



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ December 22, 2003 \_\_\_\_\_

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

The College has implemented new reporting standards for the year ended June 30, 2003, with significant changes in content and structure of the financial statements. The financial statements now include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows which provide information about the activities of the College as a whole and present a longer-term view of the College's finances. Also included is Management's Discussion and Analysis of the College's financial statements.

The College's operating revenues totaled \$25,156,726 for the year ended June 30, 2003, and included \$6,867,023 from tuition and fees, \$8,552,156 from the federal government and \$5,872,087 from auxiliary enterprises.

Operating expenses for the year totaled \$38,269,220, and included \$20,856,263 for salaries and benefits, \$5,931,699 for services and \$2,094,043 for materials and supplies.

The College reported an operating loss of \$13,112,494. 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 nonoperating revenues. Non-operating revenues totaled \$15,465,003, and included \$11,740,024 from state appropriations, \$3,163,315 from local tax and \$332,732 from interest on investments. Nonoperating expenses totaled \$1,173,690, and included \$921,983 from interest on indebtedness. The College ended the year with an increase in net assets of \$1,178,819.

A copy of the audit report is available for review in the Office of Auditor of State and the Board Secretary's office.

# # #

**INDIAN HILLS COMMUNITY COLLEGE**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2003**

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## Indian Hills Community College

### Officials

| <u>Name</u>                                                    | <u>Title</u>   | <u>Term Expires</u> |
|----------------------------------------------------------------|----------------|---------------------|
| <b>Board of Directors<br/>(Before September 2002 Election)</b> |                |                     |
| Jim Dorothy                                                    | President      | 2002                |
| Robert L. Pitsch                                               | Vice President | 2003                |
| Dr. Donald Berg                                                | Member         | 2002                |
| H. Roy Lamansky                                                | Member         | 2002                |
| Dave Hetzler (Resigned September 2001)                         | Member         | 2003                |
| Tom Keck (Appointed October 2001)                              | Member         | 2003                |
| Richard C. Sharp                                               | Member         | 2003                |
| Sharon Kline                                                   | Member         | 2004                |
| Kevin M. Kness                                                 | Member         | 2004                |
| John Pothoven                                                  | Member         | 2004                |

### Board of Directors (After September 2002 Election)

|                  |                |      |
|------------------|----------------|------|
| Jim Dorothy      | President      | 2005 |
| Robert L. Pitsch | Vice President | 2003 |
| Tom Keck         | Member         | 2003 |
| Richard C. Sharp | Member         | 2003 |
| Sharon Kline     | Member         | 2004 |
| Kevin M. Kness   | Member         | 2004 |
| John Pothoven    | Member         | 2004 |
| Dr. Donald Berg  | Member         | 2005 |
| H. Roy Lamansky  | Member         | 2005 |

### Community College

|                     |                                                                   |
|---------------------|-------------------------------------------------------------------|
| Dr. Jim Lindenmayer | President                                                         |
| Keith Sasseen       | Vice President/Dean of Finance and<br>Records and Board Treasurer |
| Susan Pixley        | Controller                                                        |
| Anne Leathers       | College Accountant                                                |
| Jo Altheide         | Grants Accountant                                                 |

**Indian Hills Community College**



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Independent Auditor's Report

To the Board of Directors of  
Indian Hills Community College:

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, of Indian Hills Community College, Ottumwa, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of Indian Hills Community College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indian Hills Community College at June 30, 2003, and the respective changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13 to the financial statements, during the year ended June 30, 2003, Indian Hills Community College adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. Indian Hills Community College also changed its capital asset capitalization threshold as described in Note 13.

In accordance with Government Auditing Standards, we have also issued our reports dated September 24, 2003 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 grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 34 through 35, respectively, are not required parts of the basic financial statements, but is 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 supplementary information. However, 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 statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, which 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 three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 24, 2003

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Management of Indian Hills Community College provides this Management's Discussion and Analysis of the College's annual financial statements for the fiscal year ended June 30, 2003. We encourage readers to consider this information in conjunction with the financial statements that follow.

Due to the fact that Indian Hills Community College is implementing new reporting standards with significant changes in content and structure for this fiscal year, comparability with prior years is limited. More extensive comparisons will be available in future years when comparative statements are available.

### **FINANCIAL HIGHLIGHTS**

- ◆ College operating revenues increased approximately 14% in the category of tuition and fees, the increase attributable to a tuition rate increase and enrollment growth.
- ◆ College operating expense increases were reflected in salary and benefits, as well as maintenance and infrastructure improvements.
- ◆ During fiscal year 2003, the net assets of the college increased by approximately \$1,178,000, or 2.8%.
- ◆ After an initial decrease of \$395,667 followed by a de-appropriation of \$418,686 during fiscal year 2002, state aid to the college for fiscal year 2003 stabilized at the new lower level of \$11,295,119. The current level of state aid funding has fallen to levels lower than that appropriated in fiscal year 2000. Rollbacks in state appropriations resulted in Board approval of an unprecedented 14% tuition increase.

### **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 the Financial Statements provide a narrative of accounting policies and further explanation of information in the statements. Required Supplementary Information further explains and supports the financial statements, while supplemental schedules provide detailed information about the individual funds.



## **REPORTING THE COLLEGE AS A WHOLE**

### The 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 noncurrent assets and identifies the categories and amounts of current and noncurrent liabilities owed to outside vendors and creditors.

#### **Net Assets**

|                                                 | <u>June 30 ,2003</u>        |
|-------------------------------------------------|-----------------------------|
| Current and other assets                        | \$ 33,073,411               |
| Capital assets, net of accumulated depreciation | <u>33,172,806</u>           |
| Total assets                                    | <u>66,246,217</u>           |
| Current liabilities                             | 10,151,619                  |
| Noncurrent liabilities                          | <u>12,730,000</u>           |
| Total liabilities                               | <u>22,881,619</u>           |
| Nets assets:                                    |                             |
| Invested in capital assets, net of related debt | 28,022,806                  |
| Restricted                                      | 1,254,531                   |
| Unrestricted                                    | <u>14,087,261</u>           |
| Total net assets                                | <u><u>\$ 43,364,598</u></u> |

The largest portion of the College's net assets (65%) is in the category of 'Invested in Capital Assets' (land, buildings and equipment), less the related debt. The restricted portion of net assets represents resources that are 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 on 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 revenues received by the College, both operating and nonoperating, and any and all 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 Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35 classify state appropriations and property tax as nonoperating revenues. Operating revenue is defined to include only revenues that are received for providing goods and services to the various students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services (performance of the college mission) provided in return for the operating revenues and to carry out the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

## Changes in Net Assets

|                                           | <u>Year ended<br/>June 30, 2003</u> |
|-------------------------------------------|-------------------------------------|
| Operating revenues:                       |                                     |
| Tuition and fees                          | \$ 6,867,023                        |
| Federal appropriations                    | 8,552,156                           |
| Sales and services                        | 305,614                             |
| Iowa Industrial New Jobs Training Program | 2,044,904                           |
| Auxiliary enterprise revenue              | 5,872,087                           |
| Miscellaneous                             | <u>1,514,942</u>                    |
| Total operating revenues                  | <u>25,156,726</u>                   |
| <br>Total operating expenses              | <br><u>38,269,220</u>               |
| Operating loss                            | <br><u>(13,112,494)</u>             |
| <br>Nonoperating revenues (expenses):     |                                     |
| State appropriations                      | 11,740,024                          |
| Property tax                              | 3,163,315                           |
| Interest on investments                   | 332,732                             |
| Interest on student loans                 | 76,330                              |
| Donated capital assets                    | 152,602                             |
| Loss on sale of capital assets            | (251,707)                           |
| Interest on indebtedness                  | <u>(921,983)</u>                    |
| Net nonoperating revenues                 | <u>14,291,313</u>                   |
| <br>Increase in net assets                | <br>1,178,819                       |
| Net assets beginning of year              | <u>42,185,779</u>                   |
| <br>Net assets end of year                | <br><u>\$ 43,364,598</u>            |

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

### Total Revenues

Because of significant changes in accounting principles, operating revenues cannot easily be compared with the previous fiscal year. In fiscal year 2003, operating revenues totaled \$25.2 million and net nonoperating revenues totaled \$14.3 million. Observations regarding the changes in operating and nonoperating revenues follow:

- ◆ State appropriations stabilized at pre-fiscal year 2000 funding levels, after two significant decreases in fiscal year 2002 state aid funding.
- ◆ Tuition and fee income, prior to the required deduction of the scholarship allowance, increased by approximately \$1.1 million. The increase was a result of the 14% tuition increase effective fall term 2002 and the growth in credit hour enrollment.
- ◆ Federal appropriations increased approximately 10% as a result of successful application and awarding of additional federal grants.
- ◆ Sales and services of auxiliary enterprises increased, generally attributed to purchases of books and supplies.

## Operating Expenses

|                                  | <u>Year ended<br/>June 30, 2003</u> |
|----------------------------------|-------------------------------------|
| Education and support:           |                                     |
| Liberal arts and sciences        | \$ 3,446,451                        |
| Vocational technical             | 7,656,124                           |
| Adult education                  | 2,793,894                           |
| Cooperative services             | 1,257,476                           |
| Administration                   | 1,502,850                           |
| Student services                 | 2,950,658                           |
| Learning resources               | 852,770                             |
| Physical plant                   | 3,062,681                           |
| General institution              | 2,908,017                           |
| Auxiliary enterprises            | 5,584,415                           |
| Scholarships and grants          | 2,859,775                           |
| Workforce Investment Act         | 1,435,059                           |
| Loan cancellations and bad debts | 84,906                              |
| Plant operations                 | 504,822                             |
| Depreciation                     | <u>1,369,322</u>                    |
| Total operating expenses         | <u>\$ 38,269,220</u>                |

### Total Expenses

The following factors address some causes of increased expenses:

- ◆ Expenditures for salaries and wages increased in all functional categories due to additional instructional employment relating to increased enrollments and services provided to students. Also, salary increases were awarded to existing faculty and staff accompanied by an increase in the cost of the College's health insurance program.
- ◆ Expenditure categories were carefully budgeted and monitored to maintain an excess of revenue over expenditure.

### 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 financing, and investing activities.

### Cash Flows

|                                          | <u>Year ended<br/>June 30, 2003</u> |
|------------------------------------------|-------------------------------------|
| Cash provided (used) by:                 |                                     |
| Operating activities                     | \$ (9,965,588)                      |
| Non-capital financing activities         | 13,113,669                          |
| Capital and related financing activities | (3,473,466)                         |
| Investing activities                     | <u>881,697</u>                      |
| Net increase in cash                     | 556,312                             |
| Cash beginning of the year               | <u>7,640,708</u>                    |
| Cash end of the year                     | <u>\$ 8,197,020</u>                 |

Cash provided by operating activities includes receipts from tuition and fees, grants, contracts, and auxiliary enterprises. 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, local property tax, and the receipt and disbursement of federal direct loan program proceeds. Cash used for capital and related financing activities represents the principal and interest payments on debt and the purchase of capital assets. Cash provided by investing activities includes interest income received.

