



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

January 5, 2009

Contact: Andy Nielsen
515/281-5834

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

The College's primary government operating revenues totaled \$30,224,616 for the year ended June 30, 2008, including \$10,971,344 from tuition and fees, \$9,045,531 from the federal government and \$6,027,422 from auxiliary enterprises.

Operating expenses for the year totaled \$47,588,456, and included \$26,970,583 for salaries and benefits, \$7,545,521 for services and \$2,252,244 for materials and supplies.

The College reported an operating loss of \$17,363,840. In general, a public college, such as Indian Hills Community College, will report an operating loss as the financial reporting model classifies state appropriations and property tax as non-operating revenues. Non-operating revenues totaled \$20,280,670, and included \$15,262,550 from state appropriations, \$3,283,331 from property tax and \$972,226 from gifts from the Indian Hills Community College Foundation. Non-operating expenses totaled \$842,443, and included \$728,504 for interest on indebtedness. The College ended the year with an increase in net assets of \$2,074,387.

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

###

INDIAN HILLS COMMUNITY COLLEGE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		8-14
Basic Financial Statements:	<u>Exhibit</u>	
Statement of Net Assets	A	16-17
Statement of Revenues, Expenses and Changes in Net Assets	B	18-19
Statement of Cash Flows	C	20-21
Component Unit Financial Statements:		
Statement of Net Assets	D	22
Statement of Revenues, Expenses and Changes in Net Assets	E	23
Notes to Financial Statements		24-34
Other Supplementary Information:	<u>Schedule</u>	
Budgetary Comparison Schedule of Expenditures – Budget and Actual	1	39
Balance Sheet – All Funds	2	40-43
Schedule of Revenues, Expenditures and Changes in Fund Balances – All Funds	3	44-47
Unrestricted Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balances – Education and Support	4	48-49
Schedule of Revenues, Expenditures and Changes in Fund Balances – Auxiliary Enterprises	5	51
Schedule of Revenues, Expenditures and Changes in Fund Balances – Restricted Fund	6	52-53
Schedule of Changes in Deposits Held in Custody for Others	7	54
Schedule of Credit and Contact Hours	8	55
Schedule of Tax and Intergovernmental Revenues	9	56-57
Schedule of Current Fund Revenues by Source and Expenditures by Function	10	58-59
Schedule of Expenditures of Federal Awards	11	60-61
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>		63-64
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		65-66
Schedule of Findings and Questioned Costs		67-70
Staff		71

Indian Hills Community College

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Trustees (Before September 2007 Election)		
Dr. Donald Berg	President	2008
Robert L. Pitsch	Vice President	2009
Sharon Kline	Member	2007
Kevin M. Kness	Member	2007
John Pothoven	Member	2007
James Dorothy	Member	2008
H. Roy Lamansky	Member	2008
Tom Keck	Member	2009
Richard C. Sharp	Member	2009

Board of Trustees (After September 2007 Election)

Dr. Donald Berg	President	2008
Robert L. Pitsch	Vice President	2009
James Dorothy	Member	Resigned
H. Roy Lamansky	Member	2008
George E. Manning (appointed)	Member	2008
Tom Keck	Member	2009
Richard C. Sharp	Member	2009
Sharon Kline	Member	2011
Kevin M. Kness	Member	2011
John Pothoven	Member	2011

Community College

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

Indian Hills Community College



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Board of Trustees of
Indian Hills Community College:

We have audited the accompanying financial statements of Indian Hills Community College, Ottumwa, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements listed in the table of contents. These financial statements are the responsibility of Indian Hills Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, Indian Hills Community College Development Corporation, Inc. and Indian Hills Community College Foundation, Inc., discussed in note 1, which represent 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian Hills Community College and its aggregate discretely presented component units at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2008 on our consideration of Indian Hills Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Indian Hills Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 24, 2008

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, 2008. We encourage readers to consider this information in conjunction with the financial statements that follow.

2008 FINANCIAL HIGHLIGHTS

- College operating revenues increased approximately \$1.9 million, or 6.6%, from fiscal year 2007 to fiscal year 2008. Tuition and fees accounted for approximately \$865,000 of the increase, which is attributable to a tuition rate increase and enrollment growth.
- Iowa Industrial New Jobs Training Program revenues also increased approximately \$303,000, or 14.9%.
- A 5.85% increase in state aid allocation from fiscal year 2007 to 2008 contributed to an overall increase in non-operating revenues.
- Scholarship gifts funded by the IHCC Foundation increased approximately \$216,000, or 28.6%.
- Net assets of the College increased approximately \$2.1 million, or 4.1%.

USING THIS ANNUAL REPORT

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

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

Statement of Net Assets

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

Net Assets

	June 30,	
	2008	2007
Current and other assets	\$ 37,336,737	34,773,855
Capital assets, net of accumulated depreciation	40,723,200	38,922,265
Total assets	<u>78,059,937</u>	<u>73,696,120</u>
Current liabilities	11,118,987	10,454,463
Noncurrent liabilities	14,357,775	12,732,869
Total liabilities	<u>25,476,762</u>	<u>23,187,332</u>
Net assets:		
Invested in capital assets, net of related debt	37,443,200	35,427,265
Restricted	1,182,799	992,377
Unrestricted	<u>13,957,176</u>	<u>14,089,146</u>
Total net assets	<u>\$ 52,583,175</u>	<u>50,508,788</u>

The largest portion of the College's net assets (71%) is in the category of 'Invested in Capital Assets' (land, buildings and equipment), less the related debt. The restricted portion of net assets represents resources subject to external restrictions. The remaining net assets are unrestricted and may be used to meet the College's operating obligations as they become due.

Statement of Revenues, Expenses and Changes in Net Assets

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

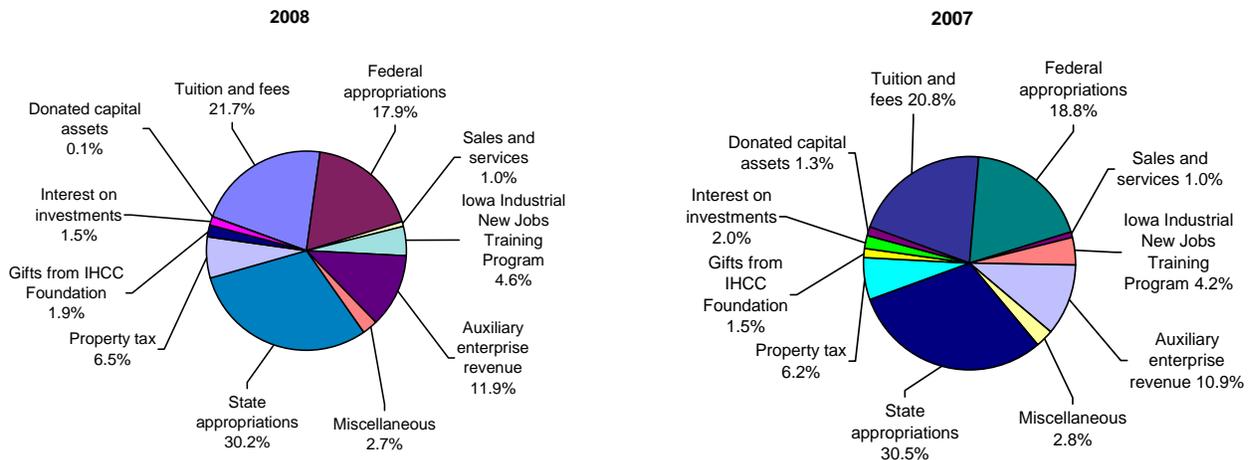
Generally, a public, state supported college such as Indian Hills will report an operating loss as the financial reporting model required by GASB 34/35 classifies state appropriations and property taxes as non-operating revenues. Operating revenue is defined to include only revenues received for providing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

