



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

February 17, 2011

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 \$29,241,288 for the year ended June 30, 2010, including \$12,284,782 from tuition and fees, \$8,356,527 from the federal government and \$5,929,790 from auxiliary enterprises.

Operating expenses for the year totaled \$55,004,366, and included \$31,607,623 for salaries and benefits, \$6,532,786 for services and \$2,472,334 for materials and supplies.

The College reported an operating loss of \$25,763,078. In general, a public college, such as Indian Hills Community College, will report an operating loss as the financial reporting model classifies state appropriations and property tax as non-operating revenues. Non-operating revenues totaled \$28,762,654, and included \$12,267,335 from state appropriations, \$11,386,340 from Pell grants, \$4,033,815 from property tax and \$911,866 from gifts from the Indian Hills Community College Foundation. Non-operating expenses totaled \$797,860, and included \$707,363 for interest on indebtedness. The College ended the year with an increase in net assets of \$2,201,717.

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/1031-1500-B00F.pdf>.

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**INDIAN HILLS COMMUNITY COLLEGE**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2010**

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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 2009 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

### **Board of Trustees** (After September 2009 Election)

John Pothoven	President	2011
Robert L. Pitsch	Vice President	2013
Sharon Kline	Member	2011
Kevin M. Kness	Member	2011
H. Roy Lamansky	Member	2011
George E. Manning	Member	2011
Tom Keck	Member	2013
Richard J. Gaumer	Member	2013
Richard C. Sharp	Member	2013

### **Community College**

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

**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, 2010, which collectively comprise the College's basic financial statements listed in the table of contents. These financial statements are the responsibility of Indian Hills Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units, 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 those units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian Hills Community College and its aggregate discretely presented component units at June 30, 2010, 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.

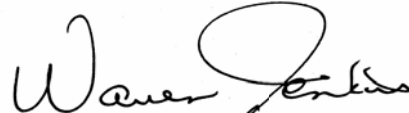
In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2011 on our consideration of Indian Hills Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 14 and 40 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 nine years ended June 30, 2009 (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

February 4, 2011



**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, 2010. We encourage readers to consider this information in conjunction with the financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- College operating revenues increased over \$2.1 million, or 8.0%, from fiscal year 2009 to fiscal year 2010. This increase is attributable to a 19% growth in credit hour enrollment and a tuition rate increase of 5.1% effective for the 2009 fall term.
- Federal appropriations increased approximately \$3.5 million, or 73.1%.
- A 96.1% increase in Pell grant awards offset by a 21.4% reduction in state appropriations from fiscal year 2009 to fiscal year 2010 contributed to an overall increase in non-operating revenues of \$2.5 million, or 10%.
- Net assets of the College increased approximately \$2.2 million, or 4.1%.

### **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, detailed information about the individual funds and the Schedule of Expenditures of Federal Awards, which provides details of various federal programs benefiting the College.

## REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

### Statement of Net Assets

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

#### Net Assets

	June 30,	
	2010	2009
Current and other assets	\$ 39,752,106	34,998,914
Capital assets, net of accumulated depreciation/amortization	42,604,843	43,376,950
Total assets	<u>82,356,949</u>	<u>78,375,864</u>
Current liabilities	13,710,544	11,362,638
Noncurrent liabilities	12,432,396	13,000,934
Total liabilities	<u>26,142,940</u>	<u>24,363,572</u>
Net assets:		
Invested in capital assets, net of related debt	39,794,843	40,326,950
Restricted	1,434,072	1,237,597
Unrestricted	14,985,094	12,447,745
Total net assets	<u>\$ 56,214,009</u>	<u>54,012,292</u>

The largest portion of the College's net assets (71%) 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 grants 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/amortization, which allocates the cost of an asset over its expected useful life.

## Changes in Net Assets

	Year ended June 30,	
	2010	2009
Operating revenues:		
Tuition and fees	\$ 12,284,782	11,395,633
Federal appropriations	8,356,527	4,826,450
Sales and services	528,419	491,070
Iowa Industrial New Jobs Training Program	1,472,688	2,608,568
Auxiliary enterprise revenue	5,929,790	6,026,091
Miscellaneous	669,082	1,731,681
Total operating revenues	29,241,288	27,079,493
 Total operating expenses	 55,004,366	 51,080,548
Operating loss	(25,763,078)	(24,001,055)
 Non-operating revenues (expenses):		
State appropriations	12,267,335	15,615,288
Pell grants	11,386,340	5,806,107
Property tax	4,033,815	3,573,445
Gifts from IHCC Foundation	911,866	1,018,628
Interest on investments	128,299	307,176
Donated capital assets	35,000	-
Loss on disposal of capital assets	(9,633)	(1,885)
Interest on indebtedness	(707,363)	(787,749)
Amortization of bond issue costs	(80,864)	(100,838)
Net non-operating revenues	27,964,795	25,430,172
 Increase in net assets	 2,201,717	 1,429,117
Net assets beginning of year	54,012,292	52,583,175
 Net assets end of year	 \$ 56,214,009	 54,012,292

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

In fiscal year 2010, operating revenues totaled approximately \$29.2 million and net non-operating revenues totaled approximately \$28.8 million. Observations regarding the changes in operating and non-operating revenues follow:

- Tuition and fees, as reported herein net of scholarship allowances, increased 8%. This increase is attributable to a 19% growth in credit hour enrollment and a tuition rate increase of 5.1% effective for the 2009 fall term.
- Federal appropriations increased approximately \$3.5 million, or 73.1%, from fiscal year 2009 to fiscal year 2010. Approximately \$2 million of this increase is attributable to American Recovery and Reinvestment Act of 2009 (ARRA) funds received through Iowa's State Fiscal Stabilization Fund (SFSF) to backfill the reduction in the state aid allocation for fiscal year 2010.
- The successful competition for a new Title III strengthening institutions grant resulted in the awarding of federal funds in fiscal year 2010 for upgrading technology to strengthen academic programs and institutional management. Additional funding was received for the federal Workforce Investment Act and for the Community-Based Job Training grant focused on the expansion of health occupation programs.

- Pell grant awards increased approximately \$5.6 million, or 96.1%, from fiscal year 2009 to fiscal year 2010. The large increase in Pell grants resulted from a 19% increase in credit hour enrollment, as well as a 13.1% federal increase in the individual award amount. With existing economic conditions and the legislative changes in the Pell grant program, more students qualified for the program and increased award amounts in fiscal year 2010.
- 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 \$2.2 million, or 4.1%, over fiscal year 2009.

### Operating Expenses

	Year ended June 30,	
	2010	2009
Education and support:		
Liberal arts and sciences	\$ 5,155,290	5,125,832
Vocational technical	11,529,941	10,677,262
Adult education	2,128,518	2,483,243
Cooperative services	828,003	1,687,087
Administration	2,064,635	2,001,331
Student services	3,639,905	3,363,299
Learning resources	710,339	823,415
Physical plant	4,013,657	4,208,946
General institution	6,954,368	4,437,684
Auxiliary enterprises	6,820,411	7,098,012
Scholarships and grants	6,601,353	4,636,319
Workforce Investment Act	2,339,810	2,079,630
Plant operations	112,612	484,600
Depreciation/amortization	2,105,524	1,973,888
	\$ 55,004,366	51,080,548

The following factors address some expense issues:

- Vocational technical expense increased due to expanded program offerings and significant enrollment growth.
- General institution function expenses increased as a result of:
  - College accreditation and self-study required by the Higher Learning Commission, resulting in continued 10 year accreditation for the College,
  - Expanded technology infrastructure and services necessary for educational delivery and
  - An incented retirement offering to qualifying employees to reduce future labor costs of the institution.
- Scholarships and grants expense increased due to a 13.1% increase in the award amount of the federal Pell grant per student, as well as an increase in the number of students qualifying in fiscal year 2010 and a change in Pell grants awarded.