## **CAPITAL ASSETS**

At June 30, 2003, the College had \$33.2 million invested in capital assets, net of accumulated depreciation of approximately \$15.0 million. Depreciation charges totaled \$1,369,322 for the 2003 fiscal year. A summary breakdown of capital assets net of accumulated depreciation is shown below.

### **Net capital assets**

|                          | <u>June 30, 2003</u> |
|--------------------------|----------------------|
| Land                     | \$ 374,635           |
| Construction in progress | 1,650,452            |
| Buildings                | 29,162,870           |
| Equipment and vehicles   | 1,379,578            |
| Improvements             | <u>605,271</u>       |
| Total                    | <u>\$ 33,172,806</u> |

Planned capital expenditures for the 2004 fiscal year and beyond include the renovation of circa 1960 College dormitories and demolition of WWII buildings no longer feasible to use for College purposes. The College is pursuing funding through the Rural Health Education Program to provide an expansion of classroom space. Instructional equipment upgrades continue to keep pace with technology and student demand. A five year replacement schedule is in place to maintain computer technology equipment at required levels. Facility maintenance and roof replacement are also scheduled to meet needs within budgetary constraints. Additional information is provided in Note 4 to the financial statements.

## **LONG-DEBT**

Outstanding debt at June 30, 2003 was \$15,430,000, a decrease of \$2,285,000 from the previous fiscal year. Current debt consists of certificates issued for Iowa New Jobs Training projects, general obligation refunding bonds and dormitory revenue bonds. December 2003 will see the retirement of the November 1993 general obligation refunding bonds with the final principal payment of \$890,000. Detailed information is presented in Note 5 to the financial statements.

### **Outstanding Debt**

|                      | <u>June 30, 2003</u> |
|----------------------|----------------------|
| Certificates payable | \$ 10,280,000        |
| Bonds payable        | <u>5,150,000</u>     |
| Total                | <u>\$ 15,430,000</u> |

## **ECONOMIC FACTORS**

Indian Hills Community College maintained its financial position during the current fiscal year. However, the economic position of the College is closely tied to that of the State of Iowa and the current condition of the economy remains a concern to College officials. Like many state assisted colleges, Indian Hills Community College faces the following potential financial challenges:

- ◆ If state aid remains stagnant, there will be an increased reliance on tuition revenue.
- ◆ Increased tuition is followed by an increased need for financial aid and scholarship opportunities.
- ◆ Expenses continue to increase.
- ◆ College facilities require continual maintenance and upkeep.

The College anticipates fiscal year 2004 to follow the same pattern as the previous year, requiring close budget monitoring, the pursuit of new revenue resources, and flexibility to react to unknown issues. Our emphasis continues 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 the report or need additional financial information, please contact Indian Hills Community College, 525 Grandview Avenue, Building #1, Ottumwa, Iowa 52501.

## **Basic Financial Statements**

## Indian Hills Community College

## Statement of Net Assets

June 30, 2003

**Assets**

## Current assets:

## Cash and investments:

|                             |              |
|-----------------------------|--------------|
| Cash and pooled investments | \$ 8,197,020 |
| ISJIT investments (note 2)  | 11,693,426   |

## Receivables:

|                                                                       |                   |
|-----------------------------------------------------------------------|-------------------|
| Accounts, net of allowance for uncollectible<br>accounts of \$226,625 | 2,426,860         |
| Succeeding year property tax                                          | 2,873,000         |
| Notes                                                                 | 2,398             |
| Due from other governments                                            | 750,392           |
| Prepaid expense                                                       | 1,225             |
| Unamortized bond issue expense                                        | 1,519,512         |
| Inventories (note 3)                                                  | 711,618           |
| Total current assets                                                  | <u>28,175,451</u> |

## Noncurrent assets:

|                                                          |                   |
|----------------------------------------------------------|-------------------|
| ISJIT investments (note 2)                               | 2,236,079         |
| Receivable for Iowa Industrial New Jobs Training Program | 2,661,881         |
| Capital assets, net of accumulated depreciation (note 4) | <u>33,172,806</u> |
| Total noncurrent assets                                  | <u>38,070,766</u> |
| <b>Total assets</b>                                      | <u>66,246,217</u> |

Indian Hills Community College

Statement of Net Assets

June 30, 2003

**Liabilities**

Current liabilities:

|                                     |                   |
|-------------------------------------|-------------------|
| Accounts payable                    | 1,042,023         |
| Salaries and benefits payable       | 343,557           |
| Deferred revenue:                   |                   |
| Succeeding year property tax        | 2,873,000         |
| Other                               | 2,562,887         |
| Compensated absences                | 346,006           |
| Deposits held in custody for others | 284,146           |
| Certificates payable (note 5)       | 1,630,000         |
| Bonds payable (note 5)              | 1,070,000         |
| Total current liabilities           | <u>10,151,619</u> |

Noncurrent liabilities:

|                               |                   |
|-------------------------------|-------------------|
| Certificates payable (note 5) | 8,650,000         |
| Bonds payable (note 5)        | 4,080,000         |
| Total noncurrent liabilities  | <u>12,730,000</u> |

**Total liabilities**

22,881,619

**Net assets**

|                                                 |                      |
|-------------------------------------------------|----------------------|
| Invested in capital assets, net of related debt | 28,022,806           |
| Restricted:                                     |                      |
| Expendable:                                     |                      |
| Scholarships and fellowships                    | 38,568               |
| Loans                                           | 67,276               |
| Debt service                                    | 751,123              |
| Cash reserve                                    | 288,745              |
| Other                                           | 108,819              |
| Unrestricted                                    | <u>14,087,261</u>    |
| <b>Total net assets</b>                         | <u>\$ 43,364,598</u> |

See notes to financial statements.



**Exhibit B**

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

Year ended June 30, 2003

|                                                                   |                      |
|-------------------------------------------------------------------|----------------------|
| Operating revenues:                                               |                      |
| Tuition and fees, net of scholarship allowances<br>of \$2,423,380 | \$ 6,867,023         |
| Federal appropriations                                            | 8,552,156            |
| Sales and services                                                | 305,614              |
| Iowa Industrial New Jobs Training Program                         | 2,044,904            |
| Auxiliary enterprises revenue                                     | 5,872,087            |
| Miscellaneous                                                     | <u>1,514,942</u>     |
| Total operating revenues                                          | <u>25,156,726</u>    |
| Operating expenses:                                               |                      |
| Education and support                                             |                      |
| Liberal arts and sciences                                         | 3,446,451            |
| Vocational technical                                              | 7,656,124            |
| Adult education                                                   | 2,793,894            |
| Cooperative services                                              | 1,257,476            |
| Administration                                                    | 1,502,850            |
| Student services                                                  | 2,950,658            |
| Learning resources                                                | 852,770              |
| Physical plant                                                    | 3,062,681            |
| General institution                                               | 2,908,017            |
| Auxiliary enterprises                                             | 5,584,415            |
| Scholarships and grants                                           | 2,859,775            |
| Workforce Investment Act                                          | 1,435,059            |
| Loan cancellations and bad debts                                  | 84,906               |
| Plant operations                                                  | 504,822              |
| Depreciation                                                      | <u>1,369,322</u>     |
| Total operating expenses                                          | <u>38,269,220</u>    |
| Operating loss                                                    | <u>(13,112,494)</u>  |
| Nonoperating revenues (expenses):                                 |                      |
| State appropriations                                              | 11,740,024           |
| Property tax                                                      | 3,163,315            |
| Interest income from investments                                  | 332,732              |
| Interest income from student loans                                | 76,330               |
| Donated capital assets                                            | 152,602              |
| Loss on sale of capital assets                                    | (251,707)            |
| Interest on indebtedness                                          | <u>(921,983)</u>     |
| Net nonoperating revenues                                         | <u>14,291,313</u>    |
| Change in net assets                                              | 1,178,819            |
| Net assets beginning of year, as restated (note 13)               | <u>42,185,779</u>    |
| Net assets end of year                                            | <u>\$ 43,364,598</u> |

See notes to financial statements.

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2003

|                                                           |                     |
|-----------------------------------------------------------|---------------------|
| Cash flows from operating activities:                     |                     |
| Tuition and fees                                          | \$ 5,983,314        |
| Federal appropriations                                    | 10,102,525          |
| Iowa Industrial New Jobs Training Program                 | 2,630,703           |
| Payments to employees for salaries and benefits           | (20,901,213)        |
| Payments to suppliers for goods and services              | (11,512,280)        |
| Payments to NJTP recipients                               | (833,752)           |
| Scholarships                                              | (2,859,775)         |
| Payments to subrecipients                                 | (282,299)           |
| Loan collections from students                            | 14,546              |
| Auxiliary enterprise receipts                             | 5,872,087           |
| Other receipts                                            | <u>1,820,556</u>    |
| Net cash used by operating activities                     | <u>(9,965,588)</u>  |
| Cash flows from non-capital financing activities:         |                     |
| State appropriations                                      | 11,740,024          |
| Property tax                                              | 3,163,315           |
| Federal direct lending receipts                           | 7,374,466           |
| Federal direct lending disbursements                      | (7,374,466)         |
| Proceeds from issuance of debt                            | 980,000             |
| Principal paid on debt                                    | (2,270,000)         |
| Interest paid on debt                                     | (632,708)           |
| Agency receipts                                           | 1,918,906           |
| Agency disbursements                                      | <u>(1,785,868)</u>  |
| Net cash provided by non-capital financing activities     | <u>13,113,669</u>   |
| Cash flows from capital and related financing activities: |                     |
| Proceeds from sale of capital assets                      | 3,850               |
| Acquisition of capital assets                             | (2,193,041)         |
| Principal paid on debt                                    | (995,000)           |
| Interest paid on debt                                     | <u>(289,275)</u>    |
| Net cash used by capital and related financing activities | <u>(3,473,466)</u>  |
| Cash flows from investing activities:                     |                     |
| Interest on investments                                   | 409,061             |
| Proceeds from investments                                 | <u>472,636</u>      |
| Net cash provided by investing activities                 | <u>881,697</u>      |
| Net increase in cash                                      | 556,312             |
| Cash and cash equivalents beginning of year               | <u>7,640,708</u>    |
| Cash and cash equivalents end of year                     | <u>\$ 8,197,020</u> |

**Exhibit C**

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## Indian Hills Community College

## Statement of Cash Flows

Year ended June 30, 2003

Reconciliation of operating loss to net cash  
used by operating activities:

|                                                                                      |                                  |
|--------------------------------------------------------------------------------------|----------------------------------|
| Operating loss                                                                       | <u>\$ (13,112,494)</u>           |
| Adjustments to reconcile operating loss to net<br>cash used by operating activities: |                                  |
| Depreciation                                                                         | 1,369,322                        |
| Provisions for doubtful accounts                                                     | 85,167                           |
| Changes in assets and liabilities:                                                   |                                  |
| (Increase) in accounts receivable                                                    | (920,727)                        |
| Decrease in notes receivable                                                         | 313,501                          |
| Decrease in NJTP receivable                                                          | 585,799                          |
| Decrease in due from other governments                                               | 426,813                          |
| (Increase) in prepaid expenses                                                       | (400)                            |
| Increase in unamortized bond issue expense                                           | 232,521                          |
| (Increase) in inventories                                                            | (172,825)                        |
| Increase in accounts payable                                                         | 407,639                          |
| (Decrease) in salaries and benefits payable                                          | (89,529)                         |
| Increase in deferred revenue                                                         | 1,123,556                        |
| Increase in compensated absences                                                     | 48,267                           |
| (Decrease) in refundable advances on student loans                                   | <u>(262,198)</u>                 |
| <br>Total adjustments                                                                | <br><u>3,146,906</u>             |
| <br>Net cash used by operating activities                                            | <br><u><u>\$ (9,965,588)</u></u> |

Noncash, capital and related financing activities:

The College received donated capital assets with a fair market value of \$152,602.