Changes in Net Assets

	Year ended June 30,	
	2008	2007
Operating revenues:		
Tuition and fees	\$ 10,971,344	10,105,889
Federal appropriations	9,045,531	9,098,488
Sales and services	478,269	461,727
Iowa Industrial New Jobs Training Program	2,334,015	2,031,095
Auxiliary enterprise revenue	6,027,422	5,294,235
Miscellaneous	1,368,035	1,351,461
Total operating revenues	30,224,616	28,342,895
 Total operating expenses	 47,588,456	 44,962,709
Operating loss	(17,363,840)	(16,619,814)
 Non-operating revenues (expenses):		
State appropriations	15,262,550	14,812,393
Property tax	3,283,331	3,011,282
Gifts from IHCC Foundation	972,226	756,278
Interest on investments	738,038	951,069
Donated capital assets	24,525	626,010
Loss on disposal of capital assets	(33,085)	(49,900)
Interest on indebtedness	(728,504)	(704,786)
Amortization of bond issue costs	(80,854)	(83,926)
Net non-operating revenues	19,438,227	19,318,420
 Increase in net assets	 2,074,387	 2,698,606
Net assets beginning of year	50,508,788	47,810,182
 Net assets end of year	 \$ 52,583,175	 50,508,788

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

Total Revenue by Source



In fiscal year 2008, operating revenues totaled approximately \$30.2 million and net non-operating revenues totaled approximately \$19.4 million. Observations regarding the changes in operating and non-operating revenues follow:

- Tuition and fee income increased approximately \$865,000. The increase was a result of the 5.7% tuition increase effective fall term 2007 and a 2% growth in credit hour enrollment.
- Iowa Industrial New Jobs Training Program revenues increased 14.9% over the previous fiscal year.
- The increase in net non-operating revenues, offset by a net operating loss, resulted in an increase to the College's net assets of approximately \$2.1 million, or 4.1%, over fiscal year 2007.
- State revenues improved approximately \$450,000 over fiscal year 2007 funding levels. This increase was due to the 5.85% increase in the state aid allocation and additional state funds awarded through the Workforce Training and Economic Development Fund.

Operating Expenses

	Year ended June 30,	
	2008	2007
Education and support:		
Liberal arts and sciences	\$ 4,840,335	4,800,722
Vocational technical	10,003,282	9,628,162
Adult education	2,645,165	2,450,257
Cooperative services	1,623,500	1,140,520
Administration	1,791,988	1,660,311
Student services	3,169,286	2,923,624
Learning resources	859,867	839,493
Physical plant	4,021,962	3,686,333
General institution	4,076,145	4,890,527
Auxiliary enterprises	6,656,316	5,740,181
Scholarships and grants	3,973,529	3,333,837
Workforce Investment Act	1,815,005	1,677,808
Plant operations	422,214	631,563
Depreciation	1,689,862	1,559,371
Total	\$ 47,588,456	44,962,709

The following factors address some expense issues:

- Expenses for salaries and wages increased in all functional categories due to a 5% increase in salaries and benefits for fiscal year 2008 and additional employment relating to increased enrollment and services provided to students.
- Expense categories were carefully budgeted and monitored to maintain an excess of revenue over expenses.

Statement of Cash Flows

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

Cash Flows

	Year ended June 30,	
	2008	2007
Cash provided (used) by:		
Operating activities	\$ (15,572,461)	(14,103,107)
Non-capital financing activities	21,428,859	18,097,638
Capital and related financing activities	(3,894,349)	(4,300,425)
Investing activities	804,761	869,552
Net increase in cash	2,766,810	563,658
Cash beginning of the year	21,648,932	21,085,274
Cash and cash equivalents end of the year	\$ 24,415,742	21,648,932

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

CAPITAL ASSETS

At June 30, 2008, the College had approximately \$40.7 million invested in capital assets, net of accumulated depreciation of approximately \$21.3 million. Depreciation charges totaled \$1,689,862 for the 2008 fiscal year. A summary of capital assets, net of accumulated depreciation, is shown below.

Net Capital Assets

	June 30,	
	2008	2007
Land	\$ 340,590	368,285
Construction in progress	2,547,551	24,582
Capital assets not depreciated	2,888,141	392,867
Buildings	34,344,475	35,092,038
Improvements	2,009,644	1,720,586
Equipment and vehicles	1,480,940	1,716,774
Total	\$ 40,723,200	38,922,265

The road resurfacing, curb/gutter/sidewalk construction and storm sewer installation on the Ottumwa Campus was completed in fiscal year 2008. Capital projects in progress include campus entrance signage, culinary/food service renovation and the Advanced Technology Center cafeteria project on the Ottumwa Campus, as well as the Trades and Industries Building renovation on the Airport Campus to be completed during fiscal year 2009. The funding of the six-cent instructional equipment levy has assisted with equipment upgrades to keep pace with technology and student demand. A five-year replacement schedule is in place to maintain computer technology equipment at required levels. Facility maintenance is scheduled to meet needs and budgetary constraints. Additional information is provided in Note 4 to the financial statements.

LONG-TERM DEBT

Outstanding debt at June 30, 2008 was \$16,105,000. Current debt consists of certificates issued for Iowa New Jobs Training projects and dormitory revenue bonds. Detailed information is presented in Note 5 to the financial statements.

Outstanding Debt

	June 30,	
	2008	2007
Certificates payable	\$ 12,825,000	10,635,000
Bonds payable	3,280,000	3,495,000
Total	<u>\$ 16,105,000</u>	<u>14,130,000</u>

ECONOMIC FACTORS

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

- State aid dollars increased 5.85% in fiscal year 2008, while state aid as a percentage of overall operating revenues stayed consistent with fiscal year 2007. Tuition income, from rate increases and/or enrollment growth, must continue to balance any deficit in state funding levels.
- Higher tuition is followed by an increased need for financial aid and scholarship support. The challenge for students to obtain funding will continue as credit criteria tighten and available loan funds decrease.
- Labor and operational expenses continue to rise, challenging the College to meet the increasing expenses through budget planning.
- The College must continue to offer additional student services to attract and retain the diverse population the institution serves.
- College facilities and infrastructure require continual maintenance and update.
- Technology continues to advance rapidly, challenging the College to provide instructional equipment and conduct operations at current technological levels.

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

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

Indian Hills Community College

Statement of Net Assets

June 30, 2008

	Primary Government	Component Units
Assets		
Current assets:		
Cash and investments:		
Cash and pooled investments	\$ 15,531,581	13,329,560
Restricted cash and investments	-	5,840,432
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$394,170	2,121,845	469,518
Succeeding year property tax	3,216,200	-
Due from other governments	928,211	-
Prepaid expense	8,962	-
Inventories	1,021,875	-
Total current assets	<u>22,828,674</u>	<u>19,639,510</u>
Noncurrent assets:		
Cash and pooled investments	8,884,161	-
Receivable for Iowa Industrial New Jobs Training Program	3,424,441	-
Unamortized bond issue expense	2,199,461	-
Capital assets, net of accumulated depreciation	<u>40,723,200</u>	<u>1,449</u>
Total noncurrent assets	<u>55,231,263</u>	<u>1,449</u>
Total assets	<u>78,059,937</u>	<u>19,640,959</u>

Indian Hills Community College

Statement of Net Assets

June 30, 2008

	Primary Government	Component Units
Liabilities		
Current liabilities:		
Accounts payable	952,988	124,035
Salaries and benefits payable	974,628	-
Interest payable	69,115	-
Deferred revenue:		
Succeeding year property tax	3,216,200	-
Other	3,148,907	-
Early retirement payable	56,100	-
Compensated absences payable	596,924	-
Deposits held in custody for others	194,125	-
Certificates payable	1,680,000	-
Bonds payable	230,000	-
Total current liabilities	<u>11,118,987</u>	<u>124,035</u>
Noncurrent liabilities:		
Early retirement payable	162,775	-
Certificates payable	11,145,000	-
Bonds payable	3,050,000	-
Total noncurrent liabilities	<u>14,357,775</u>	<u>-</u>
Total liabilities	<u>25,476,762</u>	<u>124,035</u>
Net assets		
Invested in capital assets, net of related debt	37,443,200	1,449
Restricted:		
Nonexpendable:		
Other	-	1,353,292
Expendable:		
Scholarships and fellowships	90,096	-
Debt service	649,484	-
Cash reserve	288,745	-
Other	154,474	8,574,787
Unrestricted	<u>13,957,176</u>	<u>9,587,396</u>
Total net assets	<u>\$ 52,583,175</u>	<u>19,516,924</u>

See notes to financial statements.