## 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,	
	2010	2009
Cash provided (used) by:		
Operating activities	\$ (20,566,589)	(23,088,248)
Non-capital financing activities	26,835,851	24,064,950
Capital and related financing activities	(1,705,125)	(5,027,844)
Investing activities	160,612	344,405
Net increase (decrease) in cash	4,724,749	(3,706,737)
Cash and cash equivalents beginning of year	20,709,005	24,415,742
Cash and cash equivalents end of year	\$ 25,433,754	20,709,005

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 grants, 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, 2010, the College had approximately \$42.6 million invested in capital assets, net of accumulated depreciation/amortization of approximately \$24.9 million. Depreciation/amortization charges totaled \$2,105,524 for fiscal year 2010. A summary of capital assets, net of accumulated depreciation/amortization, is shown below.

## Net Capital Assets

	June 30,	
	2010	2009
Land	\$ 340,590	340,590
Construction in progress	910,288	44,077
Capital assets not being depreciated/amortized	1,250,878	384,667
Buildings	37,704,205	39,102,755
Improvements	2,163,988	2,283,258
Intangibles	115,692	144,615
Equipment and vehicles	1,370,080	1,461,655
Total	\$ 42,604,843	43,376,950

Capital projects in progress during fiscal year 2010 include the renovation and remodeling at the North Campus to house high school academy students. 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, 2010 was \$12,855,000. 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,	
	2010	2009
Certificates payable	\$ 10,045,000	11,650,000
Bonds payable	2,810,000	3,050,000
Total	\$ 12,855,000	14,700,000

### ECONOMIC FACTORS

Indian Hills Community College managed its financial position carefully during the current fiscal year. The College realized a 19% increase in its enrollment which delivered tuition revenue beyond budget. The resulting economies of scale allowed the College to add \$2.3 million to the quasi-endowment fund established to stabilize and support the unrestricted fund operations. The economic position of the College remains closely tied to 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 13.1% student grant increase for fiscal year 2010. Federal direct loans obtained by students were at the highest level ever.

- The high unemployment rate and significant enrollment increase allowed the College to maximize efficiency and realize economies of scale in operations.
- The College must continue to offer additional new and relevant educational programs and student support 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**

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Indian Hills Community College

Statement of Net Assets

June 30, 2010

	<u>Primary Government</u>	<u>Component Units</u>
<b>Assets</b>		
Current assets:		
Cash and investments:		
Cash and pooled investments	\$ 15,634,679	13,691,116
Restricted cash and investments	-	5,752,622
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$515,505	2,279,650	132,079
Succeeding year property tax	3,879,540	-
Due from other governments	1,833,980	-
Prepaid expense	38,363	-
Unamortized debt issuance cost	381,785	-
Inventories	1,368,464	-
Total current assets	<u>25,416,461</u>	<u>19,575,817</u>
Noncurrent assets:		
Cash and pooled investments	9,799,075	-
Receivable for Iowa Industrial New Jobs Training Program	3,392,508	-
Unamortized bond issuance cost	1,144,062	-
Capital assets, net of accumulated depreciation/amortization	42,604,843	268,227
Total noncurrent assets	<u>56,940,488</u>	<u>268,227</u>
<b>Total assets</b>	<u>82,356,949</u>	<u>19,844,044</u>

Indian Hills Community College

Statement of Net Assets

June 30, 2010

	Primary Government	Component Units
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	933,130	177,689
Salaries and benefits payable	1,105,729	-
Interest payable	52,720	-
Deferred revenue:		
Succeeding year property tax	3,879,540	-
Other	3,963,706	-
Early retirement payable	941,050	-
Compensated absences payable	748,714	-
Deposits held in custody for others	290,955	-
Certificates payable	1,540,000	-
Bonds payable	255,000	-
Total current liabilities	<u>13,710,544</u>	<u>177,689</u>
Noncurrent liabilities:		
Early retirement payable	1,338,950	-
Certificates payable	8,505,000	-
Bonds payable	2,555,000	-
Net OPEB liability	33,446	-
Total noncurrent liabilities	<u>12,432,396</u>	<u>-</u>
<b>Total liabilities</b>	<u>26,142,940</u>	<u>177,689</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	39,794,843	268,227
Nonexpendable:		
Other	-	1,410,503
Expendable:		
Scholarships and fellowships	49,077	-
Debt service	747,618	-
Cash reserve	288,745	-
Other	348,632	8,303,812
Unrestricted	<u>14,985,094</u>	<u>9,683,813</u>
<b>Total net assets</b>	<u>\$ 56,214,009</u>	<u>19,666,355</u>

See notes to financial statements.

Indian Hills Community College

Statement of Revenues, Expenses and  
Changes in Net Assets

Year ended June 30, 2010

	Primary Government	Component Units
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$4,760,128	\$ 12,284,782	-
Federal appropriations	8,356,527	-
Sales and services	528,419	-
Iowa Industrial New Jobs Training Program	1,472,688	-
Auxiliary enterprises, net of scholarship allowances of \$1,340,388	5,929,790	-
Contributions	-	362,049
Rental income and facility management	-	543,222
Fines, damages and forfeitures	-	30,239
Miscellaneous	669,082	78,891
Total operating revenues	29,241,288	1,014,401
Operating expenses:		
Education and support:		
Liberal arts and sciences	5,155,290	-
Vocational technical	11,529,941	-
Adult education	2,128,518	-
Cooperative services	828,003	-
Administration	2,064,635	-
Student services	3,639,905	-
Learning resources	710,339	-
Physical plant	4,013,657	-
General institution	6,954,368	-
Auxiliary enterprises	6,820,411	-
Scholarships and grants	6,601,353	-
Workforce Investment Act	2,339,810	-
Plant operations	112,612	-
General and administrative	-	127,690
Programs	-	393,121
Depreciation/amortization	2,105,524	-
Total operating expenses	55,004,366	520,811
Operating income (loss)	(25,763,078)	493,590

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

Year ended June 30, 2010

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	12,267,335	-
Pell grants	11,386,340	-
Property tax	4,033,815	-
Gifts from Indian Hills Community College Foundation	911,866	-
Investment income	128,299	1,572,615
Donated capital assets	35,000	-
Loss on disposal of capital assets	(9,633)	-
Gifts to Indian Hills Community College	-	(911,866)
Interest on indebtedness	(707,363)	-
Amortization of debt issuance cost	(80,864)	-
Net non-operating revenues (expenses)	<u>27,964,795</u>	<u>660,749</u>
Change in net assets	2,201,717	1,154,339
Net assets beginning of year	<u>54,012,292</u>	<u>18,512,016</u>
Net assets end of year	<u>\$ 56,214,009</u>	<u>19,666,355</u>

See notes to financial statements.