See notes to financial statements.

**Indian Hills Community College**

Indian Hills Community College

Notes to Financial Statements

June 30, 2003

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

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

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. Indian Hills Community College has no component units which meet the Governmental Accounting Standards Board criteria.

Indian Hills Community College participates in the Indian Hills Community College Development Corporation and the Indian Hills Community College Foundation, Inc., both of which are related organizations for which the College is not financially accountable and their relationship with the College is such that exclusion does not cause the College's financial statements to be misleading.

B. Financial Statement Presentation

During the year ended June 30, 2003, Indian Hills Community College adopted GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments and GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, as amended by GASB Statements No. 37 and No. 38. GASB Statement No. 35 establishes standards for net assets for external financial reporting purposes. The College has net assets in the following three net asset categories:

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

Restricted Net Assets:

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 that are not subject to externally imposed stipulations. Examples include: Student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and general programs of the College.

GASB Statement No. 35 also requires the statements of net assets, revenues, expenses and changes in net assets and cash flows be reported on a consolidated basis.

The basic financial statements (i.e. the statement of net assets, the statement of revenues, expenses and changes in net assets, and the statement of cash flows) report information on all of the activities of the College. For the most part, the effect of interfund activity has been removed from these statements.

C. Measurement Focus and Basis of Accounting

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

D. Assets, Liabilities and Net Assets

Cash and Pooled Investments – Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost 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 amount of cash and, at the day of purchase, they 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.

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

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenses incurred through June 30, 2003 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

| <u>Assets</u>                    | <u>Amount</u> |
|----------------------------------|---------------|
| Land, buildings and improvements | \$25,000      |
| Equipment and vehicles           | 5,000         |

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

| <u>Assets</u>              | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 15-50        |
| Equipment                  | 3-10         |
| 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 consists of unspent grant proceeds, the succeeding year property tax receivable, and other revenues not yet earned.

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, 2003.

Auxiliary Enterprise Revenues – Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, food service, word processing, 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 load study distributions supplied by the College Registrar.

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 Nonoperating 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. Nonoperating activities include state appropriations, property tax and interest income.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### E. Scholarship Allowances and Student Aid

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



**(2) Cash and Pooled Investments**

The College's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The College had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$13,929,505 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Inventories**

The College's inventories at June 30, 2003 are as follows:

| Type                        | Amount            |
|-----------------------------|-------------------|
| Supplies and materials      | \$ 335,231        |
| Work in progress            | 246,110           |
| Merchandise held for resale | 130,277           |
| Total                       | <u>\$ 711,618</u> |

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2003 is as follows:

|                                             | Balance<br>Beginning<br>of Year<br>as restated<br>(Note 13) | Additions      | Deletions      | Balance<br>End<br>of Year |
|---------------------------------------------|-------------------------------------------------------------|----------------|----------------|---------------------------|
| Capital assets not being depreciated:       |                                                             |                |                |                           |
| Land                                        | \$ 374,635                                                  | -              | -              | 374,635                   |
| Construction in progress                    | 170,679                                                     | 1,552,485      | 72,712         | 1,650,452                 |
| Total capital assets not being depreciated  | 545,314                                                     | 1,552,485      | 72,712         | 2,025,087                 |
| Capital assets being depreciated:           |                                                             |                |                |                           |
| Buildings                                   | 39,373,070                                                  | 169,215        | -              | 39,542,285                |
| Improvements other than buildings           | 1,008,098                                                   | 87,234         | -              | 1,095,332                 |
| Equipment and vehicles                      | 5,173,905                                                   | 536,709        | 182,845        | 5,527,769                 |
| Total capital assets being depreciated      | 45,555,073                                                  | 793,158        | 182,845        | 46,165,386                |
| Less accumulated depreciation for:          |                                                             |                |                |                           |
| Buildings                                   | 9,456,751                                                   | 922,664        | -              | 10,379,415                |
| Improvements other than buildings           | 449,738                                                     | 40,323         | -              | 490,061                   |
| Equipment and vehicles                      | 3,741,856                                                   | 406,335        | -              | 4,148,191                 |
| Total accumulated depreciation              | 13,648,345                                                  | 1,369,322      | -              | 15,017,667                |
| Total capital assets being depreciated, net | 31,906,728                                                  | (576,164)      | 182,845        | 31,147,719                |
| Capital assets, net                         | <u>\$ 32,452,042</u>                                        | <u>976,321</u> | <u>255,557</u> | <u>33,172,806</u>         |

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

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

|                           | Certificates<br>Payable | Bonds<br>Payable | Total             |
|---------------------------|-------------------------|------------------|-------------------|
| Balance beginning of year | \$11,570,000            | 6,145,000        | 17,715,000        |
| Additions                 | 980,000                 | -                | 980,000           |
| Reductions                | 2,270,000               | 995,000          | 3,265,000         |
| Balance end of year       | <u>\$10,280,000</u>     | <u>5,150,000</u> | <u>15,430,000</u> |

Certificates Payable

In accordance with agreements dated between March 13, 1985 and March 10, 2003, the College issued certificates totaling \$32,242,000 with interest rates ranging from 3.61% to 8.30%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

| Year<br>Ending<br>June 30, | Principal            | Interest         | Total             |
|----------------------------|----------------------|------------------|-------------------|
| 2004                       | \$ 1,630,000         | 508,407          | 2,138,407         |
| 2005                       | 1,650,000            | 420,213          | 2,070,213         |
| 2006                       | 1,645,000            | 331,985          | 1,976,985         |
| 2007                       | 1,560,000            | 246,083          | 1,806,083         |
| 2008                       | 1,450,000            | 165,811          | 1,615,811         |
| 2009-2012                  | 2,345,000            | 179,623          | 2,524,623         |
| Total                      | <u>\$ 10,280,000</u> | <u>1,852,122</u> | <u>12,132,122</u> |

Bonds Payable

General Obligation Refunding Bonds

The refunding bonds are to be repaid from anticipated tax receipts collected pursuant to Section 260C.20 of the Code of Iowa. In fiscal year 2003, principal repayments totaled \$825,000. The remaining principal amount of \$890,000 with interest at 4.70% per annum is due December 1, 2003.

Dormitory Revenue Bonds

On March 1, 2000, the College issued revenue bonds of \$5,000,000 for the construction of a new dormitory as allowed by Section 260C.19 of the Code of Iowa and approved by the Iowa Department of Education. The interest rate is 5.15% and the College is required to make semiannual interest payments and annual principal payments with a final maturity date of June 2, 2019. The bonds are to be repaid with anticipated revenue from dormitory operations. In fiscal year 2003, principal payments totaled \$170,000.

Details of the College's June 30, 2003 dormitory revenue bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Bond Issue of March 1, 2000 |              |           |           |
|----------------------------|-----------------------------|--------------|-----------|-----------|
|                            | Interest<br>Rates           | Principal    | Interest  | Total     |
| 2004                       | 5.15%                       | \$ 180,000   | 219,390   | 399,390   |
| 2005                       | 5.15                        | 185,000      | 210,120   | 395,120   |
| 2006                       | 5.15                        | 195,000      | 200,593   | 395,593   |
| 2007                       | 5.15                        | 205,000      | 190,550   | 395,550   |
| 2008                       | 5.15                        | 215,000      | 179,993   | 394,993   |
| 2009-2013                  | 5.15                        | 1,270,000    | 720,228   | 1,990,228 |
| 2014-2018                  | 5.15                        | 1,630,000    | 357,925   | 1,987,925 |
| 2019                       | 5.15                        | 380,000      | 19,570    | 399,570   |
| Total                      |                             | \$ 4,260,000 | 2,098,369 | 6,358,369 |

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

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

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$602,522, \$536,149, and \$528,799, respectively, equal to the required contributions for each year.

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

The College contributes to the TIAA-CREF retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.70% and the College is required to contribute 5.75%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2003 were \$335,940 and \$216,065, respectively.

**(8) Risk Pool**

The College is a member in the Insurance Management Program for Area Community Colleges (IMPACC), as allowed by Chapter 504A of the Code of Iowa. IMPACC (Program) is a risk-sharing pool whose six members include Iowa Community Colleges. The Program was incorporated in May 1988 for the purpose of managing and funding insurance against 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 \$100,000 per claim, except for workers' compensation which has a self insured retention of \$200,000. Excess insurance for workers' compensation is for statutory limits. Excess for all other lines is \$900,000 per occurrence. There is additional excess above that for another \$5,000,000 per member. Property is insured with excess coverage over the self insured retention of up to \$50,000,000 for boiler and machinery and up to \$100,000,000 for other property. 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 that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the College's financial statements. As of June 30, 2003, 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.

**(9) Employee Health Insurance Plan**

The Indian Hills Community College Employee Group Health Fund was established to account for the partial self funding of the College's health insurance benefit plan. The plan is funded by both employee and College contributions and is administered through service agreements with John Deere Health Inc. and Employee Group Services. The agreements are subject to automatic renewal provisions. The College assumes liability for claims up to the individual stop loss limitation of \$30,000 per person. Claims in excess of coverage are insured through purchase of stop loss insurance through commercial carriers.

Monthly payments of service fees and plan contributions to the College's Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services and John Deere Health, Inc. from the Employee Group Health Fund. The College records the plan assets and related liabilities of the Employee Group Health Fund as an Unrestricted Current Fund. Total contributions to the fund for the year ended June 30, 2003 were \$1,345,163.