Exhibit B

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

Year ended June 30, 2008

	<u>Primary Government</u>	<u>Component Units</u>
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$2,405,435	\$ 10,971,344	-
Federal appropriations	9,045,531	-
Sales and services	478,269	-
Iowa Industrial New Jobs Training Program	2,334,015	-
Auxiliary enterprises revenue, net of scholarship allowances of \$726,405	6,027,422	-
Contributions	-	709,978
Rental income and facility management	-	547,957
Fines, damages and forfeitures	-	25,258
Miscellaneous	1,368,035	107,681
Total operating revenues	<u>30,224,616</u>	<u>1,390,874</u>
Operating expenses:		
Education and support:		
Liberal arts and sciences	4,840,335	-
Vocational technical	10,003,282	-
Adult education	2,645,165	-
Cooperative services	1,623,500	-
Administration	1,791,988	-
Student services	3,169,286	-
Learning resources	859,867	-
Physical plant	4,021,962	-
General institution	4,076,145	-
Auxiliary enterprises	6,656,316	-
Scholarships and grants	3,973,529	-
Workforce Investment Act	1,815,005	-
Plant operations	422,214	-
General and administrative	-	115,316
Programs	-	392,379
Fund raising	-	9,898
Depreciation	1,689,862	-
Total operating expenses	<u>47,588,456</u>	<u>517,593</u>
Operating income (loss)	<u>(17,363,840)</u>	<u>873,281</u>

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

Year ended June 30, 2008

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	15,262,550	-
Property tax	3,283,331	-
Gifts from Indian Hills Community College Foundation	972,226	-
Interest on investments	738,038	252,396
Donated capital assets	24,525	-
Loss on disposal of capital assets	(33,085)	-
Gifts to Indian Hills Community College	-	(972,226)
Interest on indebtedness	(728,504)	-
Amortization of bond issue costs	(80,854)	-
Net non-operating revenues	<u>19,438,227</u>	<u>(719,830)</u>
Change in net assets	2,074,387	153,451
Net assets beginning of year	<u>50,508,788</u>	<u>19,363,473</u>
Net assets end of year	<u>\$ 52,583,175</u>	<u>19,516,924</u>

See notes to financial statements.

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2008

	<u>Primary Government</u>
Cash flows from operating activities:	
Tuition and fees	\$ 11,676,990
Federal appropriations	9,314,067
Iowa Industrial New Jobs Training Program	2,027,074
Payments to employees for salaries and benefits	(27,716,461)
Payments to suppliers for goods and services	(12,742,690)
Payments to NJTP recipients	(1,431,884)
Scholarships	(3,973,529)
Payments to subrecipients	(566,462)
Auxiliary enterprise receipts	6,002,413
Other receipts	1,838,021
Net cash used by operating activities	<u>(15,572,461)</u>
Cash flows from non-capital financing activities:	
State appropriations	15,765,798
Property tax	3,283,331
Gifts	972,226
Federal direct lending receipts	12,299,345
Federal direct lending disbursements	(12,299,345)
Proceeds from issuance of debt	3,690,000
Principal paid on debt	(1,500,000)
Interest paid on debt	(540,463)
Bond issue costs	(139,921)
Agency receipts	2,063,904
Agency disbursements	(2,166,016)
Net cash provided by non-capital financing activities	<u>21,428,859</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,499,357)
Principal paid on debt	(215,000)
Interest paid on debt	(179,992)
Net cash used by capital and related financing activities	<u>(3,894,349)</u>
Cash flows from investing activities:	
Interest on investments	804,761
Net increase in cash and cash equivalents	2,766,810
Cash and cash equivalents beginning of year	<u>21,648,932</u>
Cash and cash equivalents end of year	<u><u>\$ 24,415,742</u></u>

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2008

	Primary Government
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (17,363,840)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,689,862
Provision for doubtful accounts	72,727
Amortization	(36,690)
Changes in assets and liabilities:	
Decrease in accounts receivable	428,535
(Increase) in NJTP receivable	(311,689)
Decrease in due from other governments	268,536
(Increase) in prepaid expenses	(8,437)
Decrease in inventories	45,820
Increase in accounts payable	176,063
(Decrease) in salaries and benefits payable	(4,869)
Increase in deferred revenue	212,530
Increase in compensated absences	43,669
(Decrease) in early retirement payable	(784,678)
	1,791,379
Net cash used by operating activities	\$ (15,572,461)

Noncash capital and related financing activities:

The College received donated capital assets with a fair market value of \$24,525.

See notes to financial statements.

Indian Hills Community College

Statement of Net Assets
Component Units

June 30, 2008

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 602,604	143,186	745,790
Investments	-	12,583,770	12,583,770
Restricted cash and investments	-	5,840,432	5,840,432
Accounts receivable	-	469,518	469,518
Total current assets	602,604	19,036,906	19,639,510
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,449	-	1,449
Total assets	604,053	19,036,906	19,640,959
Liabilities			
Current liabilities:			
Accounts payable	112,692	386	113,078
Liability under unitrust agreement	-	10,957	10,957
Total liabilities	112,692	11,343	124,035
Net assets			
Invested in capital assets	1,449	-	1,449
Restricted:			
Nonexpendable:			
Other	-	1,353,292	1,353,292
Expendable:			
Other	-	8,574,787	8,574,787
Unrestricted	489,912	9,097,484	9,587,396
Total net assets	\$ 491,361	19,025,563	19,516,924

See notes to financial statements.

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

Year ended June 30, 2008

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Operating revenues:			
Contributions	\$ -	709,978	709,978
Rental income and facility managemnt	547,957	-	547,957
Fines, damages and forfeitures	25,258	-	25,258
Grants	21,494	-	21,494
Miscellaneous	1,588	84,599	86,187
Total operating revenues	<u>596,297</u>	<u>794,577</u>	<u>1,390,874</u>
Operating expenses:			
General and administrative	100,015	15,301	115,316
Programs	392,379	-	392,379
Fund raising	-	9,898	9,898
Total operating expenses	<u>492,394</u>	<u>25,199</u>	<u>517,593</u>
Operating income	<u>103,903</u>	<u>769,378</u>	<u>873,281</u>
Non-operating revenues (expenses):			
Interest on investments, net of \$69,157 of investment expenses	18,887	233,509	252,396
Gifts to Indian Hills Community College	-	(972,226)	(972,226)
Net non-operating revenues (expenses)	<u>18,887</u>	<u>(738,717)</u>	<u>(719,830)</u>
Change in net assets	122,790	30,661	153,451
Net assets beginning of year	<u>368,571</u>	<u>18,994,902</u>	<u>19,363,473</u>
Net assets end of year	<u>\$ 491,361</u>	<u>19,025,563</u>	<u>19,516,924</u>

See notes to financial statements.

Indian Hills Community College

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Discrete Component Units

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

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

B. Financial Statement Presentation

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

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

Restricted Net Assets:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

D. Assets, Liabilities and Net Assets

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

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

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

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

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

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenses incurred through June 30, 2008 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

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

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

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

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

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

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

Compensated Absences – College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of accumulated vacation hours are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2008.

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

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

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

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

E. Scholarship Allowances and Student Aid

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

(2) Cash and Pooled Investments

The College's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2008, the College had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 14,685,383
Fixed Term Investments	<u>2,800,000</u>
Total	<u>\$ 16,685,383</u>

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

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

(3) Inventories

The College's inventories at June 30, 2008 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 397,446
Work in progress	377,035
Merchandise held for resale	<u>247,394</u>
Total	<u>\$ 1,021,875</u>

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 368,285	-	27,695	340,590
Construction in progress	24,582	2,547,551	24,582	2,547,551
Total capital assets not being depreciated	392,867	2,547,551	52,277	2,888,141
Capital assets being depreciated:				
Buildings	49,503,081	308,444	-	49,811,525
Improvements other than buildings	2,494,010	386,611	-	2,880,621
Equipment and vehicles	6,448,472	337,858	384,499	6,401,831
Total capital assets being depreciated	58,445,563	1,032,913	384,499	59,093,977
Less accumulated depreciation for:				
Buildings	14,411,043	1,056,007	-	15,467,050
Improvements other than buildings	773,424	97,553	-	870,977
Equipment and vehicles	4,731,698	536,302	347,109	4,920,891
Total accumulated depreciation	19,916,165	1,689,862	347,109	21,258,918
Total capital assets being depreciated, net	38,529,398	(656,949)	37,390	37,835,059
Capital assets, net	\$ 38,922,265	1,890,602	89,667	40,723,200

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	Certificates Payable	Bonds Payable	Total
Balance beginning of year	\$ 10,635,000	3,495,000	14,130,000
Additions	3,690,000	-	3,690,000
Reductions	1,500,000	215,000	1,715,000
Balance end of year	\$ 12,825,000	3,280,000	16,105,000

Certificates Payable

In accordance with agreements dated between June 13, 1995 and May 12, 2008, the College issued certificates totaling \$29,915,000 with interest rates ranging from 3.41% to 7.82% per annum. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,680,000	660,450	2,340,450
2010	1,975,000	551,388	2,526,388
2011	1,905,000	455,230	2,360,230
2012	1,355,000	362,627	1,717,627
2013	1,295,000	298,413	1,593,413
2014-2018	4,615,000	580,282	5,195,282
Total	\$ 12,825,000	2,908,390	15,733,390

Dormitory Revenue Bonds

On March 1, 2000, the College issued revenue bonds of \$5,000,000 for the construction of a new dormitory as allowed by Section 260C.19 of the Code of Iowa and approved by the Iowa Department of Education. The interest rate is 5.15% per annum and the College is required to make semiannual interest payments and annual principal payments with a final maturity date of June 2, 2019. The bonds are to be repaid with anticipated revenue from dormitory operations. In fiscal year 2008, principal payments totaled \$215,000.

Details of the College's June 30, 2008 dormitory revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2000			
	Interest Rates	Principal	Interest	Total
2009	5.15%	\$ 230,000	168,920	398,920
2010	5.15	240,000	157,075	397,075
2011	5.15	255,000	144,715	399,715
2012	5.15	265,000	131,583	396,583
2013	5.15	280,000	117,935	397,935
2014-2018	5.15	1,630,000	357,925	1,987,925
2019	5.15	380,000	19,570	399,570
Total		\$ 3,280,000	1,097,723	4,377,723

(6) Operating Leases

The College has leased two copiers for its printing division. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire in December 2009 and February 2010 and require a set monthly payment. The leases also include a per copy charge for copies made in excess of the maximums set in each lease. 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, 2008:

Year Ending June 30,	Cannon 7105	Cannon C5180	Total Payments
2009	\$ 49,692	13,680	63,372
2010	24,846	9,120	33,966
Total	\$ 74,538	22,800	97,338

Rents for the year ended June 30, 2008 for the two operating leases totaled \$63,372.

(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 3.90% of their annual covered salary and the College is required to contribute 6.05% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$725,250, \$666,837 and \$639,751, 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 3.90% and the College is required to contribute 6.05%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2008 were \$438,447 and \$282,633, respectively.

(9) Risk Pool

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

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

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

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self insured retention of \$200,000 per claim, except for errors and omissions which has a retention of \$100,000. Excess insurance for all lines is \$800,000 per occurrence, except for errors and omissions which is \$900,000 and workers compensation which is \$150,000. There is additional excess above that for another \$9,000,000 per member. Property is insured with excess coverage over the self insured retention of up to \$250,000,000. Flood and earthquake exposures are covered in the property program each having \$16,000,000 limits. Also covered is employee fidelity up to \$1,000,000 and boiler and machinery coverage up to \$50,000,000. Stop gap loss protection is provided above the member's loss fund.

The Program's intergovernmental contract with its members provides that in the event any claim or series of claims exceeds the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The College does not report a liability for losses in excess of reinsurance unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the College's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

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

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

(10) Employee Health Insurance Plan

The Indian Hills Community College Employee Group Health Fund was established to account for the partial self funding of the College's health insurance benefit plan. The plan is funded by both employee and College contributions and is administered through service agreements with Auxiant. The agreements are subject to automatic renewal provisions. The College assumes liability for claims up to the individual stop loss limitation of \$50,000 per person. Claims in excess of coverage are insured through purchase of stop loss insurance through commercial carriers.

Monthly payments of service fees and plan contributions to the College's Employee Group Health Fund, an account within the Unrestricted Fund, are recorded as expenses from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The College records the plan assets and related liabilities of the Employee Group Health Fund as an Unrestricted Current Fund. Total contributions to the fund from the operating funds for the year ended June 30, 2008 were \$2,279,565.

Amounts payable from the Employee Group Health Fund at June 30, 2008 total \$166,980, which is for claims incurred and not paid as of June 30, 2008. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in the past year. Information on changes in the aggregate liabilities for claims for the current year is as follows:

	Liability, Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability, End of Year
Year ended June 30, 2008	\$ 137,007	2,014,764	(1,984,791)	166,980

(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 78 projects, with 23 currently receiving project funding. Of the remaining 55 projects, 49 projects have been completed, of which 32 have been fully repaid and 17 are in the repayment process. Six projects have defaulted, one of which was repaid by the guarantor bank, three were repaid by standby property tax and two are currently being paid by standby property tax. In cases where projects exceed the budgeted amounts, the College intends to obtain additional withholding revenue from the companies.

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

(12) Termination Benefits

On November 10, 2003 and December 11, 2006, the Board of Trustees passed voluntary early retirement programs. The program enrollment periods ran from November 11, 2003 until January 15, 2004 and December 14, 2006 until January 15, 2007, respectively. Full-time staff who had reached the age of 55, had been employed by the College continually for the previous 10 years and were eligible for the College's group health plan during those 10 years were eligible.

Early retirement would begin at the end of the employee's contract or by June 30, 2004 and June 30, 2007, respectively. Employees who accepted early retirement would receive a cash payment equal to 5% of the employee's annualized salary for each full year of employment, up to 100%. The employee had the option to receive a one time payment or installments as approved by the employee and the College. Employees could also elect to receive single coverage health insurance paid by the College until the age of Medicare eligibility or a cash payment made monthly for a maximum of 12 months or until the age of Medicare eligibility.

The liability at June 30, 2008 for those employees who elected early retirement under the two programs was \$71,709 and \$147,166, respectively. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2008, \$784,678 was paid for early retirement benefits.

(13) Segment Reporting

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

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

	<u>Residence System</u>
Condensed Statement of Net Assets	
Assets:	
Current assets	\$ 722,001
Capital assets, net of accumulated depreciation	8,070,492
Total assets	<u>8,792,493</u>
Liabilities:	
Current liabilities	330,710
Noncurrent liabilities	3,050,000
Total liabilities	<u>3,380,710</u>
Net assets:	
Invested in capital assets, net of related debt	4,790,492
Restricted	621,291
Total net assets	<u>\$ 5,411,783</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues:	
Sales and services	\$ 658,573
Operating expenses	(169,216)
Depreciation	(204,918)
Operating income	<u>284,439</u>
Nonoperating revenues (expenses):	
Investment income	26,824
Interest on indebtedness	(179,992)
Increase in net assets	131,271
Net assets beginning of year	5,280,512
Net assets end of year	<u>\$ 5,411,783</u>

Condensed Statement of Cash Flows

Net cash flows provided by operating activities	\$ 489,357
Net cash flows provided by investing activities	26,824
Net cash flows used in capital and related financing activities	(394,992)
Net decrease in cash and cash equivalents	121,189
Cash and cash equivalents beginning of year	542,372
Cash and cash equivalents end of year	<u>\$ 663,561</u>

Proportion of Revenue Pledged

Annual debt service (principal and interest)	\$ 394,992
Net operating revenue *	311,263
Annual debt service/net operating income (%)	126.9%

As of June 30, 2008, revenue pledged for future principal and interest payments was \$4,377,723.

* Net operating income plus investment income.

Other Supplementary Information

Indian Hills Community College

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

Current Funds – The Current Funds are utilized to account for the economic resources 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.

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

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

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

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

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

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

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

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

Indian Hills Community College

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

Other Supplementary Information

Year ended June 30, 2008

Funds/Levy	Original/ Final Budget	Actual	Variance between Actual and Budget
Unrestricted	\$ 29,730,500	29,646,237	84,263
Restricted	7,254,489	3,961,126	3,293,363
Unemployment	18,000	16,916	1,084
Insurance	540,000	671,479	(131,479)
Tort Liability	316,410	284,508	31,902
Early Retirement	240,768	-	240,768
Equipment Replacement	361,152	362,107	(955)
Stand by	120,585	31,103	89,482
Total Restricted	8,851,404	5,327,239	3,524,165
Plant	8,443,050	3,736,851	4,706,199
Bonds and Interest	394,993	394,070	923
Total	\$ 47,419,947	39,104,397	8,315,550

Note to Budgetary Reporting:

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

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

For the year ended June 30, 2008, the College's total expenditures did not exceed the total amount budgeted.

See accompanying independent auditor's report.

Indian Hills Community College

Balance Sheet

All Funds

June 30, 2008

	Current Funds		Endowment
	Unrestricted	Restricted	Funds
Assets			
Cash and pooled investments	\$ 7,960,216	9,355,475	3,600,000
Receivables:			
Accounts (less allowance of \$394,170)	2,054,468	33,156	-
Succeeding year property tax	776,100	1,664,000	-
Iowa Industrial New Jobs Training Program	-	3,424,441	-
Due from other funds	3,183,530	4,120,448	-
Due from other governments	179,960	521,528	-
Prepaid expenses	8,451	-	-
Unamortized bond issue expense	-	2,199,461	-
Inventories	1,021,875	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Construction in progress	-	-	-
Improvements other than buildings	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation	-	-	-
Total assets	\$ 15,184,600	21,318,509	3,600,000

Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
2,706,959	663,561	-	129,531	-	24,415,742
16,233	-	-	17,988	-	2,121,845
776,100	-	-	-	-	3,216,200
-	-	-	-	-	3,424,441
-	-	-	-	(7,303,978)	-
25,287	-	-	201,436	-	928,211
-	-	-	511	-	8,962
-	-	-	-	-	2,199,461
-	-	-	-	-	1,021,875
-	-	340,590	-	-	340,590
-	-	49,811,525	-	-	49,811,525
-	-	2,547,551	-	-	2,547,551
-	-	2,880,621	-	-	2,880,621
-	-	6,401,831	-	-	6,401,831
-	-	-	-	(21,258,918)	(21,258,918)
<u>3,524,579</u>	<u>663,561</u>	<u>61,982,118</u>	<u>349,466</u>	<u>(28,562,896)</u>	<u>78,059,937</u>

Indian Hills Community College

Balance Sheet

All Funds

June 30, 2008

	Current Funds		Endowment Funds
	Unrestricted	Restricted	
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 834,572	118,416	-
Salaries and benefits payable	913,849	60,324	-
Interest payable	-	55,038	-
Due to other funds	3,210,742	3,854,676	-
Deferred revenue:			
Succeeding year property tax	776,100	1,664,000	-
Other	909,542	1,952,922	-
Early retirement payable	-	218,875	-
Compensated absences	560,981	35,943	-
Deposits held in custody for others	-	-	-
Certificates payable	-	12,825,000	-
Bonds payable	-	-	-
Total liabilities	7,205,786	20,785,194	-
Fund balances:			
Invested in capital assets, net of related debt	-	-	-
Fund balances:			
Restricted:			
Expendable:			
Scholarships and fellowships	-	90,096	-
Debt service	-	-	-
Cash reserve	-	288,745	-
Other	-	154,474	-
Unrestricted	3,464,508	-	3,600,000
Auxiliary enterprises	4,514,306	-	-
Total fund balance	7,978,814	533,315	3,600,000
Total liabilities and fund balances	\$ 15,184,600	21,318,509	3,600,000

See accompanying independent auditor's report.

Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
-	-	-	-	-	952,988
-	-	-	455	-	974,628
-	14,077	-	-	-	69,115
85,867	-	-	152,693	(7,303,978)	-
776,100	-	-	-	-	3,216,200
284,250	-	-	2,193	-	3,148,907
-	-	-	-	-	218,875
-	-	-	-	-	596,924
-	-	-	194,125	-	194,125
-	-	-	-	-	12,825,000
-	-	3,280,000	-	-	3,280,000
1,146,217	14,077	3,280,000	349,466	(7,303,978)	25,476,762
-	-	58,702,118	-	(21,258,918)	37,443,200
-	-	-	-	-	90,096
-	649,484	-	-	-	649,484
-	-	-	-	-	288,745
-	-	-	-	-	154,474
2,378,362	-	-	-	-	9,442,870
-	-	-	-	-	4,514,306
2,378,362	649,484	58,702,118	-	(21,258,918)	52,583,175
3,524,579	663,561	61,982,118	349,466	(28,562,896)	78,059,937

Indian Hills Community College

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

Year ended June 30, 2008

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
State appropriations	\$ 13,591,967	1,242,112
Tuition and fees	13,372,979	3,800
Property tax	810,660	1,657,901
Federal appropriations	843,579	8,201,952
Sales and services	185,247	-
Interest on investments	307,404	290,292
Iowa Industrial New Jobs Training Program	-	2,693,218
Increase in plant investment due to donated plant assets	-	-
Increase in plant investment due to plant expenditures (including \$184,720 in current fund expenditures and \$32,000 in trade-in value)	-	-
Increase in plant investment due to retirement of debt	-	-
Gifts from the Indian Hills Community College Foundation	-	-
Miscellaneous	787,578	1,415,865
	<u>29,899,414</u>	<u>15,505,140</u>
Auxiliary enterprises:		
State appropriations	24	-
Tuition and fees	451,226	-
Federal appropriations	26,144	-
Sales and services	6,745,877	-
Interest on investments	162,907	-
Reimbursement from operating funds for self funded health insurance	2,279,565	-
Miscellaneous	254,928	-
	<u>9,920,671</u>	<u>-</u>
Total revenues	<u>39,820,085</u>	<u>15,505,140</u>
Expenditures:		
Education and support:		
Liberal arts and sciences	4,646,008	294,257
Vocational technical	9,607,609	618,710
Adult education	2,251,322	553,707
Cooperative services	89,182	1,976,120
Administration	1,554,901	379,024
Student services	3,303,044	-
Learning resources	872,263	-
Physical plant	3,373,801	671,479
General institution	3,948,107	284,508
Total education and support	<u>29,646,237</u>	<u>4,777,805</u>

Endowment Funds	Plant Funds			Adjustments	Total
	Unex- pended	Retirement of Indebtedness	Investment in Plant		
-	428,471	-	-	-	15,262,550
-	-	-	-	(2,405,435)	10,971,344
-	814,770	-	-	-	3,283,331
-	-	-	-	-	9,045,531
-	293,022	-	-	-	478,269
-	113,518	26,824	-	-	738,038
-	-	-	-	(359,203)	2,334,015
-	-	-	24,525	-	24,525
-	-	-	3,531,357	(3,531,357)	-
-	-	-	215,000	(215,000)	-
-	-	-	-	972,226	972,226
-	136,818	-	-	(972,226)	1,368,035
-	1,786,599	26,824	3,770,882	(6,510,995)	44,477,864
-	-	-	-	-	24
-	-	-	-	-	451,226
-	-	-	-	-	26,144
-	-	-	-	(1,613,684)	5,132,193
-	-	-	-	-	162,907
-	-	-	-	(2,279,565)	-
-	-	-	-	-	254,928
-	-	-	-	(3,893,249)	6,027,422
-	1,786,599	26,824	3,770,882	(10,404,244)	50,505,286
-	-	-	-	(99,930)	4,840,335
-	-	-	-	(223,037)	10,003,282
-	-	-	-	(159,864)	2,645,165
-	-	-	-	(441,802)	1,623,500
-	-	-	-	(141,937)	1,791,988
-	-	-	-	(133,758)	3,169,286
-	-	-	-	(12,396)	859,867
-	-	-	-	(23,318)	4,021,962
-	-	-	-	(156,470)	4,076,145
-	-	-	-	(1,392,512)	33,031,530

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

Year ended June 30, 2008

	Current Funds	
	Unrestricted	Restricted
Expenditures (continued):		
Auxiliary enterprises	9,045,392	-
Scholarships and grants	-	7,105,369
Workforce Investment Act	-	1,825,038
Plant operations	-	-
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Disposal of plant assets	-	-
Interest on indebtedness	-	549,434
Amortization of bond issuance costs	-	-
Loss on disposal of assets	-	-
Depreciation	-	-
Total expenditures	38,691,629	14,257,646
Excess (deficiency) of revenues over (under) expenditures	1,128,456	1,247,494
Transfers:		
Mandatory transfers	(489,357)	-
Non-mandatory transfers	391,411	(1,179,183)
Total transfers	(97,946)	(1,179,183)
Net	1,030,510	68,311
Fund balances beginning of year	6,948,304	465,004
Fund balances end of year	\$ 7,978,814	533,315

See accompanying independent auditor's report.

Endowment Funds	Plant Funds			Adjustments	Total
	Unex- pended	Retirement of Indebtedness	Investment in Plant		
-	-	-	-	(2,389,076)	6,656,316
-	-	-	-	(3,131,840)	3,973,529
-	-	-	-	(10,033)	1,815,005
-	422,214	-	-	-	422,214
-	3,314,637	-	-	(3,314,637)	-
-	-	215,000	-	(215,000)	-
-	-	-	412,194	(412,194)	-
-	-	179,070	-	-	728,504
-	-	-	-	80,854	80,854
-	-	-	-	33,085	33,085
-	-	-	-	1,689,862	1,689,862
-	3,736,851	394,070	412,194	(9,061,491)	48,430,899
-	(1,950,252)	(367,246)	3,358,688	(1,342,753)	2,074,387
-	-	489,357	-	-	-
-	787,772	-	-	-	-
-	787,772	489,357	-	-	-
-	(1,162,480)	122,111	3,358,688	(1,342,753)	2,074,387
3,600,000	3,540,842	527,373	55,343,430	(19,916,165)	50,508,788
3,600,000	2,378,362	649,484	58,702,118	(21,258,918)	52,583,175

Indian Hills Community College

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

Year ended June 30, 2008

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
Revenues:				
State appropriations	\$ 5,035,491	6,978,261	1,337,620	-
Tuition and fees	5,062,603	6,993,874	1,218,832	73,547
Property tax	-	-	-	-
Federal appropriations	-	413,172	284,265	-
Sales and services	30	64,320	98,052	-
Interest on investments	287,641	-	-	-
Miscellaneous	350	132,713	4,188	-
	<u>10,386,115</u>	<u>14,582,340</u>	<u>2,942,957</u>	<u>73,547</u>
Allocation of support services	564,764	1,158,245	191,446	-
	<u>10,950,879</u>	<u>15,740,585</u>	<u>3,134,403</u>	<u>73,547</u>
Total revenues				
Expenditures:				
Salaries and benefits	4,351,904	8,817,845	1,600,437	76,907
Services	93,675	198,241	355,536	2,058
Materials and supplies	110,357	408,922	136,223	3,160
Travel	50,051	167,429	58,374	7,057
Loan cancellations and bad debts	-	-	-	-
Administrative and collections	-	-	1,750	-
Plant asset acquisitions	-	12,480	-	-
Cost of goods sold	-	190	90,421	-
Miscellaneous	40,021	2,502	8,581	-
	<u>4,646,008</u>	<u>9,607,609</u>	<u>2,251,322</u>	<u>89,182</u>
Allocation of support services	3,850,374	7,896,530	1,305,212	-
	<u>8,496,382</u>	<u>17,504,139</u>	<u>3,556,534</u>	<u>89,182</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	2,454,497	(1,763,554)	(422,131)	(15,635)
Transfers:				
Non-mandatory transfers	-	-	-	-
Net	<u>\$ 2,454,497</u>	<u>(1,763,554)</u>	<u>(422,131)</u>	<u>(15,635)</u>
Fund balance beginning of year				
Fund balance end of year				

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

See accompanying independent auditor's report.

General Adminis- tration	Support				Education and Support Total
	Student Services	Learning Resources	Physical Plant	General Institution	
143,117	8,942	83,624	4,912	-	13,591,967
-	24,123	-	-	-	13,372,979
810,660	-	-	-	-	810,660
-	146,142	-	-	-	843,579
-	13,018	9,380	229	218	185,247
19,763	-	-	-	-	307,404
76,409	3,084	688	557,123	13,023	787,578
1,049,949	195,309	93,692	562,264	13,241	29,899,414
(1,049,949)	(195,309)	(93,692)	(562,264)	(13,241)	-
-	-	-	-	-	29,899,414
967,755	3,003,986	533,952	1,762,833	2,308,236	23,423,855
208,346	173,888	162,883	1,286,392	1,093,897	3,574,916
8,119	89,226	165,317	321,784	262,933	1,506,041
49,083	31,267	6,013	917	112,454	482,645
318,493	-	-	-	-	318,493
-	-	-	-	-	1,750
-	-	-	-	-	12,480
-	-	-	-	-	90,611
3,105	4,677	4,098	1,875	170,587	235,446
1,554,901	3,303,044	872,263	3,373,801	3,948,107	29,646,237
(1,554,901)	(3,303,044)	(872,263)	(3,373,801)	(3,948,107)	-
-	-	-	-	-	29,646,237
-	-	-	-	-	253,177
219,168	-	-	-	-	219,168
219,168	-	-	-	-	472,345
					2,992,163
					<u>\$ 3,464,508</u>

Indian Hills Community College

Indian Hills Community College

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

Year ended June 30, 2008

	Institutional Services	Education Program	Miscellaneous	Total
Revenues:				
State appropriations	\$ -	-	24	24
Tuition and fees	-	423,226	28,000	451,226
Federal appropriations	-	26,144	-	26,144
Sales and services	3,885,247	2,148,163	712,467	6,745,877
Interest on investments	7,512	-	155,395	162,907
Reimbursements from operating funds for self funded health insurance	2,279,565	-	-	2,279,565
Miscellaneous	131,147	112,675	11,106	254,928
Total revenues	6,303,471	2,710,208	906,992	9,920,671
Expenditures:				
Salaries and benefits	435,142	1,101,009	88,329	1,624,480
Services	402,083	216,720	100,681	719,484
Materials and supplies	116,990	142,610	22,431	282,031
Travel	32,283	259,499	235	292,017
Loan cancellations and bad debts	52,411	-	-	52,411
Plant asset acquisitions	12,572	7,099	-	19,671
Group health claims	2,151,771	-	-	2,151,771
Miscellaneous	189,704	251,443	1,623	442,770
Cost of goods sold	2,599,120	861,637	-	3,460,757
Total expenditures	5,992,076	2,840,017	213,299	9,045,392
Excess (deficiency) of revenues over (under) expenditures	311,395	(129,809)	693,693	875,279
Transfers:				
Mandatory transfers	-	-	(489,357)	(489,357)
Non-mandatory transfers	218,200	3,075	(49,032)	172,243
Total transfers	218,200	3,075	(538,389)	(317,114)
Net	529,595	(126,734)	155,304	558,165
Fund balances beginning of year	2,552,670	118,297	1,285,174	3,956,141
Fund balances end of year	\$ 3,082,265	(8,437)	1,440,478	4,514,306

See accompanying independent auditor's report.

Indian Hills Community College

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

Year ended June 30, 2008

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance
Revenues:				
State appropriations	\$ 510,730	-	-	-
Tuition and fees	-	-	-	-
Property tax	-	362,107	415,503	517,622
Federal appropriations	5,230,135	-	-	-
Interest on investments	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	1,399,540	-	-	15,979
Total revenues	<u>7,140,405</u>	<u>362,107</u>	<u>415,503</u>	<u>533,601</u>
Expenditures:				
Salaries and benefits	-	-	99,304	-
Services	11,975	-	185,204	657,379
Materials and supplies	-	236,679	-	14,100
Travel	-	-	-	-
Interest on indebtedness	-	-	-	-
Awards to subrecipients	-	-	-	-
Plant asset acquisitions	-	125,428	-	-
Miscellaneous	-	-	-	-
Federal Pell grant program	4,874,781	-	-	-
Federal supplemental educational opportunity grant	95,019	-	-	-
Health and Human Services Nursing	162,656	-	-	-
Iowa College Student Aid Commission	127,736	-	-	-
Private scholarships	1,833,202	-	-	-
Total expenditures	<u>7,105,369</u>	<u>362,107</u>	<u>284,508</u>	<u>671,479</u>
Excess (deficiency) of revenues over (under) expenditures	35,036	-	130,995	(137,878)
Transfers:				
Non-mandatory transfers	-	-	(85,881)	137,878
Net	35,036	-	45,114	-
Fund balances beginning of year	55,060	-	-	-
Fund balances end of year	<u>\$ 90,096</u>	<u>-</u>	<u>45,114</u>	<u>-</u>

See accompanying independent auditor's report.

Early Retirement	Unemployment Compensation	Workforce Investment Act	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
-	-	86,342	-	645,040	1,242,112
-	-	-	-	3,800	3,800
240,172	2,567	-	119,930	-	1,657,901
-	-	1,741,206	-	1,230,611	8,201,952
-	-	-	290,292	-	290,292
-	-	-	2,693,218	-	2,693,218
-	-	-	-	346	1,415,865
240,172	2,567	1,827,548	3,103,440	1,879,797	15,505,140
-	16,916	930,597	104,179	771,252	1,922,248
-	-	207,796	1,871,941	316,826	3,251,121
-	-	90,545	-	122,848	464,172
-	-	29,638	-	96,121	125,759
-	-	-	549,434	-	549,434
-	-	566,462	-	-	566,462
-	-	-	-	27,141	152,569
-	-	-	-	132,487	132,487
-	-	-	-	-	4,874,781
-	-	-	-	-	95,019
-	-	-	-	-	162,656
-	-	-	-	-	127,736
-	-	-	-	-	1,833,202
-	16,916	1,825,038	2,525,554	1,466,675	14,257,646
240,172	(14,349)	2,510	577,886	413,122	1,247,494
(240,172)	-	-	(577,886)	(413,122)	(1,179,183)
-	(14,349)	2,510	-	-	68,311
-	44,538	6,053	-	359,353	465,004
-	30,189	8,563	-	359,353	533,315

Schedule 7

Indian Hills Community College

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

Year ended June 30, 2008

	Athletics and Student Organizations	Federal Direct Student Loan Program	Retraining Program (HF 260F)	Miscel- laneous	Total
Balance beginning of year	\$ (1,161)	-	84,083	1,627	84,549
Additions:					
State appropriations	-	-	164,775	11,257	176,032
Federal appropriations	-	12,299,345	-	-	12,299,345
Tuition and fees	60,500	-	-	-	60,500
Sales and services	77,624	-	-	-	77,624
Partnership loan program	-	-	-	1,736,462	1,736,462
Miscellaneous	61,372	-	-	125,864	187,236
Total additions	199,496	12,299,345	164,775	1,873,583	14,537,199
Deductions:					
Salaries and benefits	-	-	-	125,774	125,774
Services	77,216	-	119,327	1,747,699	1,944,242
Materials and supplies	9,166	-	-	-	9,166
Travel	34,057	-	-	-	34,057
Miscellaneous	10,553	-	-	-	10,553
Cost of goods sold	4,486	-	-	-	4,486
Direct student loans	-	12,299,345	-	-	12,299,345
Total deductions	135,478	12,299,345	119,327	1,873,473	14,427,623
Balance end of year	\$ 62,857	-	129,531	1,737	194,125

See accompanying independent auditor's report.

Indian Hills Community College
 Schedule of Credit and Contact Hours
 Year ended June 30, 2008

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	47,165	-	47,165	894,605	-	894,605
Vocational Education	62,632	-	62,632	1,834,349	-	1,834,349
Adult Education/ Continuing Education	-	-	-	304,986	-	304,986
Total	109,797	-	109,797	3,033,940	-	3,033,940

See accompanying independent auditor's report.

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

	Years ended			
	2008	2007	2006	2005
Local (property tax)	\$ 3,283,331	3,011,282	2,888,099	2,875,524
State	15,262,550	14,812,393	13,848,936	12,292,751
Federal	9,071,675	9,131,763	8,496,721	9,123,246
Total	\$ 27,617,556	26,955,438	25,233,756	24,291,521

See accompanying independent auditor's report.

June 30,			
2004	2003	2002	2001
3,179,361	3,163,315	3,039,503	3,046,900
11,593,825	11,740,024	12,569,921	12,983,480
8,944,834	8,563,371	7,753,398	6,195,634
<u>23,718,020</u>	<u>23,466,710</u>	<u>23,362,822</u>	<u>22,226,014</u>

Indian Hills Community College

Schedule of Current Fund Revenues by Source
and Expenditures by Function

For the Last Eight Years

	Years ended			
	2008	2007	2006	2005
Revenues:				
State appropriations	\$ 14,834,079	14,073,316	12,763,819	12,055,153
Tuition and fees	13,376,779	12,206,286	11,241,360	10,431,661
Property tax	2,468,561	2,209,835	2,101,756	2,082,575
Federal appropriations	9,045,531	8,340,575	8,254,634	9,095,078
Sales and services	185,247	165,304	134,153	107,876
Interest on investments	597,696	742,983	577,753	345,361
Iowa Industrial New Jobs Training Program	2,693,218	2,403,017	2,058,203	3,586,833
Auxiliary enterprises	9,920,671	8,574,455	7,424,262	7,211,806
Miscellaneous	2,203,443	2,034,241	1,745,273	1,623,025
Total	\$ 55,325,225	50,750,012	46,301,213	46,539,368
Expenditures:				
Liberal arts and sciences	\$ 4,940,265	4,917,349	4,373,871	3,913,839
Vocational technical	10,226,319	9,906,322	9,350,631	9,148,834
Adult education	2,805,029	2,566,441	2,663,422	2,584,709
Cooperative services	2,065,302	1,597,677	1,484,142	2,485,196
Administration	1,933,925	1,892,886	1,866,882	1,652,553
Student services	3,303,044	3,046,111	3,060,406	3,129,312
Learning resources	872,263	854,279	966,732	953,797
Physical plant	4,045,280	3,709,805	3,410,401	3,296,010
General institution	4,232,615	5,076,544	3,500,220	3,055,668
Auxiliary enterprises	9,045,392	7,665,202	6,790,798	6,450,441
Scholarships and grants	7,105,369	6,097,517	5,865,340	6,050,306
Workforce Investment Act	1,825,038	1,685,342	1,233,997	1,193,859
Interest on indebtedness	549,434	515,116	538,980	548,322
Total	\$ 52,949,275	49,530,591	45,105,822	44,462,846

See accompanying independent auditor's report.

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

Schedule 11

Indian Hills Community College
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Direct:				
U.S. Department of Labor:				
One-Stop Career Initiative (1999B)	17.257		\$ 185,670	-
Community Based Jobs Training Grants	17.269		405	-
National Science Foundation:				
Education and Human Resources	47.076		24,900	-
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007 *		106,994	-
Federal Work-Study Program	84.033 *		144,584	-
Federal Pell Grant Program	84.063 *		4,874,781	-
Federal Direct Student Loans	84.268 *		-	12,299,345
Academic Competitiveness Grants	84.375 *		85,704	-
Trio Cluster:				
TRIO_Student Support Services	84.042		294,257	-
TRIO_Upward Bound	84.047		237,122	-
TRIO_Educational Opportunity Centers	84.066		221,081	-
			752,460	-
U.S. Department of Health and Human Services:				
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925 *		162,656	-
Total direct			6,338,154	12,299,345
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Child and Adult Care Food Program	10.558		26,144	-
U.S. Department of Labor:				
Forsyth Technical Community College:				
WIA Pilots, Demonstrations, and Research Projects	17.261 **		126,047	-
Iowa Department of Education:				
Mine Health and Safety Grants	17.600		2,875	-
Incentive Grants - WIA Section 503	17.267 ***		29,191	-
Iowa Department of Workforce Development:				
Trade Adjustment Assistance	17.245	7-W-15-FR	1,788	-
WIA Pilots, Demonstrations, and Research Projects	17.261 **	7-W-15-FR	4,230	-
Incentive Grants - WIA Section 503	17.267 ***	7-W-15-FR	37,602	-

Indian Hills Community College
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Indirect (continued):				
U.S. Department of Labor:				
Iowa Department of Workforce Development:				
WIA Cluster:				
WIA Adult Program	17.258	7-W-15-FR	262,376	-
WIA Youth Activities	17.259	7-W-15-FR	223,883	-
WIA Dislocated Workers	17.260	7-W-15-FR	662,737	-
			1,148,996	-
Local Veterans' Employment Representative Program	17.804	7-W-15-FR	3,613	-
National Foundation on the Arts and the Humanities:				
Indirect through Humanities of Iowa:				
Promotion of the Humanities_Federal/State Partnership	45.129		1,000	-
Small Business Administration:				
Iowa State University:				
Small Business Development Centers	59.037		57,351	-
U.S. Department of Education:				
Iowa Department of Education:				
Adult Education - Basic Grants to States	84.002		254,318	-
Career and Technical Education -- Basic Grants to States	84.048		498,930	-
U.S. Department of Health and Human Services:				
Iowa Department of Workforce Development:				
Temporary Assistance for Needy Families	93.558	7-W-15-FR	544,977	-
Iowa Department of Public Health:				
Rural Access to Emergency Devices Grant	93.259		1,558	-
Total indirect			2,738,620	-
Total			\$ 9,076,774	12,299,345

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

** – Total for CFDA number is \$130,277.

*** – Total for CFDA number is \$66,793.

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

See accompanying independent auditor's report.

Indian Hills Community College



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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 the accompanying financial statements of Indian Hills Community College, Ottumwa, Iowa, and the aggregate discretely presented component units as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements listed in the table of contents, and have issued our report thereon dated November 24, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Indian Hills Community College Development Corporation, Inc. and Indian Hills Community College Foundation, Inc., as described in our report on Indian Hills Community College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

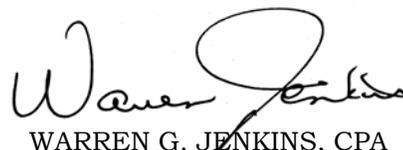
Indian Hills Community College's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the College's responses, we did not audit the College's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 24, 2008



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, 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 with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Trustees of
Indian Hills Community College:

Compliance

We have audited the compliance of Indian Hills Community College, Ottumwa, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Indian Hills Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Indian Hills Community College's management. Our responsibility is to express an opinion on Indian Hills Community College's compliance based on our audit.

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

In our opinion, Indian Hills Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Indian Hills Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Indian Hills Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Indian Hills Community College's internal control over compliance.

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

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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 24, 2008

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number – 84.048 – Career and Technical Education -- Basic Grants to States
 - Clustered Programs:
 - WIA Cluster:
 - CFDA Number – 17.258 – WIA Adult Program
 - CFDA Number – 17.259 – WIA Youth Activities
 - CFDA Number – 17.260 – WIA Dislocated Workers
 - Student Financial Assistance Cluster:
 - CFDA Number – 84.007 – Federal Supplemental Educational Opportunity Grants
 - CFDA Number – 84.033 – Federal Work-Study Program
 - CFDA Number – 84.063 – Federal Pell Grant Program
 - CFDA Number – 84.268 – Federal Direct Student Loans
 - CFDA Number – 84.375 – Academic Competitiveness Grant
 - CFDA Number – 93.925 – Scholarships for Health Profession Students from Disadvantaged Backgrounds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Indian Hills Community College did not qualify as a low-risk auditee.

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

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

Indian Hills Community College
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-08 Certified Budget – Total expenditures for the year ended June 30, 2008 did not exceed the total amount budgeted.
- IV-B-08 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-08 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-08 Business Transactions and Competitive Bidding Requirements – Business transactions between the College and College officials as detailed as follows:

Name, Title and Business Connection	Amount	Business Transaction
Tom Keck, Trustee, President of Winger Services	\$ 431,962	Culinary Arts Kitchen – mechanical/heating, ventilation and air conditioning (HVAC)
	266,124	Trades and Industries Building – mechanical/HVAC
	<u>54,237</u>	Maintenance and repair
	<u>\$ 752,323</u>	

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

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

Response – The Community College will review its processes and implement procedures to achieve compliance with Chapter 279.7A of the Code of Iowa.

Conclusion – Response accepted.

- IV-E-08 Bond Coverage – Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-F-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-08 Publication – The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

Indian Hills Community College

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

- IV-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College’s investment policy were noted.
- IV-I-08 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.
- IV-J-08 Competitive Bidding Requirements - Chapter 26.3 of the Code of Iowa requires competitive bids for public improvements when the estimated total cost exceeds \$100,000. The Chapter also requires a licensed engineer or registered architect to calculate the estimated total cost of the proposed public improvement. Project costs of \$1,183,217 for the remodel of the Culinary Arts Kitchen and \$1,338,447 for the Trades and Industries Building were not formally estimated and were not competitively bid as required by the Code of Iowa.

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

Response – The Community College will review its processes and implement procedures to achieve compliance with Chapter 26.3 of the Iowa Code.

Conclusion – Response accepted.

Indian Hills Community College

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
James S. Cunningham, CPA, Senior Auditor II
Michael P. Piehl, Senior Auditor
Joshua B. Ludwig, Staff Auditor
Paula J. Smothers, Staff Auditor
Brett M. Zeller, Staff Auditor
Samantha J. Brincks, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a prominent initial 'A' and a distinct dot over the 'i' in Nielsen.

Andrew E. Nielsen, CPA
Deputy Auditor of State