



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

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NEWS RELEASE

FOR RELEASE November 12, 2002

Contact: Andy Nielsen
515/281-5515

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

Johnson reported that the Community College's Unrestricted Fund revenues totaled \$28,031,367 for the year ended June 30, 2002, an increase of less than 1% from 2001. The revenues included \$818,002 in local tax, \$11,318,933 from the state, \$839,702 from the federal government and \$8,170,501 in tuition and fees.

Unrestricted Fund expenditures for the year totaled \$26,615,665, a decrease of less than 1% from 2001. The expenditures included \$18,040,298 for salaries and benefits, \$2,902,181 for services and \$1,033,555 for materials and supplies.

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

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**INDIAN HILLS COMMUNITY COLLEGE
OTTUMWA, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2002

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Indian Hills Community College

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Directors (Before September 2001 Election)		
Jim Dorothy	President	2002
Robert L. Pitsch	Vice President	2003
Barbara Ballou (Resigned October 2000)	Member	2001
Sharon Kline	Member	2001
Kevin M. Kness	Member	2001
John Pothoven (Appointed November 2000)	Member	2001
Dr. Donald Berg	Member	2002
H. Roy Lamansky	Member	2002
Dave Hetzler	Member	2003
Richard C. Sharp	Member	2003

**Board of Directors
(After September 2001 Election)**

Jim Dorothy	President	2002
Robert L. Pitsch	Vice President	2003
Dr. Donald Berg	Member	2002
H. Roy Lamansky	Member	2002
Dave Hetzler (Resigned September 2001)	Member	2003
Tom Keck (Appointed October 2001)	Member	2003
Richard C. Sharp	Member	2003
Sharon Kline	Member	2004
Kevin M. Kness	Member	2004
John Pothoven	Member	2004

Community College

Dr. Lyle A. Hellyer	President
Keith Sasseen	Vice President/Dean of Finance and Records and Board Treasurer
Susan Pixley	Controller
Anne Leathers	College Accountant
Jo Altheide	Grants Accountant

Indian Hills Community College



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Chief Deputy Auditor of State

Independent Auditor's Report

To the Board of Directors of
Indian Hills Community College:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Indian Hills Community College, Ottumwa, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Indian Hills Community College's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Indian Hills Community College at June 30, 2002, and the revenues, expenditures and changes in fund balances for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 13 to the general purpose financial statements, Indian Hills Community College intends to implement Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities; Statement Number 37, Basic Financial Statements and Management's Discussions and Analysis; Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2003. The effects of these statements are expected to significantly impact the presentation of the College's financial statements and related notes in the year of implementation. The revised requirements will include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the entity's financial activities in the Management's Discussion and Analysis introduction to the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our reports dated September 24, 2002 on our consideration of Indian Hills Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. These reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental 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, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 24, 2002

Financial Statements

Indian Hills Community College

Balance Sheet

June 30, 2002

	Current Funds	
	Unrestricted	Restricted
Assets		
Cash and investments:		
Cash and pooled investments	\$ 667,823	4,607,980
ISJIT investment	6,314,821	3,717,770
Receivables:		
Accounts (less allowance of \$104,701)	1,597,874	4,839
Succeeding year property tax	729,000	548,000
Notes (less allowance of \$36,757)	-	-
Iowa Industrial		
New Jobs Training Program	-	3,247,680
Due from other governments	1,177,205	-
Due from other funds	-	295,500
Inventories (note 4)	538,793	-
Prepaid expenses	325	1,752,033
Plant assets (note 5):		
Land	-	-
Buildings	-	-
Buildings in progress	-	-
Other structures and improvements	-	-
Furniture and equipment	-	-
Library books and materials	-	-
Total assets	\$ 11,025,841	14,173,802

