

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

November 14, 2014

Contact: Andy Nielsen
515-281-5834

Auditor of State Mary Mosiman today released an audit report on Indian Hills Community College in Ottumwa, Iowa.

The College's primary government operating revenues totaled \$27,322,857 for the year ended June 30, 2014, a 2.4% increase over the prior year, and included \$13,439,465 from tuition and fees, \$4,679,819 from the federal government and \$5,489,871 from auxiliary enterprises.

Operating expenses for the year ended June 30, 2014 totaled \$57,205,570, a 3.1% decrease from the prior year, and included \$32,480,452 for salaries and benefits, \$8,328,365 for services and \$3,082,048 for materials and supplies.

Non-operating revenues totaled \$31,369,714, including \$18,099,666 from the state, \$7,823,914 from Pell grants, \$4,143,844 from property tax and \$1,151,013 in scholarships for the benefit of students from the Indian Hills Community College Foundation. Non-operating expenses totaled \$273,381, and consisted primarily of interest on indebtedness. The College's net position increased \$1,213,620 during the year.

A copy of the audit report is available for review in the Board Secretary's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1431-1500-B00F.pdf>.

###

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

JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-7
Management's Discussion and Analysis		9-15
Basic Financial Statements:	<u>Exhibit</u>	
Statement of Net Position	A	18-19
Statement of Revenues, Expenses and Changes in Net Position	B	20-21
Statement of Cash Flows	C	22-23
Component Unit Financial Statements:		
Statement of Net Assets	D	24
Statement of Revenues, Expenses and Changes in Net Assets	E	25
Notes to Financial Statements		26-38
Required Supplementary Information:		
Schedule of Funding Progress for the Retiree Health Plan		40
Supplementary Information:	<u>Schedule</u>	
Budgetary Comparison Schedule of Expenditures – Budget to Actual	1	43
Balance Sheet – All Funds	2	44-47
Schedule of Revenues, Expenditures and Changes in Fund Balances – All Funds	3	48-51
Unrestricted Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balances – Education and Support	4	52-53
Schedule of Revenues, Expenditures and Changes in Fund Balances – Auxiliary Enterprises	5	54
Schedule of Revenues, Expenditures and Changes in Fund Balances – Restricted Fund	6	56-57
Schedule of Changes in Deposits Held in Custody for Others	7	58
Schedule of Credit and Contact Hours	8	59
Schedule of Tax and Intergovernmental Revenues	9	60-61
Schedule of Current Fund Revenues by Source and Expenditures by Function	10	62-63
Schedule of Expenditures of Federal Awards	11	64-65
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		67-68
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133		69-70
Schedule of Findings and Questioned Costs		71-74
Staff		75

Indian Hills Community College

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Trustees		
John Pothoven	President	2015
Tom Keck	Vice President	2017
Judith A. Cox	Member	2015
Richard Gaumer	Member	2017
Kevin M. Kness	Member	2015
George E. Manning	Member	2015
Robert L. Pitsch	Member	(Resigned Dec 2013)
Sharon Kline	Member	(Resigned May 2014)
Richard Sharp	Member	(Resigned June 2014)
Alan M. Wilson (Appointed June 2014)	Member	2015
Beth Danowsky (Appointed Jan 2014)	Member	2017
Jerry Kirkpatrick (Appointed June 2014)	Member	2017

Community College

Dr. Jim Lindenmayer	President	(Retired Oct 2013)
Dr. Marlene Sprouse	President	(Appointed Nov 2013)
Susan Pixley	Chief Financial Officer and Board Treasurer	(Retired Aug 2013)
Bill Meck	Chief Financial Officer and Board Treasurer	(Appointed Aug 2013)
Anne Leathers	College Accountant	
Kala Mulder	Controller\Grants Accountant	

Indian Hills Community College



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Board of Trustees of
Indian Hills Community College:

Report on the Financial Statements

We have audited the accompanying financial statements of Indian Hills Community College, Ottumwa, Iowa, and its aggregate discretely presented component units, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the College's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units of the Community College discussed in note 1, which represent 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those units, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the component units were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian Hills Community College and its aggregate discretely presented component units as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information


Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Indian Hills Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of Indian Hills Community College's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2014 on our consideration of Indian Hills Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Indian Hills Community College's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 29, 2014

Indian Hills Community College

MANAGEMENT'S DISCUSSION AND ANALYSIS

Indian Hills Community College provides this Management's Discussion and Analysis of the College's financial statements for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Total net position of the College increased approximately \$1.2 million, or 2.0%, primarily due to decreased operational costs.
- The College redeemed outstanding dormitory revenue refunding bonds payable totaling \$1,825,000 in April 2014, producing a savings of approximately \$87,000 in aggregate debt service payments.
- The College issued \$1,370,000 of certificates in June 2014 for an Iowa Industrial New Jobs Training Program project.
- The College issued \$1,790,000 of certificates in June 2014 for a current refunding of outstanding certificates, Series 2007-1A, 2007-1B and 2009-1, totaling \$1,760,000, producing a savings of approximately \$99,000 in aggregate debt service payments. The \$1,760,000 of certificates refunded were redeemed on July 11, 2014.
- The College redeemed outstanding Series 2008 callable certificates payable totaling \$1,635,000 in June 2014, producing a savings of \$222,545 in aggregate debt service payments.

USING THIS ANNUAL REPORT

The intent of this discussion and analysis is to serve as an introduction to Indian Hills Community College's basic financial statements and provide an analytical overview of the College's financial activities. The annual report consists of a series of financial statements, as follows: The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements provide information about the activities of the College as a whole and present an overall view of the College's finances. The Notes to Financial Statements provide a narrative of accounting policies and further explanation essential to understanding the data provided in the financial statements. Required Supplementary Information includes the Schedule of Funding Progress for the Retiree Health Plan. Supplementary Information includes schedules which provide a comparison of the College's budget for the year, detailed information about the individual funds and the Schedule of Expenditures of Federal Awards, which provides details of various federal programs benefiting the College.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

The Statement of Net Position

The Statement of Net Position presents financial information on all of the College's assets, liabilities and deferred inflows of resources, with the difference reported as net position. The Statement of Net Position is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The Statement of Net Position includes year-end information concerning current and non-current assets, current and non-current liabilities, deferred inflows of resources and net position. Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net position. The statement presents the available assets which can be used to satisfy liabilities owed to outside vendors and creditors.

Net Position

	June 30,	
	2014	2013 (Restated)
Current and other assets	\$ 31,505,158	31,611,020
Capital assets, net of accumulated depreciation/amortization	47,195,098	47,401,880
Total assets	78,700,256	79,012,900
Current liabilities	8,650,336	7,088,528
Noncurrent liabilities	3,561,919	7,377,828
Total liabilities	12,212,255	14,466,356
Deferred inflows of resources	4,452,776	3,724,939
Net position:		
Net investment in capital assets	47,195,098	45,576,880
Restricted	2,088,637	2,028,901
Unrestricted	12,751,490	13,215,824
Total net position	\$ 62,035,225	60,821,605

The largest portion of the College's net position (76%) is in the category 'Net Investment in capital assets' (land, buildings and equipment). The restricted portion of the net position represents resources subject to external restrictions. The remaining net position is unrestricted and may be used to meet the College's operating obligations as they become due.

Statement of Revenues, Expenses and Changes in Net Position

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

Generally, a public, state supported college, such as Indian Hills Community College, will report an operating loss as the financial reporting model classifies state appropriations, Pell grants and property tax as non-operating revenues. Operating revenues are received for providing goods and services to the students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire and produce the goods and services provided in

return for the operating revenues and to perform the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation/amortization, which allocates the cost of an asset over its expected useful life.

Changes in Net Position

	Year ended June 30,	
	2014	2013 (Restated)
Operating revenues:		
Tuition and fees	\$ 13,439,465	13,631,500
Federal appropriations	4,679,819	4,297,751
Sales and services	713,868	686,424
Iowa Industrial New Jobs Training Program	1,916,716	1,059,641
Auxiliary	5,489,871	6,053,484
Miscellaneous	1,083,118	949,455
Total operating revenues	27,322,857	26,678,255
Total operating expenses	57,205,570	59,166,060
Operating loss	(29,882,713)	(32,487,805)
Non-operating revenues (expenses):		
State appropriations	18,099,666	15,638,008
Pell grants	7,823,914	9,453,854
Property tax	4,143,844	3,981,490
Gifts from IHCC Foundation	1,151,013	1,046,228
Interest income on investments	56,585	90,747
Donated capital assets	90,000	-
Gain (loss) on sale of capital assets	4,692	(28,681)
Interest expense	(273,381)	(362,352)
Amortization of bond issue costs	-	(62,180)
Net non-operating revenues	31,096,333	29,757,114
Change in net position	1,213,620	(2,730,691)
Net position beginning of year, as restated	60,821,605	63,552,296
Net position end of year	\$ 62,035,225	60,821,605

The Statement of Revenues, Expenses and Changes in Net Position reflects an overall increase in the net position of the College.