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Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2010

	<u>Primary Government</u>
Cash flows from operating activities:	
Tuition and fees	\$ 12,701,387
Federal appropriations	7,977,160
Iowa Industrial New Jobs Training Program	1,853,435
Payments to employees for salaries and benefits	(29,336,741)
Payments to suppliers for goods and services	(13,228,208)
Payments to NJTP recipients	(551,890)
Scholarships	(6,601,353)
Payments to subrecipients	(1,016,575)
Auxiliary enterprise receipts	5,955,106
Other receipts	1,681,090
Net cash used by operating activities	<u>(20,566,589)</u>
Cash flows from non-capital financing activities:	
State appropriations	12,842,842
Pell grants	11,386,340
Property tax	4,033,815
Gifts	911,866
Federal direct lending receipts	20,879,904
Federal direct lending disbursements	(20,879,904)
Principal paid on debt	(1,605,000)
Interest paid on debt	(557,081)
Agency receipts	434,618
Agency disbursements	(611,549)
Net cash provided by non-capital financing activities	<u>26,835,851</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	75
Acquisition of capital assets	(1,308,124)
Principal paid on debt	(240,000)
Interest paid on debt	(157,076)
Net cash used by capital and related financing activities	<u>(1,705,125)</u>
Cash flows from investing activities:	
Interest on investments	160,612
Net decrease in cash and cash equivalents	4,724,749
Cash and cash equivalents beginning of year	20,709,005
Cash and cash equivalents end of year	<u>\$ 25,433,754</u>

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2010

	Primary Government
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (25,763,078)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation/amortization	2,105,524
Provision for doubtful accounts	46,558
Amortization of debt issuance cost	(36,144)
Changes in assets and liabilities:	
Decrease in accounts receivable	26,787
Decrease in NJTP receivable	372,554
(Increase) in due from other governments	(379,367)
(Increase) in prepaid expenses	(17,939)
(Increase) in inventories	(115,629)
Increase in accounts payable	26,762
Increase in salaries and benefits payable	39,060
Increase in deferred revenue	896,502
Increase in compensated absences	107,689
Increase in other postemployment benefits	12,128
Increase in early retirement payable	2,112,004
	5,196,489
Total adjustments	5,196,489
Net cash used by operating activities	\$ (20,566,589)

**Noncash capital and related financing activities:**

Donated equipment totaled \$35,000 and the trade-in value of equipment deleted was \$36,200

See notes to financial statements.

Indian Hills Community College

Statement of Net Assets  
Component Units

June 30, 2010

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 459,696	234,443	694,139
Investments	-	12,996,977	12,996,977
Restricted cash and investments	-	5,752,622	5,752,622
Accounts receivable	1,683	130,396	132,079
<b>Total current assets</b>	<b>461,379</b>	<b>19,114,438</b>	<b>19,575,817</b>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	268,227	-	268,227
<b>Total assets</b>	<b>729,606</b>	<b>19,114,438</b>	<b>19,844,044</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	121,303	47,714	169,017
Liability under unitrust agreement	-	8,672	8,672
<b>Total liabilities</b>	<b>121,303</b>	<b>56,386</b>	<b>177,689</b>
<b>Net assets</b>			
Invested in capital assets	268,227	-	268,227
Restricted:			
Nonexpendable:			
Other	-	1,410,503	1,410,503
Expendable:			
Other	-	8,303,812	8,303,812
Unrestricted	340,076	9,343,737	9,683,813
<b>Total net assets</b>	<b>\$ 608,303</b>	<b>19,058,052</b>	<b>19,666,355</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, 2010

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Operating revenues:			
Contributions	\$ 5,500	356,549	362,049
Rental income and facility management	543,222	-	543,222
Fines, damages and forfeitures	30,239	-	30,239
Miscellaneous	489	78,402	78,891
Total operating revenues	<u>579,450</u>	<u>434,951</u>	<u>1,014,401</u>
Operating expenses:			
General and administrative	97,243	30,447	127,690
Programs	393,121	-	393,121
Total operating expenses	<u>490,364</u>	<u>30,447</u>	<u>520,811</u>
Operating income	<u>89,086</u>	<u>404,504</u>	<u>493,590</u>
Non-operating revenues (expenses):			
Interest on investments, net of \$67,625 of investment expenses	507	1,572,108	1,572,615
Gifts to Indian Hills Community College	-	(911,866)	(911,866)
Net non-operating revenues (expenses)	<u>507</u>	<u>660,242</u>	<u>660,749</u>
Change in net assets	89,593	1,064,746	1,154,339
Net assets beginning of year	518,710	17,993,306	18,512,016
Net assets end of year	<u>\$ 608,303</u>	<u>19,058,052</u>	<u>19,666,355</u>

See notes to financial statements.

Indian Hills Community College

Notes to Financial Statements

June 30, 2010

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

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

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

A. Reporting Entity

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

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

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

Restricted Net Assets:

Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the College.

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 stipulations. Resources may be designated for specific purposes by action of management or by the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net 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 Trustees to the appropriate County Auditors. Delinquent property tax receivable represents unpaid taxes from the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify its budget to the County 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, 2010 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets – Capital assets, which include land, buildings and improvements, intangibles, equipment and vehicles, are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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
Intangible Assets	\$10,000
Equipment and vehicles	\$5,000

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

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

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

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 and advanced student tuition.

Compensated Absences – College employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2010.

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 grants, property tax and interest income.

## 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, 2010 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 Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the College had investments of \$16,475,983 in a diversified portfolio in the Iowa Schools Joint Investment Trust.

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

Credit risk - The College's investments in the Iowa Schools Joint Investment Trust at June 30, 2010 were rated Aaa by Moody's Investors Service.

**(3) Inventories**

The College's inventories at June 30, 2010 are as follows:

Type	Amount
Supplies and materials	\$ 519,049
Work in progress	574,710
Merchandise held for resale	274,705
Total	<u>\$ 1,368,464</u>

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2010 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	44,077	866,211	-	910,288
Total capital assets not being depreciated	<u>384,667</u>	<u>866,211</u>	<u>-</u>	<u>1,250,878</u>
Capital assets being depreciated/amortized:				
Buildings	55,938,076	49,800	-	55,987,876
Improvements other than buildings	3,262,637	7,009	-	3,269,646
Intangibles	401,507	-	-	401,507
Equipment and vehicles	6,354,692	456,304	240,108	6,570,888
Total capital assets being depreciated/amortized	<u>65,956,912</u>	<u>513,113</u>	<u>240,108</u>	<u>66,229,917</u>
Less accumulated depreciation/amortization for:				
Buildings	16,835,321	1,448,350	-	18,283,671
Improvements other than buildings	979,379	126,279	-	1,105,658
Intangibles	256,892	28,923	-	285,815
Equipment and vehicles	4,893,037	501,972	194,201	5,200,808
Total accumulated depreciation/amortization	<u>22,964,629</u>	<u>2,105,524</u>	<u>194,201</u>	<u>24,875,952</u>
Total capital assets being depreciated/amortized, net	<u>42,992,283</u>	<u>(1,592,411)</u>	<u>45,907</u>	<u>41,353,965</u>
Capital assets, net	<u>\$ 43,376,950</u>	<u>(726,200)</u>	<u>45,907</u>	<u>42,604,843</u>

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Computer software with a cost totaling \$401,507 and accumulated amortization totaling \$256,892 was reclassified from equipment and vehicles to intangibles.

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

A summary of changes in long-term debts for the year ended June 30, 2010 is as follows:

	Certificates Payable	Bonds Payable	Total
Balance beginning of year	\$ 11,650,000	3,050,000	14,700,000
Additions	-	-	-
Reductions	1,605,000	240,000	1,845,000
Balance end of year	\$ 10,045,000	2,810,000	12,855,000
Due within on year	\$ 1,540,000	255,000	1,795,000

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 tax, 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
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	1,315,000	208,385	1,523,385
2016-2019	2,770,000	268,558	3,038,558
Total	\$ 10,045,000	2,017,432	12,062,432

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 2010, principal payments totaled \$240,000.



Details of the College's June 30, 2010 dormitory revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2000			
	Interest Rates	Principal	Interest	Total
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	5.15	310,000	88,324	398,324
2016-2019	5.15	1,405,000	185,656	1,590,656
Total		\$ 2,810,000	771,728	3,581,728

**(6) Operating Leases**

The College has leased 141 printers and three copiers. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2011 and 2015 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, 2010:

Year Ending June 30,	Printers	Copiers	Total
2011	\$ 158,782	42,053	200,835
2012	158,782	42,053	200,835
2013	158,782	35,603	194,385
2014	27,202	26,573	53,775
2015	-	15,501	15,501
Total	\$ 503,548	161,783	665,331

Rents for the operating leases for the year ended June 30, 2010 totaled \$223,725.

**(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 4.30% of their annual covered salary and the College is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$857,425, \$804,319 and \$725,250, 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 4.30% of their annual covered salary and the College is required to contribute 6.65% of annual covered salary. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2010 were \$510,219 and \$330,141, respectively.

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

Plan Description - The College operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 350 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The College's annual OPEB cost is calculated based on the annual required contribution (ARC) of the College, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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, 2010, 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	853
Adjustment to annual required contribution	<u>(1,200)</u>
Annual OPEB cost	25,331
Contributions made	<u>(13,203)</u>
Increase in net OPEB obligation	12,128
Net OPEB obligation beginning of year	<u>21,318</u>
Net OPEB obligation end of year	<u>\$ 33,446</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, 2010.

For the year ended June 30, 2010, the College contributed \$13,203 to the plan. Plan members eligible for benefits contributed \$6,442, or 33% 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, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 25,331	52.1%	\$ 33,446

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, 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, 2010, 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 include 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 \$300,000. 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 \$100,000,000. 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, 2010, no liability has been recorded in the College's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

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

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

**(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. Effective January 1, 2009, the College eliminated its self funded health insurance plan. Effective July 1, 2009, the College also eliminated its self funded vision plan. Effective July 1, 2010, the College will eliminate its self funded dental plan. The College has joined a fully funded insurance group.

**(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 tax, incremental property tax, budgeted reserves and, in the case of default, from standby property tax. Since inception, the College has administered 82 projects, with 17 currently receiving project funding. Of the remaining 65 projects, 58 projects have been completed, of which 40 have been fully repaid and 18 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 379 projects. Of these 379 projects, five defaulted, three withdrew and 31 are active projects.

Previously, the College administered the Iowa Small Business New Jobs Training Program (SBNJTP), formerly authorized by 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, December 11, 2006 and November 9, 2009 the Board of Trustees adopted voluntary early retirement programs. The program enrollment periods ran from November 11, 2003 until January 15, 2004, December 14, 2006 until January 15, 2007 and November 10, 2009 until January 15, 2010, 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, June 30, 2007 or June 30, 2010, 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 for the plans offered in 2004 and 2007. The 2010 plan required the employee to receive the incentive retirement benefits in two equal installments. For each plan, 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, 2010 for those employees who elected early retirement under the November 10, 2003 and December 11, 2006 programs was \$33,825 and \$112,738, respectively. The liability at June 30, 2010 for the 34 employees who elected early retirement under the November 9, 2009 program was \$2,133,437. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2010, \$302,804 was paid for early retirement benefits.

**(14) Subsequent Event**

On July 12, 2010, the College issued \$550,000 of Industrial New Jobs Training Certificates.

**(15) 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.

<b>Condensed Statement of Net Assets</b>	Residence System
Assets:	
Current assets	\$ 817,251
Capital assets, net of accumulated depreciation	7,749,009
Total assets	8,566,260
Liabilities:	
Current liabilities	255,000
Noncurrent liabilities	2,555,000
Deferred revenue	57,573
Total liabilities	2,867,573
Net assets:	
Invested in capital assets, net of related debt	4,939,009
Restricted	759,678
Total net assets	\$ 5,698,687

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

Operating revenues:	
Sales and services	\$ 619,067
Operating expenses	(201,918)
Depreciation	(207,884)
Operating income	209,265
Nonoperating revenues (expenses):	
Investment income	8,574
Miscellaneous	49,800
Interest on indebtedness	(157,075)
Increase in net assets	110,564
Net assets beginning of year	5,588,123
Net assets end of year	\$ 5,698,687

**Condensed Statement of Cash Flows**

Net cash flows provided by operating activities	\$ 417,149
Net cash flows provided by investing activities	574
Net cash flows used in capital and related financing activities	(397,075)
Net increase in cash and cash equivalents	20,648
Cash and cash equivalents beginning of year	729,364
Cash and cash equivalents end of year	\$ 750,012

**Proportion of Revenue Pledged**

Annual debt service (principal and interest)	\$ 397,075
Net operating revenue *	425,723
Annual debt service/net operating income (%)	93.3%

As of June 30, 2010, revenue pledged for future principal and interest payments was \$3,581,728.

\* Net operating income plus investment income and add back depreciation expense.

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**Indian Hills Community College**



**Required Supplementary Information**

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Indian Hills Community College

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 198	198	0.0%	\$ 17,157	1.2%
2010	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, net OPEB obligation, the funded status and funding progress.

**Other Supplementary Information**

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**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.

Quasi-Endowment Funds – The Quasi-Endowment Funds are used to account for resources, the principal of which is to be maintained to conform with restrictions by the Board of Directors. 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 to 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 to Actual

Other Supplementary Information

Year ended June 30, 2010

Funds/Levy	Original/ Final Budget	Actual	Variance between Actual and Budget
Unrestricted	\$ 32,405,000	30,873,733	1,531,267
Restricted	13,649,587	4,540,074	9,109,513
Unemployment Compensation	18,000	61,958	(43,958)
Insurance	949,198	623,053	326,145
Tort Liability	341,820	306,611	35,209
Early Retirement	393,750	2,327,410	(1,933,660)
Equipment Replacement	399,515	400,978	(1,463)
Standby	95,355	-	95,355
Total Restricted	15,847,225	8,260,084	7,587,141
Plant	13,201,141	1,035,633	12,165,508
Bonds and Interest	397,075	396,045	1,030
Total	\$ 61,850,441	40,565,495	21,284,946

Note to Budgetary Reporting:

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

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

For the year ended June 30, 2010, the College's expenditures did not exceed the amount budgeted.

See accompanying independent auditor's report.

Indian Hills Community College

Balance Sheet  
All Funds

June 30, 2010

	Current Funds		Quasi-
	Unrestricted	Restricted	Endowment Funds
<b>Assets</b>			
Cash and pooled investments	\$ 10,120,859	6,634,564	5,906,767
Receivables:			
Accounts (less allowance of \$515,505)	1,975,718	239,409	4,117
Succeeding year property tax	846,270	2,187,000	-
Iowa Industrial New Jobs Training Program		3,392,508	-
Due from other funds	1,017,504	2,574,390	-
Due from other governments	231,964	1,248,813	-
Prepaid expenses	9,478	28,885	-
Unamortized debt issuance cost	-	1,525,847	-
Inventories	1,368,464	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Construction in progress	-	-	-
Improvements other than buildings	-	-	-
Intangibles	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation/amortization	-	-	-
<b>Total assets</b>	<b>\$ 15,570,257</b>	<b>17,831,416</b>	<b>5,910,884</b>



Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
1,820,419	750,012	-	201,133	-	25,433,754
39,539	9,666	-	11,201	-	2,279,650
846,270	-	-	-	-	3,879,540
-	-	-	-	-	3,392,508
-	-	-	608	(3,592,502)	-
39,132	-	-	314,071	-	1,833,980
-	-	-	-	-	38,363
-	-	-	-	-	1,525,847
-	-	-	-	-	1,368,464
-	-	340,590	-	-	340,590
-	-	55,987,876	-	-	55,987,876
-	-	910,288	-	-	910,288
-	-	3,269,646	-	-	3,269,646
-	-	401,507	-	-	401,507
-	-	6,570,888	-	-	6,570,888
-	-	-	-	(24,875,952)	(24,875,952)
2,745,360	759,678	67,480,795	527,013	(28,468,454)	82,356,949

Indian Hills Community College

Balance Sheet  
All Funds

June 30, 2010

	Current Funds		Quasi-
	Unrestricted	Restricted	Endowment Funds
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 792,319	102,927	-
Salaries and benefits payable	1,029,211	75,910	-
Interest payable	-	40,660	-
Due to other funds	2,574,390	536,639	-
Deferred revenue:			
Succeeding year property tax	846,270	2,187,000	-
Other	1,451,720	1,907,153	-
Early retirement payable	71,715	2,208,285	-
Compensated absences	707,326	41,388	-
Deposits held in custody for others	-	-	-
Certificates payable	-	10,045,000	-
Bonds payable	-	-	-
Net OPEB liability	-	-	-
Total liabilities	7,472,951	17,144,962	-
Fund balances:			
Invested in capital assets, net of related debt	-	-	-
Fund balances:			
Restricted:			
Expendable:			
Scholarships and fellowships	-	49,077	-
Debt service	-	-	-
Cash reserve	-	288,745	-
Other	-	348,632	-
Unrestricted	4,571,429	-	5,910,884
Auxiliary enterprises	3,525,877	-	-
Total fund balances	8,097,306	686,454	5,910,884
<b>Total liabilities and fund balances</b>	<b>\$ 15,570,257</b>	<b>17,831,416</b>	<b>5,910,884</b>

See accompanying independent auditor's report.

Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
31,391	-	-	6,493	-	933,130
-	-	-	608	-	1,105,729
-	12,060	-	-	-	52,720
253,505	-	-	227,968	(3,592,502)	-
846,270	-	-	-	-	3,879,540
603,844	-	-	989	-	3,963,706
-	-	-	-	-	2,280,000
-	-	-	-	-	748,714
-	-	-	290,955	-	290,955
-	-	-	-	-	10,045,000
-	-	2,810,000	-	-	2,810,000
-	-	-	-	33,446	33,446
1,735,010	12,060	2,810,000	527,013	(3,559,056)	26,142,940
-	-	64,670,795	-	(24,875,952)	39,794,843
-	-	-	-	-	49,077
-	747,618	-	-	-	747,618
-	-	-	-	-	288,745
-	-	-	-	-	348,632
1,010,350	-	-	-	(33,446)	11,459,217
-	-	-	-	-	3,525,877
1,010,350	747,618	64,670,795	-	(24,909,398)	56,214,009
2,745,360	759,678	67,480,795	527,013	(28,468,454)	82,356,949

Indian Hills Community College

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

Year ended June 30, 2010

	Current Funds		Quasi-
	Unrestricted	Restricted	Endowment Funds
<b>Revenues:</b>			
<b>General:</b>			
State appropriations	\$ 11,620,069	608,134	-
Tuition and fees	17,044,910	-	-
Property tax	896,900	2,234,707	-
Federal appropriations	2,859,516	16,883,351	-
Sales and services	250,654	-	-
Interest on investments	76,093	31,838	10,884
Iowa Industrial New Jobs Training Program	-	1,835,403	-
Increase in plant investment due to donated plant assets	-	-	-
Increase in plant investment due to plant expenditures (including \$385,103 in current fund expenditures and \$36,200 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	75	-	-
Miscellaneous	1,071,516	404,108	-
	<u>33,819,733</u>	<u>21,997,541</u>	<u>10,884</u>
<b>Auxiliary enterprises:</b>			
Tuition and fees	369,888	-	-
Federal appropriations	25,182	-	-
Sales and services	7,564,009	-	-
Interest on investments	15,826	-	-
Reimbursement from operating funds for self funded health insurance	149,324	-	-
Miscellaneous	219,109	-	-
	<u>8,343,338</u>	<u>-</u>	<u>-</u>
Total revenues	<u>42,163,071</u>	<u>21,997,541</u>	<u>10,884</u>
<b>Expenditures:</b>			
<b>Education and support:</b>			
Liberal arts and sciences	4,967,878	286,722	-
Vocational technical	10,392,813	1,574,509	-
Adult education	1,594,966	719,162	-
Cooperative services	160,015	1,121,479	-
Administration	1,662,444	462,936	-
Student services	3,557,181	286,884	-
Learning resources	717,093	-	-
Physical plant	3,431,394	623,053	-
General institution	4,389,949	2,634,021	-
Total education and support	<u>30,873,733</u>	<u>7,708,766</u>	<u>-</u>

Plant Funds				
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
39,132	-	-	-	12,267,335
-	-	-	(4,760,128)	12,284,782
902,208	-	-	-	4,033,815
-	-	-	-	19,742,867
277,765	-	-	-	528,419
910	8,574	-	-	128,299
-	-	-	(362,715)	1,472,688
-	-	35,000	-	35,000
-	-	1,344,324	(1,344,324)	-
-	-	240,000	(240,000)	-
-	-	-	911,866	911,866
-	-	-	(75)	-
105,324	-	-	(911,866)	669,082
1,325,339	8,574	1,619,324	(6,707,242)	52,074,153
-	-	-	-	369,888
-	-	-	-	25,182
-	-	-	(2,264,224)	5,299,785
-	-	-	-	15,826
-	-	-	(149,324)	-
-	-	-	-	219,109
-	-	-	(2,413,548)	5,929,790
1,325,339	8,574	1,619,324	(9,120,790)	58,003,943
-	-	-	(99,310)	5,155,290
-	-	-	(437,381)	11,529,941
-	-	-	(185,610)	2,128,518
-	-	-	(453,491)	828,003
-	-	-	(60,745)	2,064,635
-	-	-	(204,160)	3,639,905
-	-	-	(6,754)	710,339
-	-	-	(40,790)	4,013,657
-	-	-	(69,602)	6,954,368
-	-	-	(1,557,843)	37,024,656

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

Year ended June 30, 2010

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
Expenditures (continued):			
Auxiliary enterprises	7,152,283	-	-
Scholarships and grants	-	12,701,869	-
Workforce Investment Act	-	2,339,810	-
Plant operations	-	-	-
Plant asset acquisitions	-	-	-
Retirement of indebtedness	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	551,318	-
Amortization of debt issuance cost	-	-	-
Loss on disposal of assets	-	-	-
Depreciation/amortization	-	-	-
Total expenditures	<u>38,026,016</u>	<u>23,301,763</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,137,055</u>	<u>(1,304,222)</u>	<u>10,884</u>
Transfers:			
Mandatory transfers	(417,149)	-	-
Non-mandatory transfers	(4,301,776)	1,471,019	2,300,000
Total transfers	<u>(4,718,925)</u>	<u>1,471,019</u>	<u>2,300,000</u>
Net	(581,870)	166,797	2,310,884
Fund balances beginning of year	<u>8,679,176</u>	<u>519,657</u>	<u>3,600,000</u>
Fund balances end of year	<u>\$ 8,097,306</u>	<u>686,454</u>	<u>5,910,884</u>

See accompanying independent auditor's report.

Plant Funds				
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
-	-	-	(331,872)	6,820,411
-	-	-	(6,100,516)	6,601,353
-	-	-	-	2,339,810
112,612	-	-	-	112,612
923,021	-	-	(923,021)	-
-	240,000	-	(240,000)	-
-	-	240,108	(240,108)	-
-	156,045	-	-	707,363
-	-	-	80,864	80,864
-	-	-	9,633	9,633
-	-	-	2,105,524	2,105,524
1,035,633	396,045	240,108	(7,197,339)	55,802,226
289,706	(387,471)	1,379,216	(1,923,451)	2,201,717
-	417,149	-	-	-
530,757	-	-	-	-
530,757	417,149	-	-	-
820,463	29,678	1,379,216	(1,923,451)	2,201,717
189,887	717,940	63,291,579	(22,985,947)	54,012,292
1,010,350	747,618	64,670,795	(24,909,398)	56,214,009

Indian Hills Community College

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

Year ended June 30, 2010

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
<b>Revenues:</b>				
State appropriations	\$ 4,473,147	5,902,717	1,109,484	-
Tuition and fees	6,784,644	9,501,755	661,953	71,888
Property tax	-	-	-	-
Federal appropriations	918,536	1,334,825	401,020	-
Sales and services	636	69,606	142,056	-
Interest on investments	57,597	-	-	-
Miscellaneous	120	109,306	2,172	-
	<u>12,234,680</u>	<u>16,918,209</u>	<u>2,316,685</u>	<u>71,888</u>
Allocation of support services	649,213	1,448,522	180,536	-
	<u>12,883,893</u>	<u>18,366,731</u>	<u>2,497,221</u>	<u>71,888</u>
<b>Expenditures:</b>				
Salaries and benefits	4,748,918	9,406,533	1,153,751	87,175
Services	74,335	254,009	228,055	18,704
Materials and supplies	83,333	498,663	61,381	39,843
Travel	28,666	59,553	14,968	10,051
Loan cancellations and bad debts	-	-	-	-
Administrative and collections	-	-	-	-
Plant asset acquisitions	-	84,513	-	-
Cost of goods sold	-	-	110,956	211
Miscellaneous	32,626	89,542	25,855	4,031
	<u>4,967,878</u>	<u>10,392,813</u>	<u>1,594,966</u>	<u>160,015</u>
Allocation of support services	3,920,479	8,747,359	1,090,223	-
	<u>8,888,357</u>	<u>19,140,172</u>	<u>2,685,189</u>	<u>160,015</u>
Excess (deficiency) of revenues over (under) expenditures	3,995,536	(773,441)	(187,968)	(88,127)
<b>Transfers:</b>				
Non-mandatory transfers	(2,300,000)	71,700	-	-
Net	<u>\$ 1,695,536</u>	<u>(701,741)</u>	<u>(187,968)</u>	<u>(88,127)</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 Administration	Support				Education and Support Total
	Student Services	Learning Resources	Physical Plant	General Institution	
58,449	-	68,712	7,560	-	11,620,069
-	24,670	-	-	-	17,044,910
896,900	-	-	-	-	896,900
-	205,135	-	-	-	2,859,516
-	12,772	7,359	298	17,927	250,654
18,496	-	-	-	-	76,093
290,552	900	813	519,821	147,907	1,071,591
1,264,397	243,477	76,884	527,679	165,834	33,819,733
(1,264,397)	(243,477)	(76,884)	(527,679)	(165,834)	-
-	-	-	-	-	33,819,733
1,090,930	3,259,025	516,317	1,823,640	2,743,865	24,830,154
166,837	178,008	45,769	1,301,431	1,118,332	3,385,480
7,699	79,207	153,621	275,770	275,839	1,475,356
9,219	13,133	1,080	1,553	50,364	188,587
292,771	-	-	-	-	292,771
80,400	-	-	-	-	80,400
-	-	-	29,000	-	113,513
-	-	-	-	-	111,167
14,588	27,808	306	-	201,549	396,305
1,662,444	3,557,181	717,093	3,431,394	4,389,949	30,873,733
(1,662,444)	(3,557,181)	(717,093)	(3,431,394)	(4,389,949)	-
-	-	-	-	-	30,873,733
-	-	-	-	-	2,946,000
8,746	-	-	-	-	(2,219,554)
8,746	-	-	-	-	726,446
					3,844,983
					\$ 4,571,429

**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, 2010

	Institutional Services	Education Program	Miscellaneous	Total
<b>Revenues:</b>				
Tuition and fees	\$ -	341,888	28,000	369,888
Federal appropriations	-	25,182	-	25,182
Sales and services	4,699,663	2,211,965	652,381	7,564,009
Interest on investments	-	-	15,826	15,826
Reimbursements from operating funds for self funded health insurance	149,324	-	-	149,324
Miscellaneous	118,014	92,109	8,986	219,109
<b>Total revenues</b>	<b>4,967,001</b>	<b>2,671,144</b>	<b>705,193</b>	<b>8,343,338</b>
<b>Expenditures:</b>				
Salaries and benefits	409,984	1,182,358	120,462	1,712,804
Services	340,353	249,245	118,007	707,605
Materials and supplies	38,580	171,254	18,759	228,593
Travel	14,292	121,095	1,050	136,437
Loan cancellations and bad debts	56,736	8,208	1,657	66,601
Group health claims	124,438	-	-	124,438
Miscellaneous	-	150,996	875	151,871
Cost of goods sold	3,228,498	795,436	-	4,023,934
<b>Total expenditures</b>	<b>4,212,881</b>	<b>2,678,592</b>	<b>260,810</b>	<b>7,152,283</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>754,120</b>	<b>(7,448)</b>	<b>444,383</b>	<b>1,191,055</b>
<b>Transfers:</b>				
Mandatory transfers	-	-	(417,149)	(417,149)
Non-mandatory transfers	(1,988,127)	(79,128)	(14,967)	(2,082,222)
<b>Total transfers</b>	<b>(1,988,127)</b>	<b>(79,128)</b>	<b>(432,116)</b>	<b>(2,499,371)</b>
<b>Net</b>	<b>(1,234,007)</b>	<b>(86,576)</b>	<b>12,267</b>	<b>(1,308,316)</b>
Fund balances beginning of year	3,499,933	(115,973)	1,450,233	4,834,193
Fund balances end of year	\$ 2,265,926	(202,549)	1,462,500	3,525,877

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, 2010

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance
<b>Revenues:</b>				
State appropriations	\$ 442,820	-	-	-
Property tax	-	400,978	337,452	992,525
Federal appropriations	11,842,377	-	-	-
Interest on investments	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	397,578	-	-	6,372
Total revenues	12,682,775	400,978	337,452	998,897
<b>Expenditures:</b>				
Salaries and benefits	-	-	101,743	-
Services	15,520	-	204,868	614,004
Materials and supplies	-	349,279	-	9,049
Travel	-	-	-	-
Interest on indebtedness	-	-	-	-
Awards to subrecipients	-	-	-	-
Plant asset acquisitions	-	51,699	-	-
Miscellaneous	-	-	-	-
Federal Pell grant program	11,386,340	-	-	-
Federal supplemental educational opportunity grant	105,975	-	-	-
Health and Human Services Nursing	212,535	-	-	-
Iowa College Student Aid Commission	115,060	-	-	-
Private scholarships	633,985	-	-	-
State of Iowa scholarships	232,454	-	-	-
Total expenditures	12,701,869	400,978	306,611	623,053
Excess (deficiency) of revenues over (under) expenditures	(19,094)	-	30,841	375,844
<b>Transfers:</b>				
Non-mandatory transfers	-	-	-	(201,566)
Net	(19,094)	-	30,841	174,278
Fund balances beginning of year	68,171	-	69,788	-
Fund balances end of year	\$ 49,077	-	100,629	174,278

See accompanying independent auditor's report.

Early Retirement	Unemployment Compensation	Title III	Workforce Investment Act	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
-	-	-	-	-	165,314	608,134
392,515	16,179	-	-	95,058	-	2,234,707
-	-	286,884	2,339,011	-	2,415,079	16,883,351
-	-	-	-	31,838	-	31,838
-	-	-	-	1,835,403	-	1,835,403
-	-	-	158	-	-	404,108
392,515	16,179	286,884	2,339,169	1,962,299	2,580,393	21,997,541
2,327,410	61,958	51,579	932,934	126,010	1,463,031	5,064,665
-	-	58,977	294,655	995,469	256,208	2,439,701
-	-	90,982	61,063	-	258,012	768,385
-	-	4,473	8,009	-	68,392	80,874
-	-	-	-	551,318	-	551,318
-	-	-	1,016,575	-	-	1,016,575
-	-	80,776	-	-	139,115	271,590
-	-	97	26,574	-	395,635	422,306
-	-	-	-	-	-	11,386,340
-	-	-	-	-	-	105,975
-	-	-	-	-	-	212,535
-	-	-	-	-	-	115,060
-	-	-	-	-	-	633,985
-	-	-	-	-	-	232,454
2,327,410	61,958	286,884	2,339,810	1,672,797	2,580,393	23,301,763
(1,934,895)	(45,779)	-	(641)	289,502	-	(1,304,222)
1,934,895	27,192	-	-	(289,502)	-	1,471,019
-	(18,587)	-	(641)	-	-	166,797
-	18,587	-	3,758	-	359,353	519,657
-	-	-	3,117	-	359,353	686,454

**Schedule 7**

## Indian Hills Community College

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

Year ended June 30, 2010

	Athletics and Student Organizations	Federal Direct Student Loan Program	Retraining Program (HF 260F)	Miscel- laneous	Total
Balance beginning of year	\$ 74,829	-	125,835	3,357	204,021
Additions:					
State appropriations	-	-	189,777	21,367	211,144
Federal appropriations	-	20,879,904	-	-	20,879,904
Tuition and fees	59,500	-	-	-	59,500
Sales and services	81,219	-	-	-	81,219
Miscellaneous	1,765	-	-	342,186	343,951
Total additions	142,484	20,879,904	189,777	363,553	21,575,718
Deductions:					
Salaries and benefits	850	-	-	119,949	120,799
Services	43,655	-	114,478	243,604	401,737
Materials and supplies	17,085	-	-	-	17,085
Travel	31,605	-	-	-	31,605
Miscellaneous	24,557	-	-	-	24,557
Cost of goods sold	13,097	-	-	-	13,097
Direct student loans	-	20,879,904	-	-	20,879,904
Total deductions	130,849	20,879,904	114,478	363,553	21,488,784
Balance end of year	\$ 86,464	-	201,134	3,357	290,955

See accompanying independent auditor's report.

Indian Hills Community College  
 Schedule of Credit and Contact Hours  
 Year ended June 30, 2010

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	55,784	-	55,784			
Vocational Education	79,833	-	79,833			
Adult Education/ Continuing Education	-	-	-	277,569	14,881	292,450
Total	135,617	-	135,617			

See accompanying independent auditor's report.

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

	2010	2009	2008	2007
Local (property tax)	\$ 4,033,815	3,573,445	3,283,331	3,011,282
State	12,267,335	15,615,288	15,262,550	14,812,393
Federal	19,768,049	10,665,497	9,071,675	9,131,763
Total	\$ 36,069,199	29,854,230	27,617,556	26,955,438

See accompanying independent auditor's report.



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Years ended June 30,					
2006	2005	2004	2003	2002	2001
2,888,099	2,875,524	3,179,361	3,163,315	3,039,503	3,046,900
13,848,936	12,292,751	11,593,825	11,740,024	12,569,921	12,983,480
8,496,721	9,123,246	8,944,834	8,563,371	7,753,398	6,195,634
25,233,756	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 Ten Years

	2010	2009	2008	2007
<b>Revenues:</b>				
State appropriations	\$ 12,228,203	15,442,692	14,834,079	14,073,316
Tuition and fees	17,044,910	14,064,149	13,376,779	12,206,286
Property tax	3,131,607	2,707,554	2,468,561	2,209,835
Federal appropriations	19,742,867	10,632,557	9,045,531	8,340,575
Sales and services	250,654	226,627	185,247	165,304
Interest on investments	107,931	282,958	597,696	742,983
Iowa Industrial New Jobs Training Program	1,835,403	3,067,908	2,693,218	2,403,017
Auxiliary enterprises	8,343,338	9,306,142	9,920,671	8,574,455
Miscellaneous	1,475,699	2,667,175	2,203,443	2,034,241
<b>Total</b>	<b>\$ 64,160,612</b>	<b>58,397,762</b>	<b>55,325,225</b>	<b>50,750,012</b>
<b>Expenditures:</b>				
Liberal arts and sciences	\$ 5,254,600	5,227,040	4,940,265	4,917,349
Vocational technical	11,967,322	10,914,226	10,226,319	9,906,322
Adult education	2,314,128	2,673,018	2,805,029	2,566,441
Cooperative services	1,281,494	2,248,721	2,065,302	1,597,677
Administration	2,125,380	2,122,678	1,933,925	1,892,886
Student services	3,844,065	3,493,592	3,303,044	3,046,111
Learning resources	717,093	832,129	872,263	854,279
Physical plant	4,054,447	4,275,086	4,045,280	3,709,805
General institution	7,023,970	4,745,672	4,232,615	5,076,544
Auxiliary enterprises	7,152,283	8,879,662	9,045,392	7,665,202
Scholarships and grants	12,701,869	8,105,241	7,105,369	6,097,517
Workforce Investment Act	2,339,810	2,095,278	1,825,038	1,685,342
Interest on indebtedness	551,318	619,816	549,434	515,116
<b>Total</b>	<b>\$ 61,327,779</b>	<b>56,232,159</b>	<b>52,949,275</b>	<b>49,530,591</b>

See accompanying independent auditor's report.

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

Indian Hills Community College  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Direct:				
U.S. Department of Agriculture:				
New ERA Rural Technology Competitive Grants Program	10.314		\$ 8,362	-
U.S. Department of Labor:				
Community Based Job Training Grants	17.269		1,199,270	-
National Science Foundation:				
Education and Human Resources	47.076		46,938	-
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007 *		121,495	-
Higher Education_Institutional Aid	84.031		286,884	-
Federal Work-Study Program	84.033 *		172,273	-
ARRA - Federal Work-Study Program	84.033 *		32,221	-
			204,494	-
Federal Pell Grant Program	84.063 *		11,386,340	-
Fund for the Improvement of Postsecondary Education (\$56,586 provided to subrecipients)	84.116		77,843	-
Federal Direct Student Loans	84.268 *		-	20,879,904
Academic Competitiveness Grants	84.375 *		122,007	-
Trio Cluster:				
TRIO_Student Support Services	84.042		286,722	-
TRIO_Upward Bound	84.047		255,701	-
TRIO_Educational Opportunity Centers	84.066		228,356	-
			770,779	-
U.S. Department of Health and Human Services:				
ARRA - Scholarships for Disadvantaged Students	93.407		64,786	-
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925 *		147,749	-
Total direct			14,641,441	20,879,904
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Child and Adult Care Food Program	10.558		25,182	-
U.S. Department of Labor:				
Iowa Department of Education:				
Incentive Grants - WIA Section 503	17.267		7,870	-
Mine Health and Safety Grants	17.600		4,505	-
Iowa Department of Workforce Development:				
Employment Service/Wagner-Peyser Funded Activities	17.207	7-W-15-FR-0	26,685	-
Unemployment Insurance	17.225	7-W-15-FR-0	18,718	-

Indian Hills Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2010

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-0	165,236	-
ARRA - WIA Adult Program	17.258	7-W-15-FR-0	71,174	-
			<u>236,410</u>	-
WIA Youth Activities	17.259	7-W-15-FR-0	249,780	-
ARRA - Youth Activities	17.259	7-W-15-FR-0	128,850	-
			<u>378,630</u>	-
WIA Dislocated Workers	17.260	7-W-15-FR-0	719,362	-
ARRA - Dislocated Workers	17.260	7-W-15-FR-0	344,649	-
			<u>1,064,011</u>	-
			<u>1,679,051</u>	-
Disabled Veterans' Outreach Program	17.801	7-W-15-FR-0	4,281	-
National Foundation on the Arts and the Humanities:				
Humanities Iowa:				
Promotion of the Humanities_Federal/State Partnership	45.129		1,000	-
U.S. Small Business Administration:				
Iowa State University:				
Small Business Development Centers	59.037		65,527	-
U.S. Department of Education:				
Iowa Department of Education:				
Adult Education - Basic Grants to States	84.002		202,489	-
Career and Technical Education -- Basic Grants to States	84.048		566,587	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Education				
State Grants, Recovery Act	84.394		1,783,556	-
ARRA - State Fiscal Stabilization Fund (SFSF) -				
Government Services, Recovery Act	84.397		193,026	-
U.S. Department of Health and Human Services:				
Iowa Department of Workforce Development:				
Model State-Supported Area Health Education Centers	93.107		141,708	-
Temporary Assistance for Needy Families	93.558	7-W-15-FR-0	560,146	-
ARRA - Emergency Contingency Fund for Temporary				
Assistance for Needy Families (TANF) State Program	93.714	7-W-15-FR-0	465	-
Total indirect			<u>5,280,796</u>	-
Total			<u>\$ 19,922,237</u>	<u>20,879,904</u>

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

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

See accompanying independent auditor's report.

**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, 2010, which collectively comprise the College's basic financial statements listed in the table of contents, and have issued our report thereon dated February 4, 2011. 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 an 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Indian Hills Community College's financial statements will not be prevented or detected and corrected on a timely basis.

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

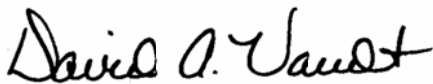
Compliance and Other Matters

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.

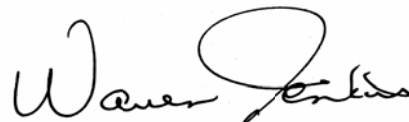
Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Indian Hills Community College and other parties to whom Indian Hills Community College may report, including federal awarding agencies and pass-through entities, and 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

February 4, 2011





**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 Compliance  
with Requirements That Could Have a Direct and Material Effect  
on 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 Indian Hills Community College, Ottumwa, Iowa's, compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Indian Hills Community College's major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

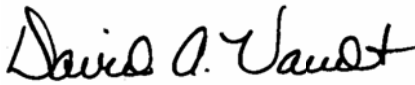
Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Indian Hills Community College's internal control over compliance.

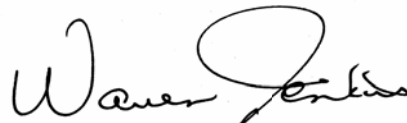
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance 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, and 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

February 4, 2011

Indian Hills Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**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 the 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 – 84.031 – Higher Education\_Institutional Aid
  - 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 – 84.033 – ARRA - 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
    - State Fiscal Stabilization Fund Cluster:
      - CFDA Number – 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
      - CFDA Number – 84.397 – ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$591,500.
- (i) Indian Hills Community College qualified as a low-risk auditee.

Indian Hills Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

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

**INTERNAL CONTROL DEFICIENCIES:**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

Indian Hills Community College  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2010

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

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 did not exceed the amount budgeted.
- IV-B-10 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-10 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-10 Business Transactions and Competitive Bidding Requirements – Business transactions between the College and College officials as detailed as follows:

Name, Title and Business Connection	Description	Amount
Tom Keck, Trustee, President of Winger Services	Maintenance and repair, per bid	<u>\$ 65,627</u>

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction does not appear to represent a conflict of interest since it was competitively bid.

- IV-E-10 Bond Coverage – Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-10 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.

Indian Hills Community College

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

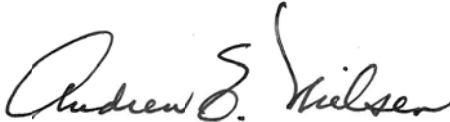
- IV-H-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College’s investment policy were noted.
- IV-I-10 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department 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  
Jenny M. Podrebarac, Staff Auditor  
Gelu Sherpa, CPA, Staff Auditor  
Samantha J. Brincks, CPA, Staff Auditor  
Christina M. Renze, CPA, Assistant Auditor  
Staci L. Bauerly, Auditor Intern



Andrew E. Nielsen, CPA  
Deputy Auditor of State