Loan Funds	Plant Funds			Agency Funds
	Unex- pende d	Retirement of Indebtedness	Investment in Plant	
71,707	1,929,971	363,227	-	-
-	3,559,062	657,746	-	152,742
-	25,344	-	-	-
-	729,000	797,000	-	-
279,142	-	-	-	-
-	-	-	-	-
-	-	-	-	-
26,138	196,663	-	-	-
-	-	-	-	-
-	500	-	-	-
-	-	-	374,635	-
-	-	-	39,521,486	-
-	-	-	170,679	-
-	-	-	2,308,416	-
-	-	-	11,298,183	-
-	-	-	1,090,268	-
376,987	6,440,540	1,817,973	54,763,667	152,742

Indian Hills Community College

Balance Sheet

June 30, 2002

	Current Funds	
	Unrestricted	Restricted
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 469,435	99,949
Salaries and benefits payable	393,126	39,613
Due to other funds	477,498	-
Deferred revenue:		
Succeeding year property tax	729,000	548,000
Other	-	1,439,331
Compensated absences	252,071	45,145
Deposits held in custody for others	-	-
Certificates payable (note 6)	-	11,570,000
Bonds payable (note 6)	-	-
Total liabilities	<u>2,321,130</u>	<u>13,742,038</u>
Fund equity:		
Net investment in plant assets	-	-
Fund balances:		
Restricted for specific purposes	-	431,764
Unrestricted	5,415,477	-
Auxiliary enterprises	3,289,234	-
Total fund equity	<u>8,704,711</u>	<u>431,764</u>
Total liabilities and fund equity	<u>\$ 11,025,841</u>	<u>14,173,802</u>

See notes to financial statements.

Loan Funds	Plant Funds			Agency Funds
	Unex- pende d	Retirement of Indebtedness	Investment in Plant	
65,000	-	-	-	-
-	-	-	-	347
-	-	40,040	-	763
-	729,000	797,000	-	-
-	-	-	-	-
-	-	-	-	523
-	-	-	-	151,109
-	-	-	-	-
-	-	-	6,145,000	-
65,000	729,000	837,040	6,145,000	152,742
-	-	-	48,618,667	-
311,987	-	980,933	-	-
-	5,711,540	-	-	-
-	-	-	-	-
311,987	5,711,540	980,933	48,618,667	-
376,987	6,440,540	1,817,973	54,763,667	152,742

Indian Hills Community College

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Current Funds	
	Unrestricted	Restricted
Revenues and other additions:		
General:		
State appropriations	\$ 11,318,933	584,321
Tuition and fees	8,153,196	-
Property tax	818,002	638,250
Federal appropriations	827,735	6,913,696
Sales and services	28,982	-
Interest on investments	109,451	214,307
Interest on student loans	-	-
Iowa Industrial New Jobs Training Program	-	2,691,786
Increase in plant investment due to donated plant assets	-	-
Increase in plant investment due to plant expenditures (including \$984,670 in current fund expenditures)	-	-
Increase in plant investment due to retirement of debt	-	-
Gain from sale of assets	-	-
Miscellaneous	682,756	290,775
	<u>21,939,055</u>	<u>11,333,135</u>
Auxiliary enterprises:		
Tuition and fees	17,305	-
Federal appropriations	11,967	-
Sales and services	4,722,228	-
Interest on investments	77,922	-
Reimbursement from operating funds for self funded health insurance	1,194,559	-
Miscellaneous	68,331	-
	<u>6,092,312</u>	<u>-</u>
Total revenues and other additions	<u>28,031,367</u>	<u>11,333,135</u>

Loan Funds	Plant Funds		
	Unex- pende d	Retirement of Indebtedness	Investment in Plant
-	666,667	-	-
-	-	-	-
-	817,995	765,256	-
-	-	-	-
-	291,025	-	-
-	204,299	23,324	-
7,112	-	-	-
-	-	-	-
-	-	-	184,760
-	-	-	1,809,100
-	-	-	825,000
-	85,000	-	-
22,370	339,597	-	-
29,482	2,404,583	788,580	2,818,860
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
29,482	2,404,583	788,580	2,818,860