Amounts payable from the Employee Group Health Fund at June 30, 2003 total \$71,432, which is for claims incurred and not paid as of June 30, 2003. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in the past year. Information on changes in the aggregate liabilities for claims for the current year is as follows:

|                             | Liability,<br>Beginning of<br>Year | Current Year<br>Claims and<br>Changes in<br>Estimates | Claim<br>Payments | Liability,<br>End of<br>Year |
|-----------------------------|------------------------------------|-------------------------------------------------------|-------------------|------------------------------|
| Year ended<br>June 30, 2003 | \$134,596                          | 1,351,167                                             | (1,414,331)       | 71,432                       |

**(10) Related Organizations**

The Indian Hills Community College Development Corporation and the Indian Hills Community College Foundation, Inc. are non-profit corporations whose goals are to provide support to the College and students and whose financial activities are not included in these financial statements. The financial activities of the Indian Hills Community College Development Corporation include the operation of certain dormitory facilities on the Indian Hills Community College campus. These facilities belong to Indian Hills Community College and are leased to the Corporation under an annual renewable lease. The Indian Hills Community College Foundation, Inc. primarily receives funds through donations to provide scholarships to students. The governing boards of these organizations have members who are also officers of the College. However, these members do not comprise a majority in either corporation's board. Significant financial data for the year ended June 30, 2002, the most recent date for which information is available, follows:

|                                                                               | Indian Hills<br>Community College<br>Development Corporation | Indian Hills<br>Community College<br>Foundation, Inc. |
|-------------------------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------|
| Total assets                                                                  | \$ 256,655                                                   | 5,695,946                                             |
| Total liabilities                                                             | 185,154                                                      | 76,740                                                |
| Total equity                                                                  | 71,501                                                       | 5,619,206                                             |
| Total revenues                                                                | 461,620                                                      | 1,037,443                                             |
| Total expenses                                                                | 441,591                                                      | 696,998                                               |
| Payments to Community College for lease<br>of facilities and related expenses | 310,272                                                      | -                                                     |
| Scholarships                                                                  | -                                                            | 601,375                                               |

**(11) New Jobs Training Programs**

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area XV in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax. Since inception, the College has administered 51

projects, with 15 currently receiving project funding. Of the remaining 36 projects, 34 projects have been completed and only repayment of the certificates is left. Two projects have defaulted, one of which was repaid by the guarantor bank. In cases where projects exceed the budgeted amounts, the College intends to obtain additional withholding revenue from the companies.

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

**(12) Segment Reporting**

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bond issues are outstanding. A segment has a specifically identifiable revenue stream pledged in support of revenue bonds and has related expenses, assets, and liabilities that are required by an external party to be accounted for separately. The College has one segment that meets 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 room and board contracts.

| <b>Condensed Statement of Net Assets</b>        | <u>Residence<br/>System</u> |
|-------------------------------------------------|-----------------------------|
| Assets:                                         |                             |
| Current assets                                  | \$ 411,351                  |
| Capital assets, net of accumulated depreciation | <u>9,095,083</u>            |
| Total assets                                    | <u>9,506,434</u>            |
| Liabilities:                                    |                             |
| Current liabilities                             | 180,000                     |
| Noncurrent liabilities                          | <u>4,080,000</u>            |
| Total liabilities                               | <u>4,260,000</u>            |
| Net assets:                                     |                             |
| Invested in capital assets, net of related debt | 4,835,083                   |
| Restricted                                      | 411,351                     |
| Total net assets                                | <u>\$ 5,246,434</u>         |

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

|                              |                            |
|------------------------------|----------------------------|
| Operating revenues:          |                            |
| Sales and services           | \$ 582,326                 |
| Operating expenses           | (345,259)                  |
| Depreciation                 | (204,918)                  |
| Operating income             | <u>32,149</u>              |
| Nonoperating income:         |                            |
| Investment income            | 5,914                      |
| Increase in net assets       | <u>38,063</u>              |
| Net assets beginning of year | <u>5,208,371</u>           |
| Net assets end of year       | <u><u>\$ 5,246,434</u></u> |

### Condensed Statement of Cash Flows

|                                                                 |                          |
|-----------------------------------------------------------------|--------------------------|
| Net cash flows provided by operating activities                 | \$ 465,236               |
| Net cash flows provided by investing activities                 | 5,914                    |
| Net cash flows used in capital and related financing activities | (398,169)                |
| Net increase in cash and cash equivalents                       | <u>72,981</u>            |
| Cash and cash equivalents beginning of year                     | <u>338,370</u>           |
| Cash and cash equivalents end of year                           | <u><u>\$ 411,351</u></u> |

### (13) Accounting Change

For the year ended June 30, 2003, the College implemented Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements create new basic financial statements for reporting the College’s financial activities.

The significant changes in these financial statements include recording depreciation on capital assets, the elimination of internal revenue and expense charges and the removal of capital-related items from revenues and expenditures.

The beginning net asset amount in the statement of revenues, expenses and changes in net assets reflects the change in net assets caused by the conversion to full accrual, which records depreciation on capital assets.

In accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, the Perkins Loan Federal Capital Contribution was recorded as a noncurrent liability, Refundable Advances on Student Loans. Due to the termination of the Perkins loan program at the College, the refundable advances were returned to the U.S. Department of Education during fiscal year 2003.

The College also revised its capital asset capitalization policy. The threshold for capitalizing equipment and vehicles increased to \$5,000 from \$500. The policy applies the threshold to individual items and not items in the aggregate. Therefore, library books are not capitalized. These result in a restatement of the beginning balance for net assets, as follows:

| <b>Basic Financial Statements</b>    | <u>Total</u>                |
|--------------------------------------|-----------------------------|
| Net assets at June 30, 2002          | \$ 64,759,602               |
| Change in capital assets             | (8,663,280)                 |
| Accumulated depreciation             | (13,648,345)                |
| Refundable advance on student loans  | <u>(262,198)</u>            |
| Net assets, as restated July 1, 2002 | <u><u>\$ 42,185,779</u></u> |

As a result of the new capitalization policy and recording depreciation, the beginning balances for capital assets and accumulated depreciation have been restated, as follows:

| <b>Capital Assets</b>             | Balance<br>Beginning<br>of Year | Adjustments        | Restated<br>Balance | Accumulated<br>Depreciation<br>at June 30, 2002 |
|-----------------------------------|---------------------------------|--------------------|---------------------|-------------------------------------------------|
| Land                              | \$ 374,635                      | -                  | 374,635             | -                                               |
| Construction in progress          | 170,679                         | -                  | 170,679             | -                                               |
| Buildings                         | 39,521,486                      | (148,416)          | 39,373,070          | 9,456,751                                       |
| Improvements other than buildings | 2,308,416                       | (1,300,318)        | 1,008,098           | 449,738                                         |
| Equipment and vehicles            | 11,298,183                      | (6,124,278)        | 5,173,905           | 3,741,856                                       |
| Library books                     | 1,090,268                       | (1,090,268)        | -                   | -                                               |
| Total                             | <u>\$ 54,763,667</u>            | <u>(8,663,280)</u> | <u>46,100,387</u>   | <u>13,648,345</u>                               |



**Indian Hills Community College**

**Required Supplementary Information**

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

Required Supplementary Information

Year ended June 30, 2003

| Funds/Levy            | Original/<br>Final<br>Budget | Actual     | Variance<br>between<br>Actual and<br>Budget |
|-----------------------|------------------------------|------------|---------------------------------------------|
| Unrestricted          | \$ 24,650,000                | 23,497,133 | 1,152,867                                   |
| Restricted            | 9,759,023                    | 3,690,287  | 6,068,736                                   |
| Unemployment          | 25,000                       | 32,423     | (7,423)                                     |
| Insurance             | 423,500                      | 441,653    | (18,153)                                    |
| Tort Liability        | 68,000                       | 119,373    | (51,373)                                    |
| Equipment Replacement | 120,102                      | 122,128    | (2,026)                                     |
| Total Restricted      | 10,395,625                   | 4,405,864  | 5,989,761                                   |
| Plant                 | 5,586,150                    | 2,316,238  | 3,269,912                                   |
| Bonds and Interest    | 1,603,475                    | 1,284,275  | 319,200                                     |
| Total                 | \$ 42,235,250                | 31,503,510 | 10,731,740                                  |

See accompanying independent auditor's report.

Indian Hills Community College

Note to Required Supplementary Information -  
Budgetary Reporting

June 30, 2003

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

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

## Supplementary Information

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

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

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

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

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

Loan Funds – The Loan Funds are used to account for loans to students, and are financed primarily by the federal government.

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

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

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

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

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

Schedules presented in the supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting, except for depreciation and other items included in the adjustments column. The statement of revenues, expenditures and changes in fund balance is a statement 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.

## **Supplementary Information**

Indian Hills Community College

Balance Sheet

June 30, 2003

|                                           | Current Funds        |                   | Loan<br>Funds |
|-------------------------------------------|----------------------|-------------------|---------------|
|                                           | Unrestricted         | Restricted        |               |
| <b>Assets</b>                             |                      |                   |               |
| Cash and investments:                     |                      |                   |               |
| Cash and pooled investments               | \$ 1,390,777         | 4,635,548         | 36,027        |
| ISJIT investments                         | 6,715,383            | 3,024,825         | -             |
| Receivables:                              |                      |                   |               |
| Accounts (less allowance of \$226,652)    | 2,413,226            | 2,935             | -             |
| Succeeding year property tax              | 730,000              | 593,000           | -             |
| Notes                                     | -                    | -                 | 2,398         |
| Iowa Industrial New Jobs Training Program | -                    | 2,661,881         | -             |
| Due from other funds                      | 923,002              | 10,001            | 28,851        |
| Due from other governments                | 517,814              | 232,578           | -             |
| Prepaid expenses                          | 325                  | 900               | -             |
| Unamortized bond issue expense            | -                    | 1,519,512         | -             |
| Inventories                               | 711,618              | -                 | -             |
| Capital assets:                           |                      |                   |               |
| Land                                      | -                    | -                 | -             |
| Buildings                                 | -                    | -                 | -             |
| Construction in progress                  | -                    | -                 | -             |
| Improvements other than buildings         | -                    | -                 | -             |
| Equipment and vehicles                    | -                    | -                 | -             |
| Accumulated depreciation                  | -                    | -                 | -             |
| <b>Total assets</b>                       | <b>\$ 13,402,145</b> | <b>12,681,180</b> | <b>67,276</b> |

| Plant Funds     |                               |                        | Agency<br>Funds | Adjustments  | Total        |
|-----------------|-------------------------------|------------------------|-----------------|--------------|--------------|
| Unex-<br>pended | Retirement of<br>Indebtedness | Investment<br>in Plant |                 |              |              |
| 1,761,956       | 339,417                       | -                      | 33,295          | -            | 8,197,020    |
| 3,630,576       | 411,556                       | -                      | 147,165         | -            | 13,929,505   |
| 10,699          | -                             | -                      | -               | -            | 2,426,860    |
| 730,000         | 820,000                       | -                      | -               | -            | 2,873,000    |
| -               | -                             | -                      | -               | -            | 2,398        |
| -               | -                             | -                      | -               | -            | 2,661,881    |
| -               | 150                           | -                      | 104,714         | (1,066,718)  | -            |
| -               | -                             | -                      | -               | -            | 750,392      |
| -               | -                             | -                      | -               | -            | 1,225        |
| -               | -                             | -                      | -               | -            | 1,519,512    |
| -               | -                             | -                      | -               | -            | 711,618      |
| -               | -                             | 374,635                | -               | -            | 374,635      |
| -               | -                             | 39,542,285             | -               | -            | 39,542,285   |
| -               | -                             | 1,650,452              | -               | -            | 1,650,452    |
| -               | -                             | 1,095,332              | -               | -            | 1,095,332    |
| -               | -                             | 5,527,769              | -               | -            | 5,527,769    |
| -               | -                             | -                      | -               | (15,017,667) | (15,017,667) |
| 6,133,231       | 1,571,123                     | 48,190,473             | 285,174         | (16,084,385) | 66,246,217   |



Indian Hills Community College

Balance Sheet

June 30, 2003

|                                                 | Current Funds        |                   | Loan Funds    |
|-------------------------------------------------|----------------------|-------------------|---------------|
|                                                 | Unrestricted         | Restricted        |               |
| <b>Liabilities and Fund Balances</b>            |                      |                   |               |
| Liabilities:                                    |                      |                   |               |
| Accounts payable                                | \$ 1,016,696         | 25,327            | -             |
| Salaries and benefits payable                   | 300,522              | 42,514            | -             |
| Due to other funds                              | 351,802              | -                 | -             |
| Deferred revenue:                               |                      |                   |               |
| Succeeding year property tax                    | 730,000              | 593,000           | -             |
| Other                                           | 1,305,763            | 1,257,124         | -             |
| Compensated absences                            | 298,416              | 47,083            | -             |
| Deposits held in custody for others             | -                    | -                 | -             |
| Certificates payable                            | -                    | 10,280,000        | -             |
| Bonds payable                                   | -                    | -                 | -             |
| Total liabilities                               | <u>4,003,199</u>     | <u>12,245,048</u> | -             |
| Fund balances:                                  |                      |                   |               |
| Invested in capital assets, net of related debt | -                    | -                 | -             |
| Fund balances:                                  |                      |                   |               |
| Restricted                                      |                      |                   |               |
| Expendable:                                     |                      |                   |               |
| Scholarships and fellowships                    | -                    | 38,568            | -             |
| Loans                                           | -                    | -                 | 67,276        |
| Debt service                                    | -                    | -                 | -             |
| Cash reserve                                    | -                    | 288,745           | -             |
| Other                                           | -                    | 108,819           | -             |
| Unrestricted                                    | 5,559,642            | -                 | -             |
| Auxiliary enterprises                           | 3,839,304            | -                 | -             |
| Total fund balance                              | <u>9,398,946</u>     | <u>436,132</u>    | <u>67,276</u> |
| <b>Total liabilities and fund balances</b>      | <u>\$ 13,402,145</u> | <u>12,681,180</u> | <u>67,276</u> |

See accompanying independent auditor's report.

| Plant Funds     |                               |                        | Agency<br>Funds | Adjustments  | Total      |
|-----------------|-------------------------------|------------------------|-----------------|--------------|------------|
| Unex-<br>pended | Retirement of<br>Indebtedness | Investment<br>in Plant |                 |              |            |
| -               | -                             | -                      | -               | -            | 1,042,023  |
| -               | -                             | -                      | 521             | -            | 343,557    |
| 714,916         | -                             | -                      | -               | (1,066,718)  | -          |
| 730,000         | 820,000                       | -                      | -               | -            | 2,873,000  |
| -               | -                             | -                      | -               | -            | 2,562,887  |
| -               | -                             | -                      | 507             | -            | 346,006    |
| -               | -                             | -                      | 284,146         | -            | 284,146    |
| -               | -                             | -                      | -               | -            | 10,280,000 |
| -               | -                             | 5,150,000              | -               | -            | 5,150,000  |
| 1,444,916       | 820,000                       | 5,150,000              | 285,174         | (1,066,718)  | 22,881,619 |
| -               | -                             | 43,040,473             | -               | (15,017,667) | 28,022,806 |
| -               | -                             | -                      | -               | -            | 38,568     |
| -               | -                             | -                      | -               | -            | 67,276     |
| -               | 751,123                       | -                      | -               | -            | 751,123    |
| -               | -                             | -                      | -               | -            | 288,745    |
| -               | -                             | -                      | -               | -            | 108,819    |
| 4,688,315       | -                             | -                      | -               | -            | 10,247,957 |
| -               | -                             | -                      | -               | -            | 3,839,304  |
| 4,688,315       | 751,123                       | 43,040,473             | -               | (15,017,667) | 43,364,598 |
| 6,133,231       | 1,571,123                     | 48,190,473             | 285,174         | (16,084,385) | 66,246,217 |

Indian Hills Community College

Schedule of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

|                                                                                                              | Current Funds     |                   |
|--------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                                              | Unrestricted      | Restricted        |
| Revenues:                                                                                                    |                   |                   |
| General:                                                                                                     |                   |                   |
| State appropriations                                                                                         | \$ 11,471,787     | 268,237           |
| Tuition and fees                                                                                             | 9,290,403         | -                 |
| Property tax                                                                                                 | 824,449           | 619,902           |
| Federal appropriations                                                                                       | 957,813           | 7,594,343         |
| Sales and services                                                                                           | 57,281            | -                 |
| Interest on investments                                                                                      | 98,279            | 106,164           |
| Interest on student loans                                                                                    | -                 | -                 |
| Iowa Industrial New Jobs Training Program                                                                    | -                 | 2,044,904         |
| Increase in plant investment due to donated plant assets                                                     | -                 | -                 |
| Increase in plant investment due to plant expenditures<br>(including \$381,625 in current fund expenditures) | -                 | -                 |
| Increase in plant investment due to retirement of debt                                                       | -                 | -                 |
| Miscellaneous                                                                                                | 654,022           | 764,954           |
|                                                                                                              | <u>23,354,034</u> | <u>11,398,504</u> |
| Auxiliary enterprises:                                                                                       |                   |                   |
| Tuition and fees                                                                                             | 212,201           | -                 |
| Federal appropriations                                                                                       | 11,215            | -                 |
| Sales and services                                                                                           | 4,758,787         | -                 |
| Interest on investments                                                                                      | 38,690            | -                 |
| Reimbursement from operating funds for self<br>funded health insurance                                       | 1,345,163         | -                 |
| Miscellaneous                                                                                                | 79,888            | -                 |
|                                                                                                              | <u>6,445,944</u>  | <u>-</u>          |
| Total revenues                                                                                               | <u>29,799,978</u> | <u>11,398,504</u> |
| Expenditures:                                                                                                |                   |                   |
| Education and support:                                                                                       |                   |                   |
| Liberal arts and sciences                                                                                    | 3,276,112         | 243,653           |
| Vocational technical                                                                                         | 7,480,653         | 381,694           |
| Adult education                                                                                              | 2,173,683         | 926,032           |
| Cooperative services                                                                                         | 54,237            | 1,204,009         |
| Administration                                                                                               | 1,381,239         | 154,551           |
| Student services                                                                                             | 2,735,826         | 302,191           |
| Learning resources                                                                                           | 867,409           | -                 |
| Physical plant                                                                                               | 2,669,919         | 441,653           |
| General institution                                                                                          | 2,858,055         | 119,373           |
| Total education and support                                                                                  | <u>23,497,133</u> | <u>3,773,156</u>  |

| Loan Funds | Plant Funds |                            |                     | Adjustments | Total      |
|------------|-------------|----------------------------|---------------------|-------------|------------|
|            | Unex-pended | Retirement of Indebtedness | Investment in Plant |             |            |
| -          | -           | -                          | -                   | -           | 11,740,024 |
| -          | -           | -                          | -                   | (2,423,380) | 6,867,023  |
| -          | 824,448     | 894,516                    | -                   | -           | 3,163,315  |
| -          | -           | -                          | -                   | -           | 8,552,156  |
| -          | 248,333     | -                          | -                   | -           | 305,614    |
| -          | 117,170     | 11,119                     | -                   | -           | 332,732    |
| 76,330     | -           | -                          | -                   | -           | 76,330     |
| -          | -           | -                          | -                   | -           | 2,044,904  |
| -          | -           | -                          | 152,602             | -           | 152,602    |
| -          | -           | -                          | 2,193,041           | (2,193,041) | -          |
| -          | -           | -                          | 995,000             | (995,000)   | -          |
| 26,063     | 73,753      | -                          | -                   | (3,850)     | 1,514,942  |
| 102,393    | 1,263,704   | 905,635                    | 3,340,643           | (5,615,271) | 34,749,642 |
| -          | -           | -                          | -                   | -           | 212,201    |
| -          | -           | -                          | -                   | -           | 11,215     |
| -          | -           | -                          | -                   | (573,857)   | 4,184,930  |
| -          | -           | -                          | -                   | -           | 38,690     |
| -          | -           | -                          | -                   | -           | 1,345,163  |
| -          | -           | -                          | -                   | -           | 79,888     |
| -          | -           | -                          | -                   | (573,857)   | 5,872,087  |
| 102,393    | 1,263,704   | 905,635                    | 3,340,643           | (6,189,128) | 40,621,729 |
| -          | -           | -                          | -                   | (73,314)    | 3,446,451  |
| -          | -           | -                          | -                   | (206,223)   | 7,656,124  |
| -          | -           | -                          | -                   | (305,821)   | 2,793,894  |
| -          | -           | -                          | -                   | (770)       | 1,257,476  |
| -          | -           | -                          | -                   | (32,940)    | 1,502,850  |
| -          | -           | -                          | -                   | (87,359)    | 2,950,658  |
| -          | -           | -                          | -                   | (14,639)    | 852,770    |
| -          | -           | -                          | -                   | (48,891)    | 3,062,681  |
| -          | -           | -                          | -                   | (69,411)    | 2,908,017  |
| -          | -           | -                          | -                   | (839,368)   | 26,430,921 |

Indian Hills Community College

Schedule of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

|                                                              | Current Funds       |                   |
|--------------------------------------------------------------|---------------------|-------------------|
|                                                              | Unrestricted        | Restricted        |
| Expenditures (continued):                                    |                     |                   |
| Auxiliary enterprises                                        | 5,690,620           | -                 |
| Scholarships and grants                                      | -                   | 5,283,155         |
| Workforce Investment Act                                     | -                   | 1,444,968         |
| Loan cancellations and bad debts                             | -                   | -                 |
| Plant operations                                             | -                   | -                 |
| Plant asset acquisitions                                     | -                   | -                 |
| Retirement of indebtedness                                   | -                   | -                 |
| Disposal of plant assets                                     | -                   | -                 |
| Interest on indebtedness                                     | -                   | 632,708           |
| Depreciation                                                 | -                   | -                 |
| Loss on sale of capital assets                               | -                   | -                 |
| Total expenditures                                           | <u>29,187,753</u>   | <u>11,133,987</u> |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>612,225</u>      | <u>264,517</u>    |
| Transfers:                                                   |                     |                   |
| Mandatory transfers                                          | (465,440)           | -                 |
| Non-mandatory transfers                                      | 547,450             | (260,149)         |
| Total transfers                                              | <u>82,010</u>       | <u>(260,149)</u>  |
| Net                                                          | 694,235             | 4,368             |
| Fund balances beginning of year, as restated                 | <u>8,704,711</u>    | <u>431,764</u>    |
| Fund balances end of year                                    | <u>\$ 9,398,946</u> | <u>436,132</u>    |

See accompanying independent auditor's report.

| Loan<br>Funds | Plant Funds     |                               |                        | Adjustments  | Total      |
|---------------|-----------------|-------------------------------|------------------------|--------------|------------|
|               | Unex-<br>pended | Retirement of<br>Indebtedness | Investment<br>in Plant |              |            |
| -             | -               | -                             | -                      | (106,205)    | 5,584,415  |
| -             | -               | -                             | -                      | (2,423,380)  | 2,859,775  |
| -             | -               | -                             | -                      | (9,909)      | 1,435,059  |
| 84,906        | -               | -                             | -                      | -            | 84,906     |
| -             | 504,822         | -                             | -                      | -            | 504,822    |
| -             | 1,811,416       | -                             | -                      | (1,811,416)  | -          |
| -             | -               | 995,000                       | -                      | (995,000)    | -          |
| -             | -               | -                             | 255,557                | (255,557)    | -          |
| -             | -               | 289,275                       | -                      | -            | 921,983    |
| -             | -               | -                             | -                      | 1,369,322    | 1,369,322  |
| -             | -               | -                             | -                      | 251,707      | 251,707    |
| 84,906        | 2,316,238       | 1,284,275                     | 255,557                | (4,819,806)  | 39,442,910 |
| 17,487        | (1,052,534)     | (378,640)                     | 3,085,086              | (1,369,322)  | 1,178,819  |
| -             | -               | 465,440                       | -                      | -            | -          |
| -             | 29,309          | (316,610)                     | -                      | -            | -          |
| -             | 29,309          | 148,830                       | -                      | -            | -          |
| 17,487        | (1,023,225)     | (229,810)                     | 3,085,086              | (1,369,322)  | 1,178,819  |
| 49,789        | 5,711,540       | 980,933                       | 39,955,387             | (13,648,345) | 42,185,779 |
| 67,276        | 4,688,315       | 751,123                       | 43,040,473             | (15,017,667) | 43,364,598 |

Indian Hills Community College

Unrestricted Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Education and Support

Year ended June 30, 2003

|                                                              | Education                       |                         |                    |                              |
|--------------------------------------------------------------|---------------------------------|-------------------------|--------------------|------------------------------|
|                                                              | Liberal<br>Arts and<br>Sciences | Vocational<br>Technical | Adult<br>Education | Coopera-<br>tive<br>Services |
| Revenues:                                                    |                                 |                         |                    |                              |
| State appropriations                                         | \$ 3,385,631                    | 6,391,603               | 1,584,368          | -                            |
| Tuition and fees                                             | 3,675,313                       | 4,360,810               | 1,057,938          | 61,775                       |
| Property tax                                                 | -                               | -                       | -                  | -                            |
| Federal appropriations                                       | 6,005                           | 392,034                 | 424,774            | -                            |
| Sales and services                                           | 319                             | 2,749                   | 26,665             | -                            |
| Interest on investments                                      | 85,271                          | -                       | -                  | -                            |
| Miscellaneous                                                | -                               | 8,031                   | 11,120             | -                            |
|                                                              | 7,152,539                       | 11,155,227              | 3,104,865          | 61,775                       |
| Allocation of support services                               | 545,092                         | 1,090,184               | 244,352            | -                            |
| Total revenues                                               | 7,697,631                       | 12,245,411              | 3,349,217          | 61,775                       |
| Expenditures:                                                |                                 |                         |                    |                              |
| Salaries and benefits                                        | 3,031,726                       | 6,907,264               | 1,450,683          | 51,429                       |
| Services                                                     | 60,305                          | 105,922                 | 455,361            | -                            |
| Materials and supplies                                       | 152,051                         | 331,372                 | 139,145            | -                            |
| Travel                                                       | 24,844                          | 75,117                  | 43,994             | 2,808                        |
| Loan cancellation and bad debts                              | -                               | -                       | 18,118             | -                            |
| Administrative and collections                               | -                               | -                       | -                  | -                            |
| Plant asset acquisitions                                     | -                               | 59,616                  | 6,050              | -                            |
| Cost of goods sold                                           | 7,066                           | 626                     | 22,836             | -                            |
| Miscellaneous                                                | 120                             | 736                     | 37,496             | -                            |
|                                                              | 3,276,112                       | 7,480,653               | 2,173,683          | 54,237                       |
| Allocation of support services                               | 3,048,610                       | 6,097,220               | 1,366,618          | -                            |
| Total expenditures                                           | 6,324,722                       | 13,577,873              | 3,540,301          | 54,237                       |
| Excess (deficiency) of revenues<br>over (under) expenditures | 1,372,909                       | (1,332,462)             | (191,084)          | 7,538                        |
| Transfers:                                                   |                                 |                         |                    |                              |
| Non-mandatory transfers                                      | -                               | 130,000                 | 250,046            | -                            |
| Net                                                          | \$ 1,372,909                    | (1,202,462)             | 58,962             | 7,538                        |
| 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 |                             |
| -                      | -                | 89,647             | 4,912          | 15,626              | 11,471,787                  |
| 340                    | 134,227          | -                  | -              | -                   | 9,290,403                   |
| 824,449                | -                | -                  | -              | -                   | 824,449                     |
| -                      | 135,000          | -                  | -              | -                   | 957,813                     |
| -                      | 9,310            | 5,630              | -              | 12,608              | 57,281                      |
| 13,008                 | -                | -                  | -              | -                   | 98,279                      |
| 192,714                | 10,991           | 2,322              | 373,196        | 55,648              | 654,022                     |
| 1,030,511              | 289,528          | 97,599             | 378,108        | 83,882              | 23,354,034                  |
| (1,030,511)            | (289,528)        | (97,599)           | (378,108)      | (83,882)            | -                           |
| -                      | -                | -                  | -              | -                   | 23,354,034                  |
| 886,854                | 2,488,447        | 436,007            | 1,426,643      | 1,652,559           | 18,331,612                  |
| 85,814                 | 114,808          | 293,750            | 956,279        | 904,742             | 2,976,981                   |
| 14,333                 | 110,989          | 128,124            | 256,999        | 140,491             | 1,273,504                   |
| 51,714                 | 20,141           | 4,450              | 1,013          | 55,862              | 279,943                     |
| 297,506                | -                | -                  | -              | -                   | 315,624                     |
| 44,082                 | -                | -                  | -              | -                   | 44,082                      |
| -                      | -                | -                  | 28,985         | 13,468              | 108,119                     |
| -                      | -                | -                  | -              | -                   | 30,528                      |
| 936                    | 1,441            | 5,078              | -              | 90,933              | 136,740                     |
| 1,381,239              | 2,735,826        | 867,409            | 2,669,919      | 2,858,055           | 23,497,133                  |
| (1,381,239)            | (2,735,826)      | (867,409)          | (2,669,919)    | (2,858,055)         | -                           |
| -                      | -                | -                  | -              | -                   | 23,497,133                  |
| -                      | -                | -                  | -              | -                   | (143,099)                   |
| 7,218                  | -                | -                  | -              | (100,000)           | 287,264                     |
| 7,218                  | -                | -                  | -              | (100,000)           | 144,165                     |
|                        |                  |                    |                |                     | 5,415,477                   |
|                        |                  |                    |                |                     | <u>\$ 5,559,642</u>         |



**Schedule 4**

## Indian Hills Community College

## Unrestricted Fund

## Schedule of Revenues, Expenditures, and Changes in Fund Balance

## Auxiliary Enterprises

Year ended June 30, 2003

|                                                                         | Institutional<br>Services | Education<br>Program | Miscellaneous    | Total            |
|-------------------------------------------------------------------------|---------------------------|----------------------|------------------|------------------|
| Revenues:                                                               |                           |                      |                  |                  |
| Tuition and fees                                                        | \$ -                      | -                    | 212,201          | 212,201          |
| Federal appropriations                                                  | -                         | 11,215               | -                | 11,215           |
| Sales and services                                                      | 2,762,177                 | 1,339,692            | 656,918          | 4,758,787        |
| Interest on investments                                                 | 1,448                     | -                    | 37,242           | 38,690           |
| Reimbursements from operating funds for<br>self funded health insurance | 1,345,163                 | -                    | -                | 1,345,163        |
| Miscellaneous                                                           | 25,876                    | 29,745               | 24,267           | 79,888           |
| Total revenues                                                          | <u>4,134,664</u>          | <u>1,380,652</u>     | <u>930,628</u>   | <u>6,445,944</u> |
| Expenditures:                                                           |                           |                      |                  |                  |
| Salaries and benefits                                                   | 260,243                   | 645,615              | 76,508           | 982,366          |
| Services                                                                | 232,732                   | 159,706              | 267,141          | 659,579          |
| Materials and supplies                                                  | 91,441                    | 17,714               | 17,653           | 126,808          |
| Travel                                                                  | 11,396                    | 1,089                | 2,002            | 14,487           |
| Loan cancellation and bad debts                                         | 32,194                    | -                    | -                | 32,194           |
| Plant asset acquisitions                                                | 23,250                    | -                    | -                | 23,250           |
| Group health claims                                                     | 1,351,167                 | -                    | -                | 1,351,167        |
| Miscellaneous                                                           | 25,688                    | 15,672               | -                | 41,360           |
| Cost of goods sold                                                      | 1,876,694                 | 582,715              | -                | 2,459,409        |
| Total expenditures                                                      | <u>3,904,805</u>          | <u>1,422,511</u>     | <u>363,304</u>   | <u>5,690,620</u> |
| Excess (deficiency) of revenues<br>over (under) expenditures            | <u>229,859</u>            | <u>(41,859)</u>      | <u>567,324</u>   | <u>755,324</u>   |
| Transfers:                                                              |                           |                      |                  |                  |
| Mandatory transfers                                                     | -                         | -                    | (465,440)        | (465,440)        |
| Non-mandatory transfers                                                 | 32,799                    | (90,261)             | 317,648          | 260,186          |
| Total transfers                                                         | <u>32,799</u>             | <u>(90,261)</u>      | <u>(147,792)</u> | <u>(205,254)</u> |
| Net                                                                     | 262,658                   | (132,120)            | 419,532          | 550,070          |
| Fund balances beginning of year                                         | <u>2,636,926</u>          | <u>129,347</u>       | <u>522,961</u>   | <u>3,289,234</u> |
| Fund balances end of year                                               | <u>\$ 2,899,584</u>       | <u>(2,773)</u>       | <u>942,493</u>   | <u>3,839,304</u> |

See accompanying independent auditor's report.

**Indian Hills Community College**

Indian Hills Community College

Restricted Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Year ended June 30, 2003

|                                                              | Scholarships<br>and<br>Grants | Equipment<br>Replacement | Tort<br>Liability | Insurance |
|--------------------------------------------------------------|-------------------------------|--------------------------|-------------------|-----------|
| Revenues:                                                    |                               |                          |                   |           |
| State appropriations                                         | \$ 213,537                    | -                        | -                 | -         |
| Property tax                                                 | -                             | 122,128                  | 61,215            | 411,151   |
| Federal appropriations                                       | 4,298,180                     | -                        | -                 | -         |
| Interest on investments                                      | -                             | -                        | -                 | -         |
| Iowa Industrial New Jobs Training Program                    | -                             | -                        | -                 | -         |
| Miscellaneous                                                | 761,329                       | -                        | -                 | -         |
| Total revenues                                               | 5,273,046                     | 122,128                  | 61,215            | 411,151   |
| Expenditures:                                                |                               |                          |                   |           |
| Salaries and benefits                                        | -                             | -                        | -                 | -         |
| Services                                                     | 11,478                        | -                        | 119,373           | 441,653   |
| Materials and supplies                                       | -                             | 102,755                  | -                 | -         |
| Travel                                                       | -                             | -                        | -                 | -         |
| Interest on indebtedness                                     | -                             | -                        | -                 | -         |
| Awards to subrecipients                                      | -                             | -                        | -                 | -         |
| Plant asset acquisitions                                     | -                             | 19,373                   | -                 | -         |
| Miscellaneous                                                | -                             | -                        | -                 | -         |
| Federal Pell grant program                                   | 4,188,765                     | -                        | -                 | -         |
| Federal supplemental educational opportunity<br>grant        | 97,790                        | -                        | -                 | -         |
| Iowa College Student Aid Commission                          | 219,481                       | -                        | -                 | -         |
| Private scholarships                                         | 765,641                       | -                        | -                 | -         |
| Total expenditures                                           | 5,283,155                     | 122,128                  | 119,373           | 441,653   |
| Excess (deficiency) of revenues<br>over (under) expenditures | (10,109)                      | -                        | (58,158)          | (30,502)  |
| Transfers:                                                   |                               |                          |                   |           |
| Non-mandatory transfers                                      | -                             | -                        | -                 | -         |
| Net                                                          | (10,109)                      | -                        | (58,158)          | (30,502)  |
| Fund balances beginning of year                              | 48,677                        | -                        | 48,865            | 61,741    |
| Fund balances end of year                                    | \$ 38,568                     | -                        | (9,293)           | 31,239    |

See accompanying independent auditor's report.

| Unemploy-<br>ment<br>Compen-<br>sation | Higher<br>Education<br>Institutional<br>Aid (Title III) | Workforce<br>Investment<br>Act | Iowa<br>Industrial<br>New Jobs<br>Training<br>Program | Miscel-<br>laneous | Total      |
|----------------------------------------|---------------------------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|------------|
| -                                      | -                                                       | -                              | -                                                     | 54,700             | 268,237    |
| 25,408                                 | -                                                       | -                              | -                                                     | -                  | 619,902    |
| -                                      | 334,265                                                 | 1,447,154                      | -                                                     | 1,514,744          | 7,594,343  |
| -                                      | -                                                       | -                              | 106,164                                               | -                  | 106,164    |
| -                                      | -                                                       | -                              | 2,044,904                                             | -                  | 2,044,904  |
| -                                      | -                                                       | -                              | -                                                     | 3,625              | 764,954    |
| 25,408                                 | 334,265                                                 | 1,447,154                      | 2,151,068                                             | 1,573,069          | 11,398,504 |
| 32,423                                 | 212,837                                                 | 752,355                        | 135,135                                               | 409,535            | 1,542,285  |
| -                                      | 4,744                                                   | 222,778                        | 1,066,273                                             | 428,840            | 2,295,139  |
| -                                      | 72,515                                                  | 88,611                         | -                                                     | 429,850            | 693,731    |
| -                                      | 12,095                                                  | 24,303                         | 2,601                                                 | 19,655             | 58,654     |
| -                                      | -                                                       | -                              | 632,708                                               | -                  | 632,708    |
| -                                      | -                                                       | 356,921                        | -                                                     | -                  | 356,921    |
| -                                      | -                                                       | -                              | -                                                     | 230,883            | 250,256    |
| -                                      | -                                                       | -                              | -                                                     | 32,616             | 32,616     |
| -                                      | -                                                       | -                              | -                                                     | -                  | 4,188,765  |
| -                                      | -                                                       | -                              | -                                                     | -                  | 97,790     |
| -                                      | -                                                       | -                              | -                                                     | -                  | 219,481    |
| -                                      | -                                                       | -                              | -                                                     | -                  | 765,641    |
| 32,423                                 | 302,191                                                 | 1,444,968                      | 1,836,717                                             | 1,551,379          | 11,133,987 |
| (7,015)                                | 32,074                                                  | 2,186                          | 314,351                                               | 21,690             | 264,517    |
| -                                      | (32,074)                                                | -                              | (314,351)                                             | 86,276             | (260,149)  |
| (7,015)                                | -                                                       | 2,186                          | -                                                     | 107,966            | 4,368      |
| 16,303                                 | -                                                       | 15,185                         | -                                                     | 240,993            | 431,764    |
| 9,288                                  | -                                                       | 17,371                         | -                                                     | 348,959            | 436,132    |

**Schedule 6**

## Indian Hills Community College

## Agency Funds

## Schedule of Changes in Deposits Held in Custody for Others

Year ended June 30, 2003

|                                 | Athletics<br>and Student<br>Organizations | Federal<br>Direct<br>Student<br>Loan<br>Program | Retraining<br>Program<br>(HF 550) | Miscel-<br>laneous | Total     |
|---------------------------------|-------------------------------------------|-------------------------------------------------|-----------------------------------|--------------------|-----------|
| Balance beginning of year       | \$ (502)                                  | -                                               | 157,782                           | (6,171)            | 151,109   |
| Additions:                      |                                           |                                                 |                                   |                    |           |
| State appropriations            | -                                         | -                                               | 290,524                           | -                  | 290,524   |
| Federal appropriations          | -                                         | 7,374,466                                       | -                                 | -                  | 7,374,466 |
| Tuition and fees                | 190,793                                   | -                                               | -                                 | -                  | 190,793   |
| Sales and services              | 165,683                                   | -                                               | -                                 | 54,358             | 220,041   |
| Miscellaneous                   | 145,510                                   | -                                               | -                                 | 870,515            | 1,016,025 |
| Flexible spending contributions | -                                         | -                                               | -                                 | 201,522            | 201,522   |
| Total additions                 | 501,986                                   | 7,374,466                                       | 290,524                           | 1,126,395          | 9,293,371 |
| Deductions:                     |                                           |                                                 |                                   |                    |           |
| Salaries and benefits           | 4,011                                     | -                                               | -                                 | 103,472            | 107,483   |
| Services                        | 93,058                                    | -                                               | -                                 | 48,297             | 141,355   |
| Materials and supplies          | 105,698                                   | -                                               | -                                 | 5,567              | 111,265   |
| Travel                          | 205,468                                   | -                                               | -                                 | 647                | 206,115   |
| Miscellaneous                   | 36,305                                    | -                                               | 296,101                           | 706,877            | 1,039,283 |
| Cost of goods sold              | 12,141                                    | -                                               | -                                 | -                  | 12,141    |
| Direct student loans            | -                                         | 7,374,466                                       | -                                 | -                  | 7,374,466 |
| Flexible spending disbursements | -                                         | -                                               | -                                 | 168,226            | 168,226   |
| Total deductions                | 456,681                                   | 7,374,466                                       | 296,101                           | 1,033,086          | 9,160,334 |
| Balance end of year             | \$ 44,803                                 | -                                               | 152,205                           | 87,138             | 284,146   |

See accompanying independent auditor's report.

**Indian Hills Community College**

**Schedule 7**

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Indian Hills Community College  
Schedule of Credit and Contact Hours  
Year ended June 30, 2003

| Category                               | Credit Hours        |                         |                | Contact Hours       |                         |                  |
|----------------------------------------|---------------------|-------------------------|----------------|---------------------|-------------------------|------------------|
|                                        | Eligible<br>for Aid | Not Eligible<br>for Aid | Total          | Eligible<br>for Aid | Not Eligible<br>for Aid | Total            |
| Arts and Sciences                      | 46,767              | -                       | 46,767         | 889,766             | -                       | 889,766          |
| Vocational Education                   | 55,689              | 166                     | 55,855         | 1,679,754           | -                       | 1,679,754        |
| Adult Education / Continuing Education | -                   | -                       | -              | 338,398             | 13,621                  | 352,019          |
| Cooperative programs/services          | -                   | -                       | -              | -                   | -                       | -                |
| Related Services and Activities        | -                   | -                       | -              | 41,160              | 6,900                   | 48,060           |
| Total                                  | <u>102,456</u>      | <u>166</u>              | <u>102,622</u> | <u>2,949,078</u>    | <u>20,521</u>           | <u>2,969,599</u> |

See accompanying independent auditor's report.

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Indian Hills Community College  
Schedule of Tax and Intergovernmental Revenues

|                      | Years ended June 30, |                   |                   |                   |
|----------------------|----------------------|-------------------|-------------------|-------------------|
|                      | 2003                 | 2002              | 2001              | 2000              |
| Local (property tax) | \$ 3,163,315         | 3,039,503         | 3,046,900         | 2,869,641         |
| State                | 11,740,024           | 12,569,921        | 12,983,480        | 12,370,070        |
| Federal              | 8,563,371            | 7,753,398         | 6,195,634         | 5,487,804         |
| Total                | <u>\$ 23,466,710</u> | <u>23,362,822</u> | <u>22,226,014</u> | <u>20,727,515</u> |

See accompanying independent auditor's report.



**Schedule 9**

## Indian Hills Community College

Schedule of Current Fund Revenues by Source  
and Expenditures by Function

For the Last Four Years

|                                              | Years ended June 30, |                   |                   |                   |
|----------------------------------------------|----------------------|-------------------|-------------------|-------------------|
|                                              | 2003                 | 2002              | 2001              | 2000              |
| Revenues:                                    |                      |                   |                   |                   |
| State appropriations                         | \$ 11,740,024        | 11,903,254        | 12,931,112        | 12,370,070        |
| Tuition and fees                             | 9,290,403            | 8,153,196         | 6,769,630         | 6,510,194         |
| Property tax                                 | 1,444,351            | 1,456,252         | 1,445,763         | 1,294,972         |
| Federal appropriations                       | 8,552,156            | 7,741,431         | 6,181,892         | 5,474,542         |
| Sales and services                           | 57,281               | 28,982            | 36,439            | 27,476            |
| Interest on investments                      | 204,443              | 323,758           | 611,783           | 580,712           |
| Iowa Industrial New Jobs<br>Training Program | 2,044,904            | 2,691,786         | 2,487,532         | 2,866,505         |
| Auxiliary enterprises                        | 6,445,944            | 6,092,312         | 6,526,862         | 5,680,137         |
| Miscellaneous                                | 1,418,976            | 973,531           | 845,564           | 523,689           |
| Total                                        | <u>\$ 41,198,482</u> | <u>39,364,502</u> | <u>37,836,577</u> | <u>35,328,297</u> |
| Expenditures:                                |                      |                   |                   |                   |
| Liberal arts and sciences                    | \$ 3,519,765         | 3,130,772         | 3,390,166         | 3,310,501         |
| Vocational technical                         | 7,862,347            | 7,681,105         | 7,171,627         | 6,999,223         |
| Adult education                              | 3,099,715            | 2,222,860         | 1,844,938         | 2,190,427         |
| Cooperative services                         | 1,890,954            | 2,637,049         | 3,409,073         | 3,455,604         |
| Administration                               | 1,535,790            | 1,269,738         | 1,365,426         | 1,254,373         |
| Student services                             | 3,038,017            | 2,952,997         | 2,234,009         | 1,894,794         |
| Learning resources                           | 867,409              | 804,581           | 897,957           | 972,227           |
| Physical plant                               | 3,111,572            | 2,661,665         | 2,706,806         | 2,575,514         |
| General institution                          | 2,977,428            | 2,843,839         | 2,755,138         | 2,548,611         |
| Auxiliary enterprises                        | 5,690,620            | 5,339,799         | 5,912,931         | 5,146,837         |
| Scholarships and grants                      | 5,283,155            | 4,196,945         | 3,123,861         | 2,850,247         |
| Workforce Investment Act                     | 1,444,968            | 2,015,869         | 1,485,069         | -                 |
| Job Training Partnership Act                 | -                    | -                 | -                 | 1,589,085         |
| Total                                        | <u>\$ 40,321,740</u> | <u>37,757,219</u> | <u>36,297,001</u> | <u>34,787,443</u> |

See accompanying independent auditor's report.

Indian Hills Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2003

| Grantor/Program                                            | CFDA<br>Number | Agency or<br>Pass-through<br>Number | Program<br>Expenditures | New Loans<br>and New Loan<br>Guarantees |
|------------------------------------------------------------|----------------|-------------------------------------|-------------------------|-----------------------------------------|
| Direct:                                                    |                |                                     |                         |                                         |
| U.S. Department of Education:                              |                |                                     |                         |                                         |
| Student Financial Aid - Cluster:                           |                |                                     |                         |                                         |
| Federal Supplemental Educational Opportunity Grant         | 84.007         |                                     | 109,415                 | -                                       |
| Federal Direct Loan                                        | 84.268         |                                     | -                       | 7,374,466                               |
| Federal Work-Study Program                                 | 84.033         |                                     | 135,000                 | -                                       |
| Federal Pell Grant Program                                 | 84.063         |                                     | 4,188,765               | -                                       |
|                                                            |                |                                     | <u>4,433,180</u>        | <u>7,374,466</u>                        |
| TRIO Cluster:                                              |                |                                     |                         |                                         |
| TRIO-Student Support Services                              | 84.042         |                                     | 249,658                 | -                                       |
| TRIO-Educational Opportunity Center                        | 84.066         |                                     | 92,850                  | -                                       |
|                                                            |                |                                     | <u>342,508</u>          |                                         |
| Higher Education-Institutional Aid                         | 84.031         |                                     | 334,265                 | -                                       |
| Congregational Set-aside                                   | 84.116Z        |                                     | 697,624                 | -                                       |
| Community Technology Centers                               | 84.341         |                                     | 157,260                 | -                                       |
| National Science Foundation:                               |                |                                     |                         |                                         |
| Education and Human Resources                              | 47.076         |                                     | 219,042                 | -                                       |
| Total direct                                               |                |                                     | <u>6,183,879</u>        | -                                       |
| Indirect:                                                  |                |                                     |                         |                                         |
| U.S. Department of Agriculture:                            |                |                                     |                         |                                         |
| Indirect through Iowa Department of Education:             |                |                                     |                         |                                         |
| Child and Adult Care Food Program                          | 10.558         |                                     | 11,215                  | -                                       |
| Rural Utilities Services                                   |                |                                     | 94,028                  | -                                       |
|                                                            |                |                                     | <u>105,243</u>          | -                                       |
| U.S. Department of Labor:                                  |                |                                     |                         |                                         |
| Indirect through Iowa Department of Education:             |                |                                     |                         |                                         |
| Mine Health and Safety Grants                              | 17.600         |                                     | 2,400                   | -                                       |
| Indirect through Iowa Department of Workforce Development: |                |                                     |                         |                                         |
| Employment Service                                         | 17.207         | 1-W-15-FR                           | 38,786                  | -                                       |
| Unemployment Insurance                                     | 17.225         | 1-W-15-FR                           | 25,794                  | -                                       |
| Welfare-to-Work Grants to States and Localities            | 17.253         | 1-W-15-FR                           | 128,090                 | -                                       |
| Local Veterans' Employment Representative Program          | 17.804         | 1-W-15-FR                           | 2,609                   | -                                       |
| NAAFRA Rapid Response                                      | 17.000         |                                     | 25,532                  | -                                       |
| WIA Cluster:                                               |                |                                     |                         |                                         |
| WIA Adult Program                                          | 17.258         | 1-W-15-FR                           | 313,251                 | -                                       |
| WIA Youth Activities                                       | 17.259         | 1-W-15-FR                           | 199,813                 | -                                       |
| WIA Dislocated Workers                                     | 17.260         | 1-W-15-FR                           | 208,723                 | -                                       |
|                                                            |                |                                     | <u>721,787</u>          | -                                       |

**Schedule 10**

## Indian Hills Community College

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

| Grantor/Program                                                                                                                                       | CFDA<br>Number | Agency or<br>Pass-through<br>Number | Program<br>Expenditures | New Loans<br>and New Loan<br>Guarantees |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------------------------|-------------------------|-----------------------------------------|
| U.S. Federal Mediation and Conciliation Service<br>Indirect through Iowa Department of Workforce Development:<br>Labor Management Cooperation         | 34.002         |                                     | 3,699                   | -                                       |
| Small Business Administration:<br>Indirect through Iowa State University:<br>Small Business Development Center                                        | 59.037         |                                     | 55,519                  | -                                       |
| U.S. Department of Education:<br>Indirect through Iowa Department of Education:<br>Adult Education - State Grant Program                              | 84.002         |                                     | 250,878                 | -                                       |
| 353 Project - National Adult Literacy Survey                                                                                                          | 84.002         |                                     | 8,101                   | -                                       |
| Teacher Training                                                                                                                                      | 84.002         |                                     | 6,135                   | -                                       |
|                                                                                                                                                       |                |                                     | 265,114                 | -                                       |
| Vocational Education - Basic Grants to States:<br>Title II-C, Carl Perkins Allotment                                                                  | 84.048         |                                     | 392,034                 | -                                       |
| Tech-Prep Education                                                                                                                                   | 84.243         |                                     | 112,028                 | -                                       |
| U.S. Department of Health and Human Services:<br>Indirect through Iowa Department of Workforce Development<br>Temporary Assistance for Needy Families | 93.558         |                                     | 462,454                 | -                                       |
| Temporary Assistance for Needy Families                                                                                                               | 93.558         | 1-W-15-FR                           | 38,403                  | -                                       |
|                                                                                                                                                       |                |                                     | 500,857                 | -                                       |
| Total indirect                                                                                                                                        |                |                                     | 2,379,492               | -                                       |
| Total                                                                                                                                                 |                |                                     | \$8,563,371             | 7,374,466                               |

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

See accompanying independent auditor's report.



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

State Capitol Building  
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Directors of  
Indian Hills Community College:

We have audited the statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, of Indian Hills Community College, Ottumwa, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 24, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance that is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2003 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.

Internal Control Over Financial Reporting

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

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. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 24, 2003



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

State Capitol Building  
Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance

To the Board of Directors of  
Indian Hills Community College:

Compliance

We have audited the compliance of Indian Hills Community College, Ottumwa, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. 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 grants 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, Chapter 11 of the Code of Iowa, 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 provisions 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Indian Hills Community College's compliance with those requirements.

In our opinion, Indian Hills Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

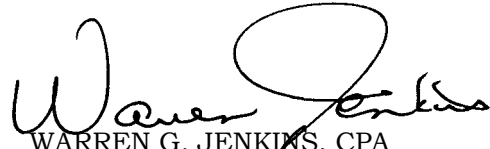
The management of Indian Hills Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Indian Hills Community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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 24, 2003

Indian Hills Community College  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2003

**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 disclosed.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number – 47.076 Education and Human Resources
  - CFDA Number – 84.116Z Congressional Set-aside
  - CFDA Number – 93.558 Temporary Assistance for Needy Families
  - TRIO Cluster:
    - CFDA Number – 84.042 TRIO - Student Support Services
    - CFDA Number – 84.066 TRIO – Educational Opportunity Center
  - Student Financial Aid – Cluster:
    - CFDA Number – 84.007 Federal Supplemental Educational Opportunity Grant
    - CFDA Number – 84.033 Federal Work-Study Program
    - CFDA Number – 84.063 Federal Pell Grant Program
    - CFDA Number – 84.268 Federal Direct Student Loan
- (h) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (i) Indian Hills Community College did qualify as a low-risk auditee.



Indian Hills Community College  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2003

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

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

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

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No material weaknesses in internal control over compliance were noted.

Indian Hills Community College

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

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

- IV-A-03 Official Depositories – Official depositories have been adopted by the Board. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2003.
- IV-B-03 Certified Budget – Expenditures for the year ended June 30, 2003 did not exceed the amounts budgeted.
- IV-C-03 Questionable Disbursements – No expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-D-03 Travel Expense – No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.
- IV-E-03 Business Transactions – No business transactions between the College and College officials or employees were noted.
- IV-F-03 Bond Coverage – Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-03 Publication – The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.
- IV-I-03 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.
- IV-J-03 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.

However, one instance was identified where a student had withdrawn from class prior to the withdrawal date and was not removed from the credit contact hour schedule.

Recommendation – The College should develop procedures to ensure students who withdraw from the College are removed from detailed records.

Response – Withdrawal procedures have been reviewed and are considered to be comprehensive. The College continues to make every effort to assure complete and timely recording of withdrawal forms.

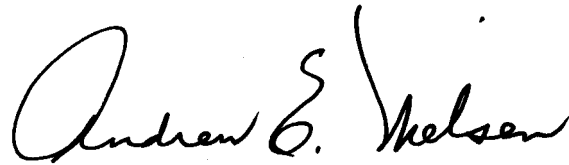
Conclusion – Response accepted.

Indian Hills Community College

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
James S. Cunningham, CPA, Senior Auditor II  
Jeremy J. Howard, CPA, Senior Auditor  
Daniel L. Durbin, CPA, Staff Auditor  
Erin M. Scharingson, Staff Auditor  
Jodi L. Simon, CPA, Staff Auditor  
Kip M. Druecker, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State