In fiscal year 2014, operating revenues totaled approximately \$27.3 million and net non-operating revenues totaled approximately \$31.1 million. Observations regarding the changes in operating and non-operating revenues follow:

- Tuition and fees, as reported herein net of scholarship allowances, decreased approximately \$192,000, or 1.4%.
- Federal appropriations increased approximately \$382,000, or 8.9%, due to receipt of funding related to the construction of a regional business incubator facility.
- State appropriations increased approximately \$2,462,000, or 15.7%, due to receipt of funding related to growth in state general aid and specific state initiatives.
- Pell grant awards decreased approximately \$1,630,000, or 17.2%, due to declines in credit hour enrollment and Pell grant award recipients.

Operating Expenses

	Year ended June 30,	
	2014	2013 (Restated)
Education and support:		
Liberal arts and sciences	\$ 5,806,252	6,163,951
Vocational technical	13,460,312	13,018,545
Adult education	2,095,870	2,119,656
Cooperative services	1,208,644	409,101
Administration	2,173,048	2,059,740
Student services	4,911,700	5,012,759
Learning resources	607,590	610,931
Physical plant	5,051,507	4,677,406
General institution	4,868,091	6,582,443
Auxiliary enterprises	6,879,771	7,666,880
Scholarships and grants	3,970,759	5,204,082
Workforce Investment Act	2,130,210	1,899,227
Plant operations	1,083,277	904,142
Depreciation/amortization	2,958,539	2,837,197
Total	\$ 57,205,570	59,166,060

The following factors address changes in fiscal year 2014 operating expenses:

- Scholarships and grant expenses decreased due to declines in credit hour enrollment and the number of qualifying student recipients.
- Auxiliary enterprises decreased due to completion of planned renovation projects.
- Projects and renovations totaling \$1.6 million were completed, which included completion of the Tom Arnold Net Center.
- Other projects still in progress at June 30 are:
 - Construction of a regional business incubator facility.
 - Construction of a sustainable agriculture building.

Statement of Cash Flows

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

Cash Flows

	Year ended June 30,	
	2014	2013
Cash provided (used) by:		
Operating activities	\$ (26,514,695)	(26,964,161)
Non-capital financing activities	31,589,240	28,013,102
Capital and related financing activities	(4,526,880)	(3,037,964)
Investing activities	56,442	97,583
Net change in cash and cash equivalents	604,107	(1,891,440)
Cash and cash equivalents beginning of year	19,322,982	21,214,422
Cash and cash equivalents end of year	\$ 19,927,089	19,322,982

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

CAPITAL ASSETS

At June 30, 2014, the College had approximately \$47.2 million invested in capital assets, net of accumulated depreciation/amortization of approximately \$34.2 million. Depreciation and amortization charges totaled \$2,958,539 for fiscal year 2014. A summary of capital assets, net of accumulated depreciation/amortization, is shown below.

Capital Assets, Net at Year-End

	June 30,	
	2014	2013
Land	\$ 458,397	402,989
Construction in progress	1,919,470	1,341,190
Capital assets not being depreciated/amortized	2,377,867	1,744,179
Buildings	40,165,535	40,500,082
Improvements other than buildings	3,009,897	3,191,531
Intangibles	56,138	68,535
Equipment and vehicles	1,585,661	1,897,553
Total	\$ 47,195,098	47,401,880

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

LONG-TERM DEBT

Outstanding debt at June 30, 2014 was \$5,296,249, which consists of certificates issued for Iowa Industrial New Jobs Training Program projects.

The College issued \$1,370,000 of certificates in June 2014 for an Iowa Industrial New Jobs Training Program project.

The College issued \$1,790,000 of certificates in June 2014 for a current refunding of \$1,760,000 outstanding certificates Series 2007-1A, 2007-1B and 2009, producing a savings of approximately \$99,000 in aggregate debt service payments. The \$1,760,000 of certificates were paid on July 11, 2014.

The College redeemed outstanding Series 2008 callable certificates payable totaling \$1,635,000 in June 2014, producing a savings of \$222,545 in aggregate debt service payments.

The College redeemed outstanding dormitory revenue refunding bonds payable totaling \$1,825,000 in April 2014, producing a savings of approximately \$87,000 in aggregate debt service payments. Detailed information is presented in Note 5 to the financial statements.

Outstanding Debt

	June 30,	
	2014	2013
Certificates payable	\$ 5,296,249	4,590,000
Bonds payable	-	1,825,000
Total	\$ 5,296,249	6,415,000

ECONOMIC FACTORS

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

- To maintain current levels of services and operations, tuition revenue from rate increases must continue to help offset any shortfall in state funding and enrollment levels.
- Higher tuition is followed by an increased need for student financial aid, scholarship support and student loans.
- To continue to offer current, relevant educational programs and student services to attract and retain the diverse population the College serves.
- To serve students without adversely impacting the student experience and College operations.
- Fifty year-old College facilities and infrastructure require continual maintenance and renovation to meet current technology and delivery needs.
- To continue to provide up-to-date equipment, delivery and operations as technologies change.

The College continues monitoring expenses, implementing process improvements, pursuing new revenue sources and managing budget allocations to best fulfill the mission of the College with student learning as the central unifying purpose.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

Indian Hills Community College

Basic Financial Statements

Indian Hills Community College

Statement of Net Position

June 30, 2014

	<u>Primary Government</u>	<u>Component Units</u>
Assets		
Current assets:		
Cash, cash equivalents and pooled investments:		
Cash, cash equivalents and pooled investments	\$ 16,724,654	17,634,589
Restricted cash, cash equivalents and pooled investments	-	8,697,923
Receivables:		
Accounts, net of allowance for doubtful accounts of \$272,228	2,975,752	89,787
Succeeding year property tax	4,452,776	-
Due from other governments	1,334,445	-
Prepaid expenses	74,843	-
Inventories	1,007,487	-
Total current assets	<u>26,569,957</u>	<u>26,422,299</u>
Noncurrent assets:		
Cash, cash equivalents and pooled investments	3,202,435	-
Receivable for Iowa Industrial New Jobs Training Program	1,732,766	-
Capital assets, net of accumulated depreciation/amortization	47,195,098	-
Total noncurrent assets	<u>52,130,299</u>	<u>-</u>
Total assets	<u>78,700,256</u>	<u>26,422,299</u>

Indian Hills Community College

Statement of Net Position

June 30, 2014

	Primary Government	Component Units
Liabilities		
Current liabilities:		
Accounts payable	1,170,527	63,853
Salaries and benefits payable	1,274,339	-
Advances from others	1,990,907	-
Early retirement payable	802,991	-
Compensated absences payable	648,440	-
Deposits held in custody for others	288,132	-
Certificates payable	2,475,000	-
Total current liabilities	<u>8,650,336</u>	<u>63,853</u>
Noncurrent liabilities:		
Early retirement payable	622,833	-
Certificates payable	2,821,249	-
Net OPEB liability	117,837	-
Total noncurrent liabilities	<u>3,561,919</u>	<u>-</u>
Total liabilities	<u>12,212,255</u>	<u>63,853</u>
Deferred Inflows of Revenue		
Unavailable property tax revenue	<u>4,452,776</u>	<u>-</u>
Net position		
Net investment in capital assets	47,195,098	-
Restricted:		
Nonexpendable:		
Other	-	1,639,503
Expendable:		
Scholarships and fellowships	50,687	-
Cash reserve	288,745	-
Other	1,749,205	8,319,363
Unrestricted	<u>12,751,490</u>	<u>16,399,580</u>
Total net position	<u>\$ 62,035,225</u>	<u>26,358,446</u>

See notes to financial statements.

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

Year ended June 30, 2014

	Primary Government	Component Units
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$4,140,471	\$ 13,439,465	-
Federal appropriations	4,679,819	-
Sales and services	713,868	-
Iowa Industrial New Jobs Training Program	1,916,716	-
Auxiliary enterprises, net of scholarship allowances of \$1,104,535	5,489,871	-
Contributions	-	478,072
Rental income and facility management	-	527,061
Miscellaneous	1,083,118	83,843
Total operating revenues	27,322,857	1,088,976
Operating expenses:		
Education and support:		
Liberal arts and sciences	5,806,252	-
Vocational technical	13,460,312	-
Adult education	2,095,870	-
Cooperative services	1,208,644	-
Administration	2,173,048	-
Student services	4,911,700	-
Learning resources	607,590	-
Physical plant	5,051,507	-
General institution	4,868,091	-
Auxiliary enterprises	6,879,771	-
Scholarships and grants	3,970,759	-
Workforce Investment Act	2,130,210	-
Plant operations	1,083,277	-
General and administrative Programs	-	189,674
	-	440,362
Depreciation/amortization	2,958,539	-
Total operating expenses	57,205,570	630,036
Operating income (loss)	(29,882,713)	458,940

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

Year ended June 30, 2014

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	18,099,666	-
Pell grants	7,823,914	-
Property tax	4,143,844	-
Gifts from Indian Hills Community College Foundation for student scholarships	1,151,013	-
Investment income	56,585	3,069,119
Gifts to Indian Hills Community College for student scholarships	-	(1,151,013)
Donated capital assets	90,000	-
Gain on sale of capital assets	4,692	-
Interest on indebtedness	(273,381)	-
Net non-operating revenues (expenses)	<u>31,096,333</u>	<u>1,918,106</u>
Change in net position	1,213,620	2,377,046
Net position beginning of year, as restated	<u>60,821,605</u>	<u>23,981,400</u>
Net position end of year	<u><u>\$ 62,035,225</u></u>	<u><u>26,358,446</u></u>

See notes to financial statements.

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2014

	<u>Primary Government</u>
Cash flows from operating activities:	
Tuition and fees	\$ 13,830,723
Federal appropriations	5,196,580
Iowa Industrial New Jobs Training Program	2,188,633
Payments to employees for salaries and benefits	(34,476,741)
Payments to suppliers for goods and services	(15,975,396)
Payments to New Jobs Training Program recipients	(99,537)
Scholarships	(3,970,759)
Payments to subrecipients	(169,774)
Auxiliary enterprise receipts	5,507,033
Other receipts	1,454,543
Net cash used by operating activities	<u>(26,514,695)</u>
Cash flows from non-capital financing activities:	
State appropriations	18,126,724
Pell grants	7,823,914
Property tax	4,143,844
Gifts	1,151,013
Federal direct lending receipts	14,061,984
Federal direct lending disbursements	(14,061,984)
Proceeds from issuance of debt	3,181,249
Principal paid on debt	(2,475,000)
Interest paid on debt	(228,566)
Agency receipts	724,540
Agency disbursements	(858,478)
Net cash provided by non-capital financing activities	<u>31,589,240</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	49,980
Acquisition of capital assets	(2,707,045)
Principal paid on debt	(1,825,000)
Interest paid on debt	(44,815)
Net cash used by capital and related financing activities	<u>(4,526,880)</u>
Cash flows from investing activities:	
Interest on investments	56,442
Net increase in cash and cash equivalents	604,107
Cash and cash equivalents beginning of year	<u>19,322,982</u>
Cash and cash equivalents end of year	<u>\$ 19,927,089</u>

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2014

	Primary Government
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (29,882,713)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation/amortization	2,958,539
Provision for doubtful accounts	(12,788)
Changes in assets and liabilities:	
Decrease in accounts receivable	122,249
Decrease in New Jobs Training Program receivable	186,721
Decrease in due from other governments	516,761
Increase in prepaid expenses	(17,952)
Decrease in inventories	94,349
Increase in accounts payable	171,562
Increase in salaries and benefits payable	55,759
Increase in advances from others	41,712
Decrease in compensated absences payable	(52,884)
Increase in other postemployment benefits	15,597
Decrease in early retirement payable	<u>(711,607)</u>
Total adjustments	<u>3,368,018</u>
Net cash used by operating activities	<u>\$ (26,514,695)</u>

Noncash capital and related financing activities:

The College received donated capital assets with a fair value of \$90,000. The trade-in value of equipment deleted was \$34,125.

See notes to financial statements.

Indian Hills Community College

Statement of Net Assets
Component Units

June 30, 2014

	Indian Hills Community College Development Corp., Inc.	Indian Hills Communtiy College Foundation, Inc.	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 412,563	182,161	594,724
Investments	-	17,039,865	17,039,865
Restricted cash and investments	-	8,697,923	8,697,923
Accounts receivable	803	88,984	89,787
Total current assets	413,366	26,008,933	26,422,299
Noncurrent assets:			
Capital assets, net of accumulated depreciation of \$15,434	-	-	-
Total assets	413,366	26,008,933	26,422,299
Liabilities			
Current liabilities:			
Accounts payable	10,545	53,308	63,853
Net assets			
Restricted:			
Nonexpendable:			
Other	-	1,639,503	1,639,503
Expendable:			
Other	-	8,319,363	8,319,363
Unrestricted	402,821	15,996,759	16,399,580
Total net assets	\$ 402,821	25,955,625	26,358,446

See notes to financial statements.

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

Year ended June 30, 2014

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Operating revenues:			
Contributions	\$ -	478,072	478,072
Rental income and facility management	527,061	-	527,061
Miscellaneous	10,236	73,607	83,843
Total operating revenues	<u>537,297</u>	<u>551,679</u>	<u>1,088,976</u>
Operating expenses:			
General and administrative	164,925	24,749	189,674
Programs	440,362	-	440,362
Total operating expenses	<u>605,287</u>	<u>24,749</u>	<u>630,036</u>
Operating income (loss)	<u>(67,990)</u>	<u>526,930</u>	<u>458,940</u>
Non-operating revenues (expenses):			
Interest on investments, net of \$87,320 of investment expenses	22	3,069,097	3,069,119
Gifts to Indian Hills Community College	-	(1,151,013)	(1,151,013)
Net non-operating revenues (expenses)	<u>22</u>	<u>1,918,084</u>	<u>1,918,106</u>
Change in net assets	<u>(67,968)</u>	<u>2,445,014</u>	<u>2,377,046</u>
Net assets beginning of year	<u>470,789</u>	<u>23,510,611</u>	<u>23,981,400</u>
Net assets end of year	<u>\$ 402,821</u>	<u>25,955,625</u>	<u>26,358,446</u>

See notes to financial statements.

Indian Hills Community College

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Discretely Component Units

Indian Hills Community College Development Corporation, Inc. is a legally separate not-for-profit corporation established to operate the dormitories for the College and assist in promoting the College. The Development Corporation is governed by a Board of Directors who are appointed by the College. Although the College does not control the timing or amount of receipts from the Development Corporation, the majority of the resources held by the Development Corporation are used for the benefit of the College and its students. The address of the Development Corporation is 525 Grandview Avenue, Ottumwa, Iowa 52501.

Indian Hills Community College Foundation is a legally separate not-for-profit organization established to solicit and receive gifts and grants and make contributions to or for the benefit of Indian Hills Community College. The Foundation is governed by a Board of Directors who are appointed by the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources are used for the benefit of the College and its students. The address of the Foundation is 525 Grandview Avenue, Ottumwa, Iowa 52501.

The Development Corporation and Foundation are non-profit organizations which report under accounting standards established by the Financial Accounting Standards Board (FASB). The Development Corporation's and the Foundation's financial statements were prepared in accordance with the provisions of FASB No. 117, Financial Statements of Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Development Corporation's and the Foundation's financial information in the College's financial reporting for these differences. The Development Corporation and the Foundation report net assets, which is equivalent to net position reported by the College. Copies of the Development Corporation's and the Foundation's financial statements may be obtained by contacting the Development Corporation and the Foundation.

B. Basis of Presentation

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

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation/amortization.

Restricted Net Position:

Nonexpendable - Net position subject to externally imposed stipulations they be maintained permanently by the College, including the College's permanent Endowment Funds.

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

Unrestricted Net Position - Net position not subject to externally imposed situations. Resources may be designated for specific purposes by action of management or by the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and general programs of the College.

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

C. Measurement Focus and Basis of Accounting

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

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position

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

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Due from Other Governments – This represents state aid, grants and reimbursements due from the State of Iowa and grants and reimbursements due from the Federal government.

Inventories – Inventories are valued at lower of cost (first-in, first-out method) or market. The cost is recorded as an expense at the time individual inventory items are consumed.

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

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2014 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$25,000
Intangible assets	10,000
Equipment and vehicles	5,000

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

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

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

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

Advances from Others – Advances from others represents fees and payments received in the current fiscal year, but the revenues will not be earned until the following fiscal year.

Compensated Absences – College employees accumulate a limited amount of earned but unused leave for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2014.

Deferred Inflows of Resources – Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable which will not be recognized as revenue until the year for which it is levied.

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

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

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

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

E. Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid 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.

F. Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentations.

(2) Cash, Cash Equivalents and Pooled Investments

The College's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the College had investments of \$9,284,045 in a diversified portfolio in the Iowa Schools Joint Investment Trust.

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

Credit risk – The College's investments in the Iowa Schools Joint Investment Trust at June 30, 2014 were rated AAAM by Standard & Poor's Financial Services.

(3) Inventories

The College's inventories at June 30, 2014 are as follows:

Type	Amount
Textbooks and supplies	\$ 624,644
Merchandise held for resale	382,843
Total	<u>\$ 1,007,487</u>

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Reclassi- fications	Additions	Deletions	Balance End of Year
Capital assets not being depreciated/amortized:					
Land	\$ 402,989	-	58,908	3,500	458,397
Construction in progress	1,341,190	(1,165,410)	1,743,690	-	1,919,470
Total capital assets not being depreciated/amortized	<u>1,744,179</u>	<u>(1,165,410)</u>	<u>1,802,598</u>	<u>3,500</u>	<u>2,377,867</u>
Capital assets being depreciated/amortized:					
Buildings	64,003,684	1,165,410	564,563	-	65,733,657
Improvements other than buildings	4,780,276	-	-	-	4,780,276
Intangibles	444,179	-	25,060	-	469,239
Equipment and vehicles	7,846,271	-	438,949	226,326	8,058,894
Total capital assets being depreciated/amortized	<u>77,074,410</u>	<u>1,165,410</u>	<u>1,028,572</u>	<u>226,326</u>	<u>79,042,066</u>
Less accumulated depreciation/amortization					
Buildings	23,503,602	-	2,064,520	-	25,568,122
Improvements other than buildings	1,588,745	-	181,634	-	1,770,379
Intangibles	375,644	-	37,457	-	413,101
Equipment and vehicles	5,948,718	-	674,928	150,413	6,473,233
Total accumulated depreciation/amortization	<u>31,416,709</u>	<u>-</u>	<u>2,958,539</u>	<u>150,413</u>	<u>34,224,835</u>
Total capital assets being depreciated/amortized, net	<u>45,657,701</u>	<u>1,165,410</u>	<u>(1,929,967)</u>	<u>75,913</u>	<u>44,817,231</u>
Capital assets, net	<u>\$ 47,401,880</u>	<u>-</u>	<u>(127,369)</u>	<u>79,413</u>	<u>47,195,098</u>

(5) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Certificates Payable (1)	Bonds Payable	Net OPEB Liability	Total
Balance beginning of year	\$ 4,590,000	1,825,000	102,240	6,517,240
Additions	3,181,249	-	21,450	3,202,699
Reductions	2,475,000	1,825,000	5,853	4,305,853
Balance end of year	<u>\$ 5,296,249</u>	<u>-</u>	<u>117,837</u>	<u>5,414,086</u>
Due within one year	<u>\$ 2,475,000</u>	<u>-</u>	<u>-</u>	<u>2,475,000</u>

(1) The unamortized premium and discount on the certificates was \$28,962 and \$7,713, respectively, at June 30, 2014.

Certificates Payable

The College issued \$1,790,000 of Industrial New Jobs Training Refunding Certificates with an interest rate of 2.00% per annum for a current refunding of \$1,760,000 for the Series 2007-1A, 2007-1B and 2009-1 outstanding certificates. The College refunded the certificates to reduce its total debt service payments by approximately \$100,000 and to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$99,000. The \$1,760,000 of certificates refunded were redeemed on July 11, 2014. In addition, the College called the Series 2008 certificates with an outstanding balance of \$1,635,000 at June 30, 2013 during the year ended June 30, 2014.

In accordance with agreements dated between July 12, 2010 and May 16, 2014, the College issued certificates totaling \$6,405,000 with interest rates ranging from 2.62% to 6.91% per annum. The debt was incurred to fund the development and training costs related to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding tax, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 2,475,000	84,780	2,559,780
2016	985,000	66,885	1,051,885
2017	350,000	47,185	397,185
2018	355,000	39,645	394,645
2019	365,000	31,532	396,532
2020-2024	745,000	62,873	807,873
Total	5,275,000	332,900	5,607,900
Unamortized premium	28,962		
Unamortized discount	(7,713)		
Certificates payable	\$ 5,296,249		

Dormitory Revenue Refunding Bonds

On March 1, 2012, the College issued \$2,555,000 of dormitory revenue refunding bonds Series 2012. The bonds were issued to refund the outstanding balance of \$2,555,000 of dormitory revenue bonds issued March 1, 2000. The interest rate was 2.35% per annum and the College was required to make semiannual interest payments and annual principal payments with a final maturity date of June 1, 2018. The bonds were to be repaid from anticipated revenue from dormitory operations. In fiscal year 2014, the dormitory revenue refunding bonds were redeemed. The total principal paid to retire the debt was \$1,825,000 and interest paid was \$44,815.

(6) Operating Leases

The College has leased 161 printers and three copiers. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2015 and 2019 and require various minimum monthly payments.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2014:

Year Ending June 30,	Printers	Copiers	Total
2015	\$ 80,370	15,501	95,871
2016	80,370	-	80,370
2017	80,370	-	80,370
2018	80,370	-	80,370
2019	40,185	-	40,185
Total	\$ 361,665	15,501	377,166

Rents for the operating leases for the year ended June 30, 2014 totaled \$93,960.

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

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

Plan members are required to contribute 5.95% of their annual covered salary and the College is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,197,013, \$1,178,455 and \$1,057,693, respectively, equal to the required contributions for each year.

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

The College contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 5.78% and the College is required to contribute 8.67%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2014 were \$777,410 and \$498,530, respectively.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The College operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 339 active and 22 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the College's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	\$ 23,045
Interest on net OPEB obligation	4,090
Adjustment to annual required contribution	<u>(5,685)</u>
Annual OPEB cost	21,450
Contributions made	<u>(5,853)</u>
Increase in net OPEB obligation	15,597
Net OPEB obligation beginning of year	<u>102,240</u>
Net OPEB obligation end of year	<u>\$ 117,837</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the College contributed \$5,853 to the medical plan. No contributions were made by plan members during the year ended June 30, 2014.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 25,780	5.5%	\$ 82,496
2013	21,574	8.5	102,240
2014	21,450	27.3	117,837

Funded Status and Funding Progress - As of January 1, 2013 the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$205,939, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$205,939. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$18,890,600 and the ratio of the UAAL to covered payroll was 27.3%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the January 1, 2013 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the College's funding policy. The projected annual medical trend rate is 5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. An inflation rate of 3.0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the rates on Scale T-6 of the Actuary's Pension Handbook. Projected claim costs of the medical plan are \$15,257 per year for retirees less than age 65 and \$16,783 per year for spouses of retirees less than age 65. All coverage ceases when the retiree attains age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management Program

The College is a member of the Insurance Management Program for Area Community Colleges (IMPACC), as allowed by Chapter 504A of the Code of Iowa. IMPACC (Program) is a group self-insurance program whose five members are Iowa Community Colleges. The Program was incorporated in May 1988 for the purpose of managing and funding insurance for its members. The Program provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, property and inland marine, wrongful acts and educator's legal liability, workers compensation and employers liability, crime and employee fidelity, equipment breakdown (boiler and machinery), foreign liability and cyber liability. There have been no reductions in insurance coverage from prior years.

Each member's annual contributions to the Program fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash

basis, the Program's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year.

The College's contributions to the risk-sharing pool are recognized as expenditures at the time of payment. If necessary, any excess contribution to the risk-sharing pool is recorded as prepaid expenses at year end.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self-insured retention of \$100,000 per occurrence for wrongful acts and educators' legal liability, \$250,000 per occurrence for workers compensation and employer's liability and \$200,000 per occurrence for the most other claims. Excess insurance is \$800,000 per occurrence for property, general, and automobile liability, \$900,000 per occurrence for educators' legal liability and \$300,000 per occurrence for workers compensation. For liability claims there is additional excess above that for another \$10,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention and underlying layer up to \$250,000,000 per occurrence. Flood and earthquake exposures are covered in the property program each having \$16,000,000 limits. Also covered is employee fidelity up to \$1,000,000 having a deductible of \$10,000 per member, boiler and machinery coverage up to \$100,000,000 with a deductible of \$10,000 per member loss, foreign travel coverage with limits of \$1,000,000, as well as identity theft protection up to \$50,000 with a deductible of \$1,000 per member loss. Stop gap loss protection is provided above the Program's loss fund.

The Program's intergovernmental contract with its members provides that in the event any claim or series of claims exceeds the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The College does not report a liability for losses in excess of reinsurance unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the College's financial statements. As of June 30, 2014, settled claims have not exceeded the Program's coverage in any of the past three fiscal years.

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

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

(11) 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 84 projects with 2 currently receiving project funding. Of the remaining 82 projects, 75 projects have been completed, of which 64 have been fully repaid and 11 are in the repayment process. Seven projects have defaulted, one of which was repaid by the guarantor bank and six were repaid by standby property tax.

The College also administers the Iowa Jobs Training Program in Area XV in accordance with Chapter 260F of the Code of Iowa. The current program's purpose is to provide tax-aided training or retraining for employers of businesses whose training costs cannot be economically funded under Chapter 260E. Approved businesses received forgivable loans from the Workforce Development Fund, a State administered fund. Since inception of this program, the College administered 411 projects. Of these 411 projects, five defaulted, nine withdrew and eight are active projects.

(12) Termination Benefits

On November 9, 2009 and December 10, 2012, the Board of Trustees adopted voluntary early retirement programs. The program enrollment periods ran from November 10, 2009 until January 15, 2010 and December 11, 2012 until February 4, 2013, respectively. Full-time staff who had reached the age of 55 and had been employed by the College continually for the previous 10 years were eligible.

For the November 9, 2009 plan, early retirement began at the end of the employee's contract or June 30, 2010. For the December 10, 2012 plan, retirement began at the end of the retiree's employment year or another date agreed upon by the College President and approved by the Board of Trustees. Employees who accepted early retirement received a cash payment equal to 5% of the employee's annualized salary for each full year of employment, up to 100%. The cash payment for the December 10, 2012 plan was based on the availability of funds allocated for the plan by the Board of Trustees. Retirees under the December 10, 2012 plan received 55% of the calculated cash payment. The 2009 and 2012 plans required the employee to receive the incentive retirement benefits in two equal installments. For each plan, current health coverage determined employee eligibility to receive single coverage health insurance paid by the College until the age of Medicare eligibility or 12 monthly cash payments of a specified amount.

The liability at June 30, 2014 for those employees who elected early retirement under the November 9, 2009 and December 10, 2012 plans was \$116,875 and \$1,308,949, respectively. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2014, \$707,264 was paid for early retirement benefits.

(13) Construction Commitments

The College has entered into contracts totaling \$2,086,136 for building projects. As of June 30, 2014, costs of \$1,652,900 on the projects have been incurred. The balance of \$433,236 remaining on the contracts at June 30, 2014 will be paid as work on the projects progresses.

(14) Restatement

To comply with the Iowa Community College Accounting Manual, the College reclassified the Retraining Program (HF 260F) from an Agency Fund to the Current Restricted Fund. The beginning net position in the Statement of Revenues, Expenses and Changes in Net Position, the beginning fund balance of the Current Restricted Fund and the beginning of year Deposits Held in Custody for Others balance have been restated. The restatement is as follows:

	Net Position	Current Restricted Fund Balance	Deposits Held in Custody for Others Beginning Balance
Balances June 30, 2013, as previously reported	\$ 60,715,050	939,403	367,735
Reclassify Retraining Program (HF 260F) from an Agency Fund to the Current Restricted Fund	106,555	106,555	(106,555)
Balances July 1, 2013, as restated	\$ 60,821,605	1,045,958	261,180

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government’s proportionate share of the employee pension plan.

Required Supplementary Information

Indian Hills Community College

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	198	198	0.0%	\$ 17,157	1.2%
2011	July 1, 2010	-	203	203	0.0	17,379	1.2
2012	July 1, 2010	-	203	203	0.0	17,379	1.2
2013	January 1, 2013	-	206	206	0.0	18,981	1.1
2014	January 1, 2013	-	206	206	0.0	18,891	1.1

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

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

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

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

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

Restricted Fund – The Restricted Fund is used to account for resources 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.

Quasi-Endowment Funds – The Quasi-Endowment Funds are used to account for resources, the principal of which is to be maintained to conform with restrictions by the Board of Trustees. Generally, only the income from these funds may be used.

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

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

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

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

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

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

Schedules presented in supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The schedule of revenues, expenditures and changes in fund balances is a schedule of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Indian Hills Community College
 Budgetary Comparison Schedule of Expenditures –
 Budget to Actual

Year ended June 30, 2014

Funds/Levy	Original/ Final Budget	Actual	Variance between Budget and Actual
Unrestricted	\$37,230,060	34,915,835	2,314,225
Restricted	6,658,175	4,382,333	2,275,842
Unemployment Compensation	20,000	136,337	(116,337)
Insurance	710,000	1,089,089	(379,089)
Tort Liability	369,370	353,656	15,714
Early Retirement	728,077	26,960	701,117
Equipment Replacement	468,652	468,960	(308)
Total Restricted	<u>8,954,274</u>	<u>6,457,335</u>	<u>2,496,939</u>
Plant	9,805,000	3,033,618	6,771,382
Bonds and Interest	<u>407,684</u>	<u>1,869,815</u>	<u>(1,462,131)</u>
Total	<u>\$ 56,397,018</u>	<u>46,276,603</u>	<u>10,120,415</u>

Note to Budgetary Reporting:

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

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

For the year ended June 30, 2014, the College's expenditures did not exceed the amount budgeted.

See accompanying independent auditor's report.

Indian Hills Community College

Balance Sheet
All Funds

June 30, 2014

	Current Funds		Quasi-
	Unrestricted	Restricted	Endowment Funds
Assets			
Cash, cash equivalents and pooled investments	\$ 7,830,252	4,393,066	4,638,459
Receivables:			
Accounts, net of allowance of \$272,228	2,948,062	-	1,250
Succeeding year property tax	950,656	2,551,464	-
Iowa Industrial New Jobs Training Program	-	1,732,766	-
Due from other funds	2,105,396	2,089,173	-
Due from other governments	52,555	840,429	-
Prepaid expenses	71,764	-	-
Inventories	1,007,487	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Construction in progress	-	-	-
Improvements other than buildings	-	-	-
Intangibles	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation/amortization	-	-	-
Total assets	\$ 14,966,172	11,606,898	4,639,709

Plant Funds		Agency Funds	Adjustments	Total
Unex- pended	Investment in Plant			
2,927,657	-	137,655	-	19,927,089
18,414	-	8,026	-	2,975,752
950,656	-	-	-	4,452,776
-	-	-	-	1,732,766
309,107	-	257	(4,503,933)	-
180,039	-	261,422	-	1,334,445
3,079	-	-	-	74,843
-	-	-	-	1,007,487
-	458,397	-	-	458,397
-	65,733,657	-	-	65,733,657
-	1,919,470	-	-	1,919,470
-	4,780,276	-	-	4,780,276
-	469,239	-	-	469,239
-	8,058,894	-	-	8,058,894
-	-	-	(34,224,835)	(34,224,835)
4,388,952	81,419,933	407,360	(38,728,768)	78,700,256

Indian Hills Community College

Balance Sheet
All Funds

June 30, 2014

	Current Funds		Quasi- Endowment Funds
	Unrestricted	Restricted	
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,167,725	-	-
Salaries and benefits payable	1,182,854	90,778	-
Due to other funds	2,398,538	1,989,607	-
Advances from others	1,790,576	-	-
Early retirement payable	-	1,425,824	-
Compensated absences	613,282	35,158	-
Deposits held in custody for others	-	-	-
Certificates payable	-	5,296,249	-
Net OPEB liability	-	-	-
Total liabilities	7,152,975	8,837,616	-
Deferred inflows of resources:			
Succeeding year property tax	950,656	2,551,464	-
Fund balances:			
Net investment in capital assets	-	-	-
Restricted:			
Expendable:			
Scholarships and fellowships	-	50,687	-
Cash reserve	-	288,745	-
Other	-	1,749,205	-
Unrestricted	4,989,075	(1,870,819)	4,639,709
Auxiliary enterprises	1,873,466	-	-
Total fund balances	6,862,541	217,818	4,639,709
Total liabilities, deferred inflows of resources and fund balances	\$ 14,966,172	11,606,898	4,639,709

See accompanying independent auditor's report.

Plant Funds		Agency Funds	Adjustments	Total
Unex- pended	Investment in Plant			
600	-	2,202	-	1,170,527
-	-	707	-	1,274,339
-	-	115,788	(4,503,933)	-
199,800	-	531	-	1,990,907
-	-	-	-	1,425,824
-	-	-	-	648,440
-	-	288,132	-	288,132
-	-	-	-	5,296,249
-	-	-	117,837	117,837
200,400	-	407,360	(4,386,096)	12,212,255
950,656	-	-	-	4,452,776
-	81,419,933	-	(34,224,835)	47,195,098
-	-	-	-	50,687
-	-	-	-	288,745
-	-	-	-	1,749,205
3,237,896	-	-	(117,837)	10,878,024
-	-	-	-	1,873,466
3,237,896	81,419,933	-	(34,342,672)	62,035,225
4,388,952	81,419,933	407,360	(38,728,768)	78,700,256

Indian Hills Community College

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

Year ended June 30, 2014

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
Revenues:			
General:			
State appropriations	\$ 14,351,360	3,011,887	-
Tuition and fees	17,579,936	-	-
Property tax	1,055,170	2,030,579	-
Federal appropriations	-	12,031,460	-
Sales and services	300,735	-	-
Interest on investments	37,805	167	2,589
Iowa Industrial New Jobs Training Program	-	1,916,716	-
Increase in plant investment due to donated plant assets	-	-	-
Increase in plant investment due to plant expenditures (including \$756,704 of current fund expenditures)	-	-	-
Increase in plant investment due to retirement of debt	-	-	-
Gifts from the Indian Hills Community College Foundation	-	-	-
Proceeds from sale of capital assets	-	-	-
Gain on sale of capital assets	-	-	-
Miscellaneous	1,453,124	389,017	-
	<u>34,778,130</u>	<u>19,379,826</u>	<u>2,589</u>
Auxiliary enterprises:			
Tuition and fees	418,100	-	-
Federal appropriations	22,960	-	-
Sales and services	7,017,397	-	-
Interest on investments	77	-	-
Miscellaneous	110,857	-	-
	<u>7,569,391</u>	<u>-</u>	<u>-</u>
Total revenues	<u>42,347,521</u>	<u>19,379,826</u>	<u>2,589</u>
Expenditures:			
Education and support:			
Liberal arts and sciences	5,551,432	298,858	-
Vocational technical	12,280,620	1,506,047	-
Adult education	1,329,400	794,433	-
Cooperative services	97,201	1,124,816	-
Administration	1,771,654	468,960	-
Student services	4,554,598	429,613	-
Learning resources	609,387	-	-
Physical plant	3,977,998	1,089,089	-
General institution	4,743,545	516,953	-
Total education and support	<u>34,915,835</u>	<u>6,228,769</u>	<u>-</u>

Plant Funds				
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
736,419	-	-	-	18,099,666
-	-	-	(4,140,471)	13,439,465
1,058,095	-	-	-	4,143,844
472,273	-	-	-	12,503,733
413,133	-	-	-	713,868
15,961	63	-	-	56,585
-	-	-	-	1,916,716
-	-	90,000	-	90,000
-	-	2,741,170	(2,741,170)	-
-	-	1,825,000	(1,825,000)	-
-	-	-	1,151,013	1,151,013
49,980	-	-	(49,980)	-
-	-	-	4,692	4,692
391,990	-	-	(1,151,013)	1,083,118
3,137,851	63	4,656,170	(8,751,929)	53,202,700
-	-	-	-	418,100
-	-	-	-	22,960
-	-	-	(2,079,520)	4,937,877
-	-	-	-	77
-	-	-	-	110,857
-	-	-	(2,079,520)	5,489,871
3,137,851	63	4,656,170	(10,831,449)	58,692,571
-	-	-	(44,038)	5,806,252
-	-	-	(326,355)	13,460,312
-	-	-	(27,963)	2,095,870
-	-	-	(13,373)	1,208,644
-	-	-	(67,566)	2,173,048
-	-	-	(72,511)	4,911,700
-	-	-	(1,797)	607,590
-	-	-	(15,580)	5,051,507
-	-	-	(392,407)	4,868,091
-	-	-	(961,590)	40,183,014

Indian Hills Community College

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

Year ended June 30, 2014

	Current Funds		Quasi-
	Unrestricted	Restricted	Endowment Funds
Expenditures (continued):			
Auxiliary enterprises	7,634,273	-	-
Scholarships and grants	-	9,215,765	-
Workforce Investment Act	-	2,130,210	-
Plant operations	-	-	-
Plant asset acquisitions	-	-	-
Retirement of indebtedness	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	228,566	-
Depreciation/amortization	-	-	-
Total expenditures	42,550,108	17,803,310	-
Excess (deficiency) of revenues over (under) expenditures	(202,587)	1,576,516	2,589
Transfers:			
Mandatory transfers	(886,816)	-	-
Non-mandatory transfers	2,283,755	(2,404,656)	-
Total transfers	1,396,939	(2,404,656)	-
Net	1,194,352	(828,140)	2,589
Fund balances beginning of year, as restated	5,668,189	1,045,958	4,637,120
Fund balances end of year	\$ 6,862,541	217,818	4,639,709

See accompanying independent auditor's report.

Plant Funds				
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
-	-	-	(754,502)	6,879,771
-	-	-	(5,245,006)	3,970,759
-	-	-	-	2,130,210
1,083,277	-	-	-	1,083,277
1,950,341	-	-	(1,950,341)	-
-	1,825,000	-	(1,825,000)	-
-	-	229,826	(229,826)	-
-	44,815	-	-	273,381
-	-	-	2,958,539	2,958,539
3,033,618	1,869,815	229,826	(8,007,726)	57,478,951
104,233	(1,869,752)	4,426,344	(2,823,723)	1,213,620
-	886,816	-	-	-
120,908	(7)	-	-	-
120,908	886,809	-	-	-
225,141	(982,943)	4,426,344	(2,823,723)	1,213,620
3,012,755	982,943	76,993,589	(31,518,949)	60,821,605
3,237,896	-	81,419,933	(34,342,672)	62,035,225

Indian Hills Community College

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

Year ended June 30, 2014

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
Revenues:				
State appropriations	\$ 4,773,825	8,348,484	1,111,176	-
Tuition and fees	5,720,223	11,287,659	553,873	-
Property tax	-	-	-	-
Sales and services	590	89,503	98,059	-
Interest on investments	-	-	-	-
Miscellaneous	817	32,105	2,901	16,177
Total revenues	10,495,455	19,757,751	1,766,009	16,177
Expenditures:				
Salaries and benefits	5,185,666	10,664,886	1,086,235	73,339
Services	50,134	381,164	130,521	5,756
Materials and supplies	54,449	738,330	55,454	7,215
Travel	115,566	178,915	29,737	9,476
Loan cancellations and bad debts	144,586	252,848	-	-
Administrative and collections	-	-	-	-
Cost of goods sold	-	1,305	6,795	-
Miscellaneous	1,031	63,172	20,658	1,415
Total expenditures	5,551,432	12,280,620	1,329,400	97,201
Excess (deficiency) of revenues over (under) expenditures	4,944,023	7,477,131	436,609	(81,024)
Transfers:				
Non-mandatory transfers	-	(72)	-	-
Net	\$ 4,944,023	7,477,059	436,609	(81,024)

Fund balances beginning of year

Fund balances end of year

See accompanying independent auditor's report.

General Adminis- tration	Support				Education and Support Total
	Student Services	Learning Resources	Physical Plant	General Institution	
38,046	-	64,256	15,573	-	14,351,360
-	16,701	-	-	1,480	17,579,936
1,055,170	-	-	-	-	1,055,170
-	75,286	3,380	1,812	32,105	300,735
37,805	-	-	-	-	37,805
506,738	2,568	384	891,292	142	1,453,124
1,637,759	94,555	68,020	908,677	33,727	34,778,130
1,172,720	4,027,828	427,603	1,973,570	2,800,804	27,412,651
245,150	304,608	24,669	1,702,777	1,393,797	4,238,576
4,528	130,435	155,364	297,203	315,526	1,758,504
57,028	87,814	1,751	949	101,526	582,762
-	-	-	-	-	397,434
291,852	-	-	-	-	291,852
-	-	-	-	-	8,100
376	3,913	-	3,499	131,892	225,956
1,771,654	4,554,598	609,387	3,977,998	4,743,545	34,915,835
(133,895)	(4,460,043)	(541,367)	(3,069,321)	(4,709,818)	(137,705)
168,095	25	-	-	-	168,048
34,200	(4,460,018)	(541,367)	(3,069,321)	(4,709,818)	30,343
					4,958,732
					<u>\$ 4,989,075</u>

Schedule 5

Indian Hills Community College

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

Year ended June 30, 2014

	Institutional Services	Education Program	Miscellaneous	Total
Revenues:				
Tuition and fees	\$ -	385,500	32,600	418,100
Federal appropriations	-	22,960	-	22,960
Sales and services	4,030,371	2,318,797	668,229	7,017,397
Interest on investments	-	-	77	77
Miscellaneous	77,626	12,470	20,761	110,857
Total revenues	4,107,997	2,739,727	721,667	7,569,391
Expenditures:				
Salaries and benefits	466,665	964,831	192,159	1,623,655
Services	409,186	303,782	100,706	813,674
Materials and supplies	53,231	313,385	25,058	391,674
Travel	740	307,540	999	309,279
Loan cancellations and bad debts	122,497	2,557	-	125,054
Plant asset acquisitions	-	510,184	-	510,184
Miscellaneous	1,422	45,385	2,199	49,006
Cost of goods sold	2,665,090	1,146,657	-	3,811,747
Total expenditures	3,718,831	3,594,321	321,121	7,634,273
Excess (deficiency) of revenues over (under) expenditures	389,166	(854,594)	400,546	(64,882)
Transfers:				
Mandatory transfers	(521,226)	-	(365,590)	(886,816)
Non-mandatory transfers	(626,869)	1,749,959	992,617	2,115,707
Total transfers	1,148,095	1,749,959	627,027	1,228,891
Net	(758,929)	895,365	1,027,573	1,164,009
Fund balances beginning of year	2,309,481	(800,768)	(799,256)	709,457
Fund balances end of year	\$ 1,550,552	94,597	228,317	1,873,466

See accompanying independent auditor's report.

Indian Hills Community College

Indian Hills Community College

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

Year ended June 30, 2014

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance
Revenues:				
State appropriations	\$ 828,137	-	-	-
Property tax	-	468,960	340,786	497,332
Federal appropriations	7,927,637	-	-	-
Interest on investments	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	378,118	-	-	-
Total revenues	<u>9,133,892</u>	<u>468,960</u>	<u>340,786</u>	<u>497,332</u>
Expenditures:				
Salaries and benefits	-	-	68,312	-
Services	10,200	-	285,344	1,089,089
Materials and supplies	-	398,410	-	-
Travel	-	-	-	-
Interest on indebtedness	-	-	-	-
Awards to subrecipients	-	-	-	-
Plant asset acquisitions	-	70,550	-	-
Miscellaneous	-	-	-	-
Federal Pell grant program	7,823,914	-	-	-
Federal Supplemental Educational Opportunity grant	82,900	-	-	-
Iowa College Student Aid Commission	828,137	-	-	-
Private scholarships	470,614	-	-	-
Total expenditures	<u>9,215,765</u>	<u>468,960</u>	<u>353,656</u>	<u>1,089,089</u>
Excess (deficiency) of revenues over (under) expenditures	(81,873)	-	(12,870)	(591,757)
Transfers:				
Non-mandatory transfers	79,965	-	-	-
Net	(1,908)	-	(12,870)	(591,757)
Fund balances beginning of year, as restated	52,595	-	187,113	329,526
Fund balances end of year	<u>\$ 50,687</u>	<u>-</u>	<u>174,243</u>	<u>(262,231)</u>

See accompanying independent auditor's report.

Early Retirement	Unemployment Compensation	State Grants	Federal Grants	Workforce Investment Act	Iowa Industrial New Jobs Training Program	Retraining Program (HF 260F)	Miscellaneous	Total
-	-	1,957,274	-	87,598	-	138,878	-	3,011,887
723,501	-	-	-	-	-	-	-	2,030,579
-	-	-	2,079,517	2,024,306	-	-	-	12,031,460
-	-	-	-	-	167	-	-	167
-	-	-	-	-	1,916,716	-	-	1,916,716
-	-	-	-	-	-	-	10,899	389,017
723,501	-	1,957,274	2,079,517	2,111,904	1,916,883	138,878	10,899	19,379,826
26,960	136,337	360,967	1,354,875	1,426,307	63,083	-	7,305	3,444,146
-	-	158,738	196,054	474,492	935,325	126,293	580	3,276,115
-	-	249,766	249,370	33,537	-	-	787	931,870
-	-	13,155	71,479	24,200	115	-	427	109,376
-	-	-	-	-	228,566	-	-	228,566
-	-	-	-	169,774	-	-	-	169,774
-	-	34,962	141,008	-	-	-	-	246,520
-	-	111,784	77,354	1,900	-	-	340	191,378
-	-	-	-	-	-	-	-	7,823,914
-	-	-	-	-	-	-	-	82,900
-	-	-	-	-	-	-	-	828,137
-	-	-	-	-	-	-	-	470,614
26,960	136,337	929,372	2,090,140	2,130,210	1,227,089	126,293	9,439	17,803,310
696,541	(136,337)	1,027,902	(10,623)	(18,306)	689,794	12,585	1,460	1,576,516
(2,227,149)	-	-	10,623	-	(268,095)	-	-	(2,404,656)
(1,530,608)	(136,337)	1,027,902	-	(18,306)	421,699	12,585	1,460	(828,140)
-	58,357	-	-	23,067	-	106,555	288,745	1,045,958
(1,530,608)	(77,980)	1,027,902	-	4,761	421,699	119,140	290,205	217,818

Schedule 7

Indian Hills Community College

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

Year ended June 30, 2014

	Student Organizations	Federal Direct Student Loan Program	Miscel- laneous	Total
Balances beginning of year, as restated	\$ 116,048	-	145,132	261,180
Additions:				
State appropriations	-	-	51,492	51,492
Federal appropriations	-	14,061,984	-	14,061,984
Tuition and fees	74,680	-	1,000	75,680
Sales and services	80,684	-	120,202	200,886
Miscellaneous	14,237	-	539,775	554,012
Total additions	169,601	14,061,984	712,469	14,944,054
Deductions:				
Salaries and benefits	1,738	-	182,284	184,022
Services	58,168	-	503,574	561,742
Materials and supplies	14,835	-	6,768	21,603
Travel	41,003	-	62	41,065
Miscellaneous	41,646	-	-	41,646
Cost of goods sold	3,096	-	1,944	5,040
Direct student loans	-	14,061,984	-	14,061,984
Total deductions	160,486	14,061,984	694,632	14,917,102
Balances end of year	\$ 125,163	-	162,969	288,132

See accompanying independent auditor's report.

Indian Hills Community College
 Schedule of Credit and Contact Hours
 Year ended June 30, 2014

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	35,006	-	35,006			
Vocational Education	59,004	-	59,004			
Adult Education/ Continuing Education	-	-	-	222,214	6,136	228,350
Total	94,010	-	94,010			

See accompanying independent auditor's report.

Indian Hills Community College

Schedule of Taxes and Intergovernmental Revenues

For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Local (property tax)	\$ 4,143,844	\$ 3,981,490	4,307,405	4,292,781
State	18,099,666	15,521,696	16,156,190	13,491,892
Federal	12,526,693	13,784,293	15,944,207	18,106,236
Total	<u>\$ 34,770,203</u>	<u>\$ 33,287,479</u>	<u>36,407,802</u>	<u>35,890,909</u>

See accompanying independent auditor's report.

Years ended June 30,					
2010	2009	2008	2007	2006	2005
4,033,815	3,573,445	3,283,331	3,011,282	2,888,099	2,875,524
12,267,335	15,615,288	15,262,550	14,812,393	13,848,936	12,292,751
19,768,049	10,665,497	9,071,675	9,131,763	8,496,721	9,123,246
36,069,199	29,854,230	27,617,556	26,955,438	25,233,756	24,291,521

Indian Hills Community College

Schedule of Current Fund Revenues by Source
and Expenditures by Function

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
State appropriations	\$ 17,363,247	15,111,760	14,551,548	12,633,837
Tuition and fees	17,579,936	18,196,872	17,868,770	18,767,263
Property tax	3,085,749	2,957,789	3,330,915	3,352,711
Federal appropriations	12,031,460	13,751,605	15,711,640	18,044,436
Sales and services	300,735	238,768	171,215	305,266
Interest on investments	37,972	59,773	80,746	97,588
Iowa Industrial New Jobs Training Program	1,916,716	1,342,184	1,451,917	1,606,070
Auxiliary enterprises	7,569,391	8,422,448	8,141,095	8,840,122
Miscellaneous	1,842,141	1,448,965	1,238,987	1,602,279
Total	<u>\$ 61,727,347</u>	<u>61,530,164</u>	<u>62,546,833</u>	<u>65,249,572</u>
Expenditures:				
Liberal arts and sciences	\$ 5,850,290	6,201,782	6,128,369	5,776,120
Vocational technical	13,786,667	13,532,045	13,450,906	12,662,111
Adult education	2,123,833	2,165,784	2,527,489	2,411,689
Cooperative services	1,222,017	675,129	1,063,639	1,054,744
Administration	2,240,614	2,144,312	2,275,963	2,022,809
Student services	4,984,211	5,069,400	4,185,342	3,962,638
Learning resources	609,387	613,975	602,093	611,580
Physical plant	5,067,087	4,691,539	4,793,837	4,758,517
General institution	5,260,498	6,974,687	4,616,827	4,555,092
Auxiliary enterprises	7,634,273	9,280,259	7,745,980	7,673,920
Scholarships and grants	9,215,765	11,089,617	11,621,322	13,871,194
Workforce Investment Act	2,130,210	1,899,227	1,671,189	1,455,604
Interest on indebtedness	228,566	315,247	394,435	499,401
Total	<u>\$ 60,353,418</u>	<u>64,653,003</u>	<u>61,077,391</u>	<u>61,315,419</u>

See accompanying independent auditor's report.

Years ended June 30,					
2010	2009	2008	2007	2006	2005
12,228,203	15,442,692	14,834,079	14,073,316	12,763,819	12,055,153
17,044,910	14,064,149	13,376,779	12,206,286	11,241,360	10,431,661
3,131,607	2,707,554	2,468,561	2,209,835	2,101,756	2,082,575
19,742,867	10,632,557	9,045,531	8,340,575	8,254,634	9,095,078
250,654	226,627	185,247	165,304	134,153	107,876
107,931	282,958	597,696	742,983	577,753	345,361
1,835,403	3,067,908	2,693,218	2,403,017	2,058,203	3,586,833
8,343,338	9,306,142	9,920,671	8,574,455	7,424,262	7,211,806
1,475,699	2,667,175	2,203,443	2,034,241	1,745,273	1,623,025
<u>64,160,612</u>	<u>58,397,762</u>	<u>55,325,225</u>	<u>50,750,012</u>	<u>46,301,213</u>	<u>46,539,368</u>
5,254,600	5,227,040	4,940,265	4,917,349	4,373,871	3,913,839
11,967,322	10,914,226	10,226,319	9,906,322	9,350,631	9,148,834
2,314,128	2,673,018	2,805,029	2,566,441	2,663,422	2,584,709
1,281,494	2,248,721	2,065,302	1,597,677	1,484,142	2,485,196
2,125,380	2,122,678	1,933,925	1,892,886	1,866,882	1,652,553
3,844,065	3,493,592	3,303,044	3,046,111	3,060,406	3,129,312
717,093	832,129	872,263	854,279	966,732	953,797
4,054,447	4,275,086	4,045,280	3,709,805	3,410,401	3,296,010
7,023,970	4,745,672	4,232,615	5,076,544	3,500,220	3,055,668
7,152,283	8,879,662	9,045,392	7,665,202	6,790,798	6,450,441
12,701,869	8,105,241	7,105,369	6,097,517	5,865,340	6,050,306
2,339,810	2,095,278	1,825,038	1,685,342	1,233,997	1,193,859
551,318	619,816	549,434	515,116	538,980	548,322
<u>61,327,779</u>	<u>56,232,159</u>	<u>52,949,275</u>	<u>49,530,591</u>	<u>45,105,822</u>	<u>44,462,846</u>

Indian Hills Community College
Schedule of Expenditures of Federal Awards
Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Direct:				
U.S. Department of Agriculture:				
New ERA Rural Technology Competitive Grants Program	10.314		\$ 21,340	-
U.S. Department of Commerce:				
Investments for Public Works and Economic Development Facilities	11.300		472,273	-
National Science Foundation:				
Education and Human Resources	47.076		143,555	-
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007 *		103,723	-
Higher Education Institutional Aid	84.031		306,457	-
Federal Work-Study Program	84.033 *		123,156	-
Federal Pell Grant Program	84.063 *		7,823,914	-
Fund for the Improvement of Postsecondary Education	84.116		26,000	-
Federal Direct Student Loans	84.268 *			14,061,984
TRIO Cluster:				
TRIO_Student Support Services	84.042		298,858	-
TRIO_Educational Opportunity Centers	84.066		220,335	-
Total TRIO Cluster			519,193	-
Total Direct			9,539,611	14,061,984
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Child and Adult Care Food Program	10.558		22,960	-
U.S. Department of Labor:				
Des Moines Area Community College:				
Trade Adjustment Assistance Community College and Career Training (TAACCT) Grants	17.282	TC-23755-12-60-A-19	237,965	-

Indian Hills Community College
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

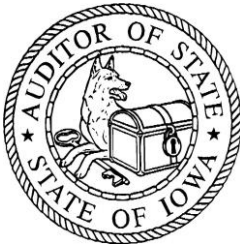
Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Indirect (continued):				
U.S. Department of Labor:				
Iowa Department of Workforce Development:				
WIA Cluster:				
WIA Adult Program	17.258	13-W-15-FR-0	116,284	-
WIA Youth Activities	17.259	13-W-15-FR-0	394,577	-
WIA Dislocated Worker Formula Grants	17.278	13-W-15-FR-0	135,382	-
Total WIA Cluster			646,243	
U.S. Small Business Administration:				
Iowa State University:				
Small Business Development Centers	59.037		70,584	-
U.S. Department of Education:				
Iowa Department of Education:				
Adult Education - Basic Grants to States	84.002		185,230	-
Career and Technical Education - Basic Grants to States	84.048		456,660	-
U.S. Department of Health and Human Services:				
Iowa Department of Workforce Development:				
Temporary Assistance for Needy Families	93.558	13-W-15-FR-0	1,367,439	-
Total Indirect			2,987,081	-
Total			\$ 12,526,692	14,061,984

* - Total for Student Financial Assistance Cluster is \$22,112,777.

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 in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Indian Hills Community College



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Board of Trustees of
Indian Hills Community College:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Indian Hills Community College, Ottumwa, Iowa, and the aggregate discretely presented component units as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 29, 2014. Our report includes a reference to other auditors who audited the financial statements of the Indian Hills Community College Development Corp., Inc. and the Indian Hills Community College Foundation, Inc., as described in our report on Indian Hills Community College's financial statements. The financial statements of the Indian Hills Community College Development Corp., Inc. and the Indian Hills Community College Foundation, Inc. were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Indian Hills Community College's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Indian Hills Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Indian Hills Community College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Indian Hills Community College's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Indian Hills Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.


Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2014 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 29, 2014



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance
For Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Trustees of
Indian Hills Community College:

Report on Compliance for Each Major Federal Program

We have audited Indian Hills Community College's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Indian Hills Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Indian Hills Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Indian Hills Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Indian Hills Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Indian Hills Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Indian Hills Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Indian Hills Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the audit procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Indian Hills Community College's internal control over compliance.


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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify and deficiencies in internal control over compliance we consider to be material weaknesses. However, we identified certain deficiencies in internal over compliance, described in Part III of the accompanying Schedule of Findings and Questioned Costs as items III-A-14 and III-B-14, we consider to be significant deficiencies.

Indian Hills Community College's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Indian Hills Community College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 29, 2014

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

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

- (a) An unmodified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 11.300 - Investments for Public Works and Economic Development Facilities
 - CFDA Number 84.048 – Career and Technical Education - Basic Grants to States
 - Clustered Programs:
 - Student Financial Assistance Cluster:
 - CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grants
 - CFDA Number 84.033 – Federal Work-Study Program
 - CFDA Number 84.063 – Federal Pell Grant Program
 - CFDA Number 84.268 – Federal Direct Student Loans
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Indian Hills Community College qualified as a low-risk auditee.

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

**CFDA Number 11.300: Investments for Public Works and Economic
Development Facilities
Federal Award Year: 2013
U.S Department of Commerce**

III-A-14 (2014-001) Grant Activity – Although the College received certified payroll records to determine compliance with the Davis-Bacon Act, the College did not document its review of these records.

Recommendation – The College should document its review of certified payroll records for projects subject to the Davis-Bacon Act.

Response – The College will document its review of certified payroll records to ensure compliance with the Davis-Bacon Act.

Conclusion – Response accepted.

**CFDA Number 84.268: Federal Direct Loan Program
Federal Award Year: 2013
U.S Department of Education**

III-B-14 (2014-002) School Account Statement (SAS) Data File Reconciliations – The College is required to reconcile the SAS data files to the College's records each month. The College did not perform reconciliations for ten months during the year ended June 30, 2014.

Recommendation – The College should ensure required monthly reconciliations are completed.

Response – The College will perform required monthly reconciliations and document their completion.

Conclusion – Response accepted.

Indian Hills Community College
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 did not exceed the amount budgeted.

IV-B-14 Questionable Disbursements – No expenditures we believe did not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-14 Travel Expense – No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.

IV-D-14 Business Transactions and Competitive Bidding Requirements – Business transactions between the College and College officials as detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tom Keck, Trustee, President of Winger Services	Maintenance and repair, per bid	\$154,028

In accordance Chapter 279.7A of the Code of Iowa, the above transactions with Winger Services do not appear to represent conflicts of interest since they were entered into through competitive bid.

IV-E-14 Bond Coverage – Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-14 Publication – The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

IV-H-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the College’s investment policy were noted.

IV-I-14 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.

Indian Hills Community College

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor II
Jessica L. Barloon, CPA, Staff Auditor
April D. Harbst, Staff Auditor
Ben P. James, Staff Auditor
Melissa A. Hastert, Assistant Auditor
Erin J. Sietstra, Assistant Auditor
Kyle C. Smith, Assistant Auditor
Stormi S. Peterson, Audit Intern

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

Andrew E. Nielsen, CPA
Deputy Auditor of State