Indian Hills Community College

Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Current Funds	
	Unrestricted	Restricted
Expenditures and other deductions:		
Education and support:		
Liberal arts and sciences	2,854,177	276,595
Vocational technical	7,186,460	494,645
Adult education	1,604,523	618,337
Cooperative services	58,111	2,578,938
Administration	1,116,709	153,029
Student services	2,616,070	336,927
Learning resources	804,581	-
Physical plant	2,261,747	399,918
General institution	2,773,488	70,351
Total education and support	21,275,866	4,928,740
Auxiliary enterprises	5,339,799	-
Scholarships and grants	-	4,196,945
Workforce Investment Act	-	2,015,869
Refund to federal government	-	-
Administrative and collection costs	-	-
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Disposal of plant assets	-	-
Interest on indebtedness	-	-
Total expenditures and other deductions	26,615,665	11,141,554
Excess (deficiency) of revenues and other additions over (under) expenditures and other deductions	1,415,702	191,581
Transfers:		
Mandatory transfers	(396,384)	-
Non-mandatory transfers	(111,470)	(268,552)
Total transfers	(507,854)	(268,552)
Net	907,848	(76,971)
Fund balances beginning of year	7,796,863	508,735
Fund balances end of year	\$ 8,704,711	431,764

See notes to financial statements.

Loan Funds	Plant Funds		
	Unexpended	Retirement of Indebtedness	Investment in Plant
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	1,094,935	-	-
-	-	-	-
-	1,094,935	-	-
-	-	-	-
-	-	-	-
-	-	-	-
125,000	-	-	-
598	-	300	-
-	819,470	-	-
-	-	825,000	-
-	-	-	709,554
-	-	331,126	-
125,598	1,914,405	1,156,426	709,554
(96,116)	490,178	(367,846)	2,109,306
-	-	396,384	-
-	328,382	51,640	-
-	328,382	448,024	-
(96,116)	818,560	80,178	2,109,306
408,103	4,892,980	900,755	46,509,361
311,987	5,711,540	980,933	48,618,667

Indian Hills Community College

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, Indian Hills Community College has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The College has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the College to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the College. Indian Hills Community College has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Fund Accounting

The accounts of the Community College are organized 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. For reporting purposes, funds that have similar characteristics have been combined into fund groups. The various fund groups and their designated purposes are as follows:

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

Unrestricted Fund

The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the Community College. All property tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this subgroup. From this subgroup are paid the general operating expenses, the fixed charges and the expenditures for plant assets that are not paid from other funds.

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 community college. In addition, it accounts for activities which provide instructional and laboratory experiences for students and which incidentally create goods and services that may be sold to students, faculty, staff and the general public.

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

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

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

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

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

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

Agency Funds – The Agency Funds are used to account for assets held by the Community College in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities. Transactions of the Agency Funds represent charges or credits to the individual asset and liability accounts and do not involve measurement of revenues or expenditures.

C. Basis of Accounting

The financial statements of the Community College have been prepared on the accrual basis of accounting, except for depreciation. The statement of revenues, expenditures and changes in fund balance is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Under the accrual basis of accounting, revenues are reported when earned and expenditures are recorded when materials and services are received. Disbursements for the purchase of fixed assets providing future benefits are recorded as expenditures at time of purchase.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

Due From and Due to Other Funds - During the course of its operations, the Community College had numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

Inventories - Inventories are valued at lower of cost (first-in, first-out method) or market. The cost is recorded as an expenditure 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 that 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 Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Prepaid expenses - Prepaid expense in the Restricted Fund consists of indirect cost recovery and bond issue costs related to Iowa's New Jobs Training Program (NJTP). The Community College's policy is to amortize NJTP indirect cost recovery on the basis of debt retired during the period. The unamortized portion is recorded in the Restricted Fund as prepaid expense and deferred revenue.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) - This receivable represents the total amount to be remitted to the Community College for training projects entered into between the Community College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2002 on NJTP projects