested in capital assets, net of related debt	4,857,093
Restricted	731,030
Total net assets	<u>\$ 5,588,123</u>

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

Operating revenues:	
Sales and services	\$ 713,217
Operating expenses	(170,170)
Depreciation	(207,884)
Operating income	<u>335,163</u>
Nonoperating revenues (expenses):	
Investment income	10,098
Interest on indebtedness	(168,921)
Increase in net assets	<u>176,340</u>
Net assets beginning of year	<u>5,411,783</u>
Net assets end of year	<u>\$ 5,588,123</u>

**Condensed Statement of Cash Flows**

Net cash flows provided by operating activities	\$ 456,292
Net cash flows provided by investing activities	8,431
Net cash flows used in capital and related financing activities	(398,920)
Net decrease in cash and cash equivalents	65,803
Cash and cash equivalents beginning of year	<u>663,561</u>
Cash and cash equivalents end of year	<u>\$ 729,364</u>

**Proportion of Revenue Pledged**

Annual debt service (principal and interest)	\$ 398,920
Net operating revenue *	345,261
Annual debt service/net operating income (%)	115.5%

As of June 30, 2009, revenue pledged for future principal and interest payments was \$3,978,803.

\* Net operating income plus investment income.

**(15) Subsequent Event**

On November 9, 2009, the Board approved an early retirement program effective for qualifying retirements within the 2009/2010 academic year.

**Required Supplementary Information**

Indian Hills Community College

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

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Jul 1, 2008	-	\$ 198	198	0.0%	\$ 17,157	1.2%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, the funded status and funding progress.

**Other Supplementary Information**

**Indian Hills Community College**

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

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

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.

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

Schedules presented in 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**

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

Other Supplementary Information

Year ended June 30, 2009

Funds/Levy	Original/ Final Budget	Actual	Variance between Actual and Budget
Unrestricted	\$ 32,155,000	31,306,018	848,982
Restricted	9,217,307	4,428,703	4,788,604
Unemployment Compensation	18,000	20,906	(2,906)
Insurance	585,000	677,154	(92,154)
Tort Liability	325,801	301,323	24,478
Early Retirement	359,402	-	359,402
Equipment Replacement	383,245	384,836	(1,591)
Stand by	88,640	33,038	55,602
Total Restricted	10,977,395	5,845,960	5,131,435
Plant	10,505,054	4,628,082	5,876,972
Bonds and Interest	398,920	397,933	987
Total	\$ 54,036,369	42,177,993	11,858,376

Note to Budgetary Reporting:

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.

For the year ended June 30, 2009, the College's expenditures did not exceed the amount budgeted.

See accompanying independent auditor's report.

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Indian Hills Community College

Balance Sheet

All Funds

June 30, 2009

	Current Funds		Endowment
	Unrestricted	Restricted	Funds
<b>Assets</b>			
Cash and pooled investments	\$ 7,984,131	7,866,594	3,600,000
Receivables:			
Accounts (less allowance of \$468,947)	2,029,041	332,222	-
Succeeding year property tax	809,000	2,019,000	-
Iowa Industrial New Jobs Training Program		3,765,062	-
Due from other funds	557,309	172,371	-
Due from other governments	218,834	800,750	-
Prepaid expenses	7,880	12,544	-
Unamortized bond issue expense		1,969,426	-
Inventories	1,252,835	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Construction in progress	-	-	-
Improvements other than buildings	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation	-	-	-
<b>Total assets</b>	<b>\$ 12,859,030</b>	<b>16,937,969</b>	<b>3,600,000</b>

Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
403,082	729,364	-	125,834		20,709,005
11,178	1,666	-	40,076	-	2,414,183
809,000	-	-	-	-	3,637,000
-	-	-	-	-	3,765,062
-	-	-	24,870	(754,550)	-
172,596	-	-	38,799	-	1,230,979
-	-	-	-	-	20,424
-	-	-	-	-	1,969,426
-	-	-	-	-	1,252,835
-	-	340,590	-	-	340,590
-	-	55,938,076	-	-	55,938,076
-	-	44,077	-	-	44,077
-	-	3,262,637	-	-	3,262,637
-	-	6,756,199	-	-	6,756,199
-	-	-	-	(22,964,629)	(22,964,629)
<u>1,395,856</u>	<u>731,030</u>	<u>66,341,579</u>	<u>229,579</u>	<u>(23,719,179)</u>	<u>78,375,864</u>

Indian Hills Community College

Balance Sheet

All Funds

June 30, 2009

	Current Funds		Endowment Funds
	Unrestricted	Restricted	
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 528,463	370,812	-
Salaries and benefits payable	984,744	81,317	-
Interest payable		46,423	-
Due to other funds	331,295	314,211	-
Deferred revenue:			
Succeeding year property tax	809,000	2,019,000	-
Other	926,075	1,727,805	-
Early retirement payable		167,996	-
Compensated absences	600,277	40,748	-
Deposits held in custody for others	-		-
Certificates payable	-	11,650,000	-
Bonds payable	-	-	-
Net OPEB liability	-	-	-
Total liabilities	4,179,854	16,418,312	-
Fund balances:			
Invested in capital assets, net of related debt	-	-	-
Fund balances:			
Restricted:			
Expendable:			
Scholarships and fellowships	-	68,171	-
Debt service	-	-	-
Cash reserve	-	288,745	-
Other	-	162,741	-
Unrestricted	3,844,983	-	3,600,000
Auxiliary enterprises	4,834,193	-	-
Total fund balance	8,679,176	519,657	3,600,000
<b>Total liabilities and fund balances</b>	<b>\$ 12,859,030</b>	<b>16,937,969</b>	<b>3,600,000</b>

See accompanying independent auditor's report.

Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
600	-	-	8,224	-	908,099
-	-	-	1,546	-	1,067,607
-	13,090	-	-	-	59,513
109,044	-	-	-	(754,550)	-
809,000	-	-	-	-	3,637,000
287,325	-	-	15,788	-	2,956,993
-	-	-	-	-	167,996
-	-	-	-	-	641,025
-	-	-	204,021	-	204,021
-	-	-	-	-	11,650,000
-	-	3,050,000	-	-	3,050,000
-	-	-	-	21,318	21,318
<u>1,205,969</u>	<u>13,090</u>	<u>3,050,000</u>	<u>229,579</u>	<u>(733,232)</u>	<u>24,363,572</u>
-	-	63,291,579	-	(22,964,629)	40,326,950
-	-	-	-	-	68,171
-	717,940	-	-	-	717,940
-	-	-	-	-	288,745
-	-	-	-	-	162,741
189,887	-	-	-	(21,318)	7,613,552
-	-	-	-	-	4,834,193
<u>189,887</u>	<u>717,940</u>	<u>63,291,579</u>	<u>-</u>	<u>(22,985,947)</u>	<u>54,012,292</u>
<u>1,395,856</u>	<u>731,030</u>	<u>66,341,579</u>	<u>229,579</u>	<u>(23,719,179)</u>	<u>78,375,864</u>

Indian Hills Community College

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

Year ended June 30, 2009

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
State appropriations	\$ 14,158,577	1,284,115
Tuition and fees	14,064,149	-
Property tax	861,267	1,846,287
Federal appropriations	892,829	9,739,728
Sales and services	226,627	-
Interest on investments	163,011	119,947
Iowa Industrial New Jobs Training Program	-	3,067,908
Increase in plant investment due to plant expenditures (including \$502,896 in current fund expenditures and \$34,200 in trade-in value)	-	-
Increase in plant investment due to retirement of debt	-	-
Gifts from the Indian Hills Community College Foundation	-	-
Proceeds from sale of assets	-	-
Miscellaneous	1,238,489	1,428,686
	<u>31,604,949</u>	<u>17,486,671</u>
Auxiliary enterprises:		
State appropriations	-	-
Tuition and fees	466,837	-
Federal appropriations	32,940	-
Sales and services	7,011,015	-
Interest on investments	65,911	-
Reimbursement from operating funds for self funded health insurance	1,479,755	-
Miscellaneous	249,684	-
	<u>9,306,142</u>	<u>-</u>
Total revenues	<u>40,911,091</u>	<u>17,486,671</u>
Expenditures:		
Education and support:		
Liberal arts and sciences	4,941,796	285,244
Vocational technical	10,081,051	833,175
Adult education	2,104,963	568,055
Cooperative services	93,270	2,155,451
Administration	1,716,936	405,742
Student services	3,493,592	-
Learning resources	832,129	-
Physical plant	3,597,932	677,154
General institution	4,444,349	301,323
Total education and support	<u>31,306,018</u>	<u>5,226,144</u>

Endowment Funds	Plant Funds			Adjustments	Total
	Unex- pended	Retirement of Indebtedness	Investment in Plant		
-	172,596	-	-	-	15,615,288
-	-	-	-	(2,668,516)	11,395,633
-	865,891	-	-	-	3,573,445
-	-	-	-	-	10,632,557
-	264,443	-	-	-	491,070
-	14,121	10,097	-	-	307,176
-	-	-	-	(459,340)	2,608,568
-	-	-	4,680,538	(4,680,538)	-
-	-	-	230,000	(230,000)	-
-	-	-	-	1,018,628	1,018,628
-	16,815	-	-	(16,815)	-
-	83,134	-	-	(1,018,628)	1,731,681
-	1,417,000	10,097	4,910,538	(8,055,209)	47,374,046
-	-	-	-	-	-
-	-	-	-	-	466,837
-	-	-	-	-	32,940
-	-	-	-	(1,800,296)	5,210,719
-	-	-	-	-	65,911
-	-	-	-	(1,479,755)	-
-	-	-	-	-	249,684
-	-	-	-	(3,280,051)	6,026,091
-	1,417,000	10,097	4,910,538	(11,335,260)	53,400,137
-	-	-	-	(101,208)	5,125,832
-	-	-	-	(236,964)	10,677,262
-	-	-	-	(189,775)	2,483,243
-	-	-	-	(561,634)	1,687,087
-	-	-	-	(121,347)	2,001,331
-	-	-	-	(130,293)	3,363,299
-	-	-	-	(8,714)	823,415
-	-	-	-	(66,140)	4,208,946
-	-	-	-	(307,988)	4,437,684
-	-	-	-	(1,724,063)	34,808,099

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

Year ended June 30, 2009

	Current Funds	
	Unrestricted	Restricted
Expenditures (continued):		
Auxiliary enterprises	8,879,662	-
Scholarships and grants	-	8,105,241
Workforce Investment Act	-	2,095,278
Plant operations	-	-
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Disposal of plant assets	-	-
Interest on indebtedness	-	619,816
Amortization of bond issuance costs	-	-
Loss on disposal of assets	-	-
Depreciation	-	-
Total expenditures	40,185,680	16,046,479
Excess (deficiency) of revenues over (under) expenditures	725,411	1,440,192
Transfers:		
Mandatory transfers	(456,292)	-
Non-mandatory transfers	431,243	(1,453,850)
Total transfers	(25,049)	(1,453,850)
Net	700,362	(13,658)
Fund balances beginning of year	7,978,814	533,315
Fund balances end of year	\$ 8,679,176	519,657

See accompanying independent auditor's report.

Endowment Funds	Plant Funds			Adjustments	Total
	Unex- pended	Retirement of Indebtedness	Investment in Plant		
-	-	-	-	(1,781,650)	7,098,012
-	-	-	-	(3,468,922)	4,636,319
-	-	-	-	(15,648)	2,079,630
-	484,640	-	-	(40)	484,600
-	4,143,442	-	-	(4,143,442)	-
-	-	230,000	-	(230,000)	-
-	-	-	321,077	(321,077)	-
-	-	167,933	-	-	787,749
-	-	-	-	100,838	100,838
-	-	-	-	1,885	1,885
-	-	-	-	1,973,888	1,973,888
-	4,628,082	397,933	321,077	(9,608,231)	51,971,020
-	(3,211,082)	(387,836)	4,589,461	(1,727,029)	1,429,117
-	-	456,292	-	-	-
-	1,022,607	-	-	-	-
-	1,022,607	456,292	-	-	-
-	(2,188,475)	68,456	4,589,461	(1,727,029)	1,429,117
3,600,000	2,378,362	649,484	58,702,118	(21,258,918)	52,583,175
3,600,000	189,887	717,940	63,291,579	(22,985,947)	54,012,292

Indian Hills Community College

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

Year ended June 30, 2009

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
Revenues:				
State appropriations	\$ 5,427,356	7,162,881	1,346,158	-
Tuition and fees	5,698,800	7,518,477	747,878	73,205
Property tax	-	-	-	-
Federal appropriations	-	453,273	277,300	-
Sales and services	-	62,705	125,235	-
Interest on investments	142,193	-	-	-
Miscellaneous	-	115,123	158,571	12,000
	<u>11,268,349</u>	<u>15,312,459</u>	<u>2,655,142</u>	<u>85,205</u>
Allocation of support services	691,990	1,367,992	223,812	-
Total revenues	<u>11,960,339</u>	<u>16,680,451</u>	<u>2,878,954</u>	<u>85,205</u>
Expenditures:				
Salaries and benefits	4,668,632	9,164,194	1,497,516	71,863
Services	72,375	193,056	356,446	3,170
Materials and supplies	143,961	516,459	68,817	9,296
Travel	18,487	97,121	30,777	6,834
Loan cancellations and bad debts	-	-	-	-
Administrative and collections	-	-	1,632	-
Plant asset acquisitions	-	51,691	7,586	-
Cost of goods sold	-	-	120,035	-
Miscellaneous	38,341	58,530	22,154	2,107
	<u>4,941,796</u>	<u>10,081,051</u>	<u>2,104,963</u>	<u>93,270</u>
Allocation of support services	4,267,736	8,436,878	1,380,324	-
Total expenditures	<u>9,209,532</u>	<u>18,517,929</u>	<u>3,485,287</u>	<u>93,270</u>
Excess (deficiency) of revenues over (under) expenditures	2,750,807	(1,837,478)	(606,333)	(8,065)
Transfers:				
Non-mandatory transfers	(41)	-	-	-
Net	<u>\$ 2,750,766</u>	<u>(1,837,478)</u>	<u>(606,333)</u>	<u>(8,065)</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	
102,697	30,275	82,370	6,840	-	14,158,577
-	25,789	-	-	-	14,064,149
861,267	-	-	-	-	861,267
-	142,256	-	20,000	-	892,829
-	10,653	15,436	3,294	9,304	226,627
18,333	-	-	-	2,485	163,011
279,161	2,834	-	581,662	89,138	1,238,489
1,261,458	211,807	97,806	611,796	100,927	31,604,949
(1,261,458)	(211,807)	(97,806)	(611,796)	(100,927)	-
-	-	-	-	-	31,604,949
1,063,339	3,175,230	555,110	1,932,090	2,585,526	24,713,500
206,327	180,309	114,879	1,291,659	1,104,445	3,522,666
26,179	89,163	153,806	332,008	239,669	1,579,358
37,252	28,191	4,829	2,633	69,237	295,361
301,964	-	-	-	-	301,964
67,514	-	-	-	-	69,146
-	-	-	39,450	156,188	254,915
-	-	-	-	-	120,035
14,361	20,699	3,505	92	289,284	449,073
1,716,936	3,493,592	832,129	3,597,932	4,444,349	31,306,018
(1,716,936)	(3,493,592)	(832,129)	(3,597,932)	(4,444,349)	-
-	-	-	-	-	31,306,018
-	-	-	-	-	298,931
68,758	4	-	-	12,823	81,544
68,758	4	-	-	12,823	380,475
					3,464,508
					<u>\$ 3,844,983</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, 2009

	Institutional Services	Education Program	Miscellaneous	Total
Revenues:				
Tuition and fees	-	438,837	28,000	466,837
Federal appropriations	-	32,940	-	32,940
Sales and services	4,134,870	2,203,611	672,534	7,011,015
Interest on investments	1,128	-	64,783	65,911
Reimbursements from operating funds for self funded health insurance	1,479,755	-	-	1,479,755
Miscellaneous	109,283	127,781	12,620	249,684
Total revenues	<u>5,725,036</u>	<u>2,803,169</u>	<u>777,937</u>	<u>9,306,142</u>
Expenditures:				
Salaries and benefits	419,011	1,198,040	107,232	1,724,283
Services	448,217	259,023	91,158	798,398
Materials and supplies	90,859	185,347	20,099	296,305
Travel	27,306	172,916	143	200,365
Loan cancellations and bad debts	61,953	132	-	62,085
Plant asset acquisitions	109,800	12,203	-	122,003
Group health claims	1,846,544	-	-	1,846,544
Miscellaneous	-	236,750	1,118	237,868
Cost of goods sold	2,749,527	842,284	-	3,591,811
Total expenditures	<u>5,753,217</u>	<u>2,906,695</u>	<u>219,750</u>	<u>8,879,662</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,181)</u>	<u>(103,526)</u>	<u>558,187</u>	<u>426,480</u>
Transfers:				
Mandatory transfers	-	-	(456,292)	(456,292)
Non-mandatory transfers	445,849	(4,010)	(92,140)	349,699
Total transfers	<u>445,849</u>	<u>(4,010)</u>	<u>(548,432)</u>	<u>(106,593)</u>
Net	417,668	(107,536)	9,755	319,887
Fund balances beginning of year	<u>3,082,265</u>	<u>(8,437)</u>	<u>1,440,478</u>	<u>4,514,306</u>
Fund balances end of year	<u>\$ 3,499,933</u>	<u>(115,973)</u>	<u>1,450,233</u>	<u>4,834,193</u>

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, 2009

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance
<b>Revenues:</b>				
State appropriations	\$ 556,236	-	-	-
Property tax	-	384,836	325,997	680,279
Federal appropriations	6,109,853	-	-	-
Interest on investments	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	1,417,231	-	-	4,507
Total revenues	<u>8,083,320</u>	<u>384,836</u>	<u>325,997</u>	<u>684,786</u>
<b>Expenditures:</b>				
Salaries and benefits	-	-	105,713	-
Services	12,120	-	195,610	677,154
Materials and supplies	-	258,858	-	-
Travel	-	-	-	-
Interest on indebtedness	-	-	-	-
Awards to subrecipients	-	-	-	-
Plant asset acquisitions	-	125,978	-	-
Miscellaneous	-	-	-	-
Federal Pell grant program	5,806,107	-	-	-
Federal supplemental educational opportunity grant	100,304	-	-	-
Health and Human Services Nursing	92,913	-	-	-
Iowa College Student Aid Commission	163,604	-	-	-
Private scholarships	1,930,193	-	-	-
Total expenditures	<u>8,105,241</u>	<u>384,836</u>	<u>301,323</u>	<u>677,154</u>
Excess (deficiency) of revenues over (under) expenditures	(21,921)	-	24,674	7,632
<b>Transfers:</b>				
Non-mandatory transfers	(4)	-	-	(7,632)
Net	(21,925)	-	24,674	-
Fund balances beginning of year	90,096	-	45,114	-
Fund balances end of year	<u>\$ 68,171</u>	<u>-</u>	<u>69,788</u>	<u>-</u>

See accompanying independent auditor's report.

Early Retirement	Unemployment Compensation	Workforce Investment Act	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
-	-	-	-	727,879	1,284,115
357,008	9,304	-	88,863	-	1,846,287
-	-	2,090,313	-	1,539,562	9,739,728
-	-	-	119,947	-	119,947
-	-	-	3,067,908	-	3,067,908
-	-	160	-	6,788	1,428,686
357,008	9,304	2,090,473	3,276,718	2,274,229	17,486,671
-	20,906	844,371	123,303	918,049	2,012,342
-	-	260,640	2,032,148	236,694	3,414,366
-	-	97,347	-	206,378	562,583
-	-	11,584	-	70,143	81,727
-	-	-	619,816	-	619,816
-	-	863,080	-	-	863,080
-	-	-	-	-	125,978
-	-	18,256	-	255,210	273,466
-	-	-	-	-	5,806,107
-	-	-	-	-	100,304
-	-	-	-	-	92,913
-	-	-	-	-	163,604
-	-	-	-	-	1,930,193
-	20,906	2,095,278	2,775,267	1,686,474	16,046,479
357,008	(11,602)	(4,805)	501,451	587,755	1,440,192
(357,008)	-	-	(501,451)	(587,755)	(1,453,850)
-	(11,602)	(4,805)	-	-	(13,658)
-	30,189	8,563	-	359,353	533,315
-	18,587	3,758	-	359,353	519,657

**Schedule 7**

## Indian Hills Community College

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

Year ended June 30, 2009

	Athletics and Student Organizations	Federal Direct Student Loan Program	Retraining Program (HF 260F)	Miscel- laneous	Total
Balance beginning of year	\$ 62,857	-	129,531	1,737	194,125
Additions:					
State appropriations	-	-	116,995	42,729	159,724
Federal appropriations	-	16,400,432	-	-	16,400,432
Tuition and fees	60,395	-	-	-	60,395
Sales and services	69,406	-	-	-	69,406
Miscellaneous	7,268	-	11,305	466,328	484,901
Total additions	137,069	16,400,432	128,300	509,057	17,174,858
Deductions:					
Salaries and benefits	2,346	-	-	127,303	129,649
Services	60,529	-	131,996	380,089	572,614
Materials and supplies	13,640	-	-	-	13,640
Travel	26,899	-	-	45	26,944
Miscellaneous	18,900	-	-	-	18,900
Cost of goods sold	2,783	-	-	-	2,783
Direct student loans	-	16,400,432	-	-	16,400,432
Total deductions	125,097	16,400,432	131,996	507,437	17,164,962
Balance end of year	\$ 74,829	-	125,835	3,357	204,021

See accompanying independent auditor's report.

Indian Hills Community College  
 Schedule of Credit and Contact Hours  
 Year ended June 30, 2009

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	49,834	-	49,834	938,871	-	938,871
Vocational Education	64,255	-	64,255	1,855,725	-	1,855,725
Adult Education/ Continuing Education	-	-	-	292,528	12,434	304,962
Total	114,089	-	114,089	3,087,124	12,434	3,099,558

See accompanying independent auditor's report.

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

	2009	2008	2007	2006
Local (property tax)	\$ 3,573,445	3,283,331	3,011,282	2,888,099
State	15,615,288	15,262,550	14,812,393	13,848,936
Federal	10,665,497	9,071,675	9,131,763	8,496,721
Total	<u>\$ 29,854,230</u>	<u>27,617,556</u>	<u>26,955,438</u>	<u>25,233,756</u>

See accompanying independent auditor's report.

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Years ended June 30,				
2005	2004	2003	2002	2001
2,875,524	3,179,361	3,163,315	3,039,503	3,046,900
12,292,751	11,593,825	11,740,024	12,569,921	12,983,480
9,123,246	8,944,834	8,563,371	7,753,398	6,195,634
24,291,521	23,718,020	23,466,710	23,362,822	22,226,014

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Indian Hills Community College

Schedule of Current Fund Revenues by Source  
and Expenditures by Function

For the Last Nine Years

	2009	2008	2007	2006
<b>Revenues:</b>				
State appropriations	\$ 15,442,692	14,834,079	14,073,316	12,763,819
Tuition and fees	14,064,149	13,376,779	12,206,286	11,241,360
Property tax	2,707,554	2,468,561	2,209,835	2,101,756
Federal appropriations	10,632,557	9,045,531	8,340,575	8,254,634
Sales and services	226,627	185,247	165,304	134,153
Interest on investments	282,958	597,696	742,983	577,753
Iowa Industrial New Jobs Training Program	3,067,908	2,693,218	2,403,017	2,058,203
Auxiliary enterprises	9,306,142	9,920,671	8,574,455	7,424,262
Miscellaneous	2,667,175	2,203,443	2,034,241	1,745,273
<b>Total</b>	<b>\$ 58,397,762</b>	<b>55,325,225</b>	<b>50,750,012</b>	<b>46,301,213</b>
<b>Expenditures:</b>				
Liberal arts and sciences	\$ 5,227,040	4,940,265	4,917,349	4,373,871
Vocational technical	10,914,226	10,226,319	9,906,322	9,350,631
Adult education	2,673,018	2,805,029	2,566,441	2,663,422
Cooperative services	2,248,721	2,065,302	1,597,677	1,484,142
Administration	2,122,678	1,933,925	1,892,886	1,866,882
Student services	3,493,592	3,303,044	3,046,111	3,060,406
Learning resources	832,129	872,263	854,279	966,732
Physical plant	4,275,086	4,045,280	3,709,805	3,410,401
General institution	4,745,672	4,232,615	5,076,544	3,500,220
Auxiliary enterprises	8,879,662	9,045,392	7,665,202	6,790,798
Scholarships and grants	8,105,241	7,105,369	6,097,517	5,865,340
Workforce Investment Act	2,095,278	1,825,038	1,685,342	1,233,997
Interest on indebtedness	619,816	549,434	515,116	538,980
<b>Total</b>	<b>\$ 56,232,159</b>	<b>52,949,275</b>	<b>49,530,591</b>	<b>45,105,822</b>

See accompanying independent auditor's report.

Years ended June 30,				
2005	2004	2003	2002	2001
12,055,153	11,877,824	11,740,024	11,903,254	12,931,112
10,431,661	10,085,886	9,290,403	8,153,196	6,769,630
2,082,575	1,464,791	1,444,351	1,456,252	1,445,763
9,095,078	8,925,246	8,552,156	7,741,431	6,181,892
107,876	702,491	57,281	28,982	36,439
345,361	103,560	204,443	323,758	611,783
3,586,833	2,605,028	2,044,904	2,691,786	2,487,532
7,211,806	6,801,482	6,445,944	6,092,312	6,526,862
1,623,025	964,840	1,418,976	973,531	845,564
46,539,368	43,531,148	41,198,482	39,364,502	37,836,577
3,913,839	3,910,501	3,519,765	3,130,772	3,390,166
9,148,834	8,473,152	7,862,347	7,681,105	7,171,627
2,584,709	3,048,487	3,099,715	2,222,860	1,844,938
2,485,196	1,773,900	1,890,954	2,637,049	349,073
1,652,553	1,575,133	1,535,790	1,269,738	1,365,426
3,129,312	3,242,171	3,038,017	2,952,997	2,234,009
953,797	938,187	867,409	804,581	897,957
3,296,010	3,064,897	3,111,572	2,661,665	2,706,806
3,055,668	3,975,255	2,977,428	2,843,839	2,755,138
6,450,441	5,781,303	5,690,620	5,339,799	5,912,931
6,050,306	5,630,328	5,283,155	4,196,945	3,123,861
1,193,859	1,402,372	1,444,968	2,015,869	1,485,069
548,322	585,424	632,708	652,472	635,495
44,462,846	43,401,110	40,954,448	38,409,691	33,872,496

**Schedule 11**

Indian Hills Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
<b>Direct:</b>				
U.S. Department of Labor:				
Community Based Jobs Training Grants	17.269		\$ 589,297	-
National Science Foundation:				
Education and Human Resources	47.076		47,281	-
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007 *		112,428	-
Federal Work-Study Program	84.033 *		142,156	-
Federal Pell Grant Program	84.063 *		5,806,107	-
Federal Direct Student Loans	84.268 *			16,400,432
Academic Competitiveness Grants	84.375 *		98,405	-
Trio Cluster:				
TRIO_Student Support Services	84.042		285,243	-
TRIO_Upward Bound	84.047		257,986	-
TRIO_Educational Opportunity Centers	84.066		212,503	-
			755,732	-
Hurricane Education Recovery	84.938		20,000	-
U.S. Department of Health and Human Services:				
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925 *		92,913	-
Total direct			7,664,319	16,400,432
<b>Indirect:</b>				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Child and Adult Care Food Program	10.558		32,939	-
U.S. Department of Labor:				
Forsyth Technical Community College:				
WIA Pilots, Demonstrations, and Research Projects	17.261 **			-
Iowa Department of Education:				
Mine Health and Safety Grants	17.600		3,190	-
Incentive Grants - WIA Section 503	17.267 **		43,525	-
Iowa Department of Workforce Development:				
Employment Service/Wagner-Peyser Funded Activities	17.207	7-W-15-FR	9,148	-
Unemployment Insurance	17.225	7-W-15-FR	6,632	-
Trade Adjustment Assistance	17.245	7-W-15-FR	2,642	-
WIA Pilots, Demonstrations, and Research Projects	17.261		10,786	-
Incentive Grants - WIA Section 503	17.267 **	7-W-15-FR	19,409	-

Indian Hills Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Indirect (continued):				
U.S. Department of Labor:				
Iowa Department of Workforce Development:				
WIA Cluster:				
WIA Adult Program	17.258	7-W-15-FR	173,183	-
ARRA - WIA Adult Program	17.258	7-W-15-FR	7,564	-
			<u>180,747</u>	-
WIA Youth Activities	17.259	7-W-15-FR	173,368	-
ARRA - Youth Activities	17.259	7-W-15-FR	32,365	-
			<u>205,733</u>	-
WIA Dislocated Workers	17.260	7-W-15-FR	1,045,853	-
ARRA - Dislocated Workers	17.260	7-W-15-FR	2,823	-
			<u>1,048,676</u>	-
			<u>1,435,156</u>	-
Disabled Veterans' Outreach Program	17.801	7-W-15-FR	3,772	-
Small Business Administration:				
Iowa State University:				
Small Business Development Centers	59.037		69,435	-
U.S. Department of Education:				
Iowa Department of Education:				
Adult Education - Basic Grants to States	84.002		220,585	-
Career and Technical Education -- Basic Grants to States	84.048		541,088	-
U.S. Department of Health and Human Services:				
Iowa Department of Workforce Development:				
Temporary Assistance for Needy Families	93.558	7-W-15-FR	545,346	-
Iowa Department of Public Health:				
Rural Access to Emergency Devices Grant	93.259		100	-
Total indirect			<u>2,943,753</u>	-
Total			<u>\$ 10,608,072</u>	<u>16,400,432</u>

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

\*\* – Total for CFDA number is \$62,934.

**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.

**Indian Hills Community College**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Board of Trustees of  
Indian Hills Community College:

We have audited 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, 2009, which collectively comprise the College's basic financial statements listed in the table of contents, and have issued our report thereon dated January 11, 2010. Our report was modified to include a reference to 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. Other auditors audited the financial statements of Indian Hills Community College Development Corporation, Inc. and Indian Hills Community College Foundation, Inc., as described in our report on Indian Hills Community College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Indian Hills Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Indian Hills Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Indian Hills Community College's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Indian Hills Community College's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Indian Hills Community College's financial statements that is more than inconsequential will not be prevented or detected by Indian Hills Community College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Indian Hills Community College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

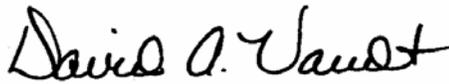
As part of obtaining reasonable assurance about whether Indian Hills Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct 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. However, we noted an immaterial instance of non-compliance or other matters that is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Indian Hills Community College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the College's response, we did not audit the College's response and, accordingly, we express no opinion on it.

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

January 11, 2010



**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 Trustees 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, 2009. 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, 2009.

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

A control deficiency in the College's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the College's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

January 11, 2010

Indian Hills Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**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 audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number – 17.269 – Community Based Jobs Training Grants
  - CFDA Number – 93.558 – Temporary Assistance for Needy Families
  - Clustered Programs:
    - WIA Cluster:
      - CFDA Number – 17.258 – WIA Adult Program
      - CFDA Number – 17.259 – WIA Youth Activities
      - CFDA Number – 17.260 – WIA Dislocated Workers
    - Student Financial Assistance Cluster:
      - CFDA Number – 84.007 – Federal Supplemental Educational Opportunity Grants
      - CFDA Number – 84.033 – Federal Work-Study Program
      - CFDA Number – 84.063 – Federal Pell Grant Program
      - CFDA Number – 84.268 – Federal Direct Student Loans
      - CFDA Number – 84.375 – Academic Competitiveness Grant
      - CFDA Number – 93.925 – Scholarships for Health Profession Students from Disadvantaged Backgrounds
    - TRIO Cluster:
      - CFDA Number – 84.042 – TRIO\_Student Support Services
      - CFDA Number – 84.047 – TRIO\_Upward Bound
      - CFDA Number – 84.066 – TRIO\_Educational Opportunity Centers
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$318,000.
- (i) Indian Hills Community College did not qualify as a low-risk auditee.

Indian Hills Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

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

**SIGNIFICANT DEFICIENCIES:**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

No material weaknesses in internal control over major programs were noted.

Indian Hills Community College  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2009

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

- IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009 did not exceed the amount budgeted.
- IV-B-09 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-09 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-09 Business Transactions and Competitive Bidding Requirements – Business transactions between the College and College officials as detailed as follows:

Name, Title and Business Connection	Amount	Description
Tom Keck, Trustee, President of Winger Services	\$ 233,802	Culinary Arts Kitchen – mechanical/heating, ventilation and air conditioning (HVAC)
	476,425	Trades and Industries Building – mechanical/HVAC
	147,894	Advanced Technology Center – mechanical/HVAC
	<u>292,690</u>	Maintenance and repair, per bid
Total	<u><u>\$1,150,811</u></u>	

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions for which written competitive bids were not obtained may represent conflicts of interest since the total received during the fiscal year is greater than \$2,500.

Recommendation – The College should follow the Code of Iowa regarding bidding and should consult legal counsel to determine the disposition of these matters.

Response – The Community College has reviewed its processes and implemented procedures to achieve compliance with Chapter 279.7A of the Code of Iowa.

Conclusion – Response accepted.

- IV-E-09 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-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Indian Hills Community College

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- IV-G-09 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-09 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-09 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.

Indian Hills Community College

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager

Michael P. Piehl, Senior Auditor

Daniel L. Durbin, CPA, Staff Auditor

Joshua B. Ludwig, Staff Auditor

Jenny M. Podrebarac, Staff Auditor

Samantha J. Brincks, Assistant Auditor

Jeana R. Muhlbauer, Assistant Auditor

Christina M. Renze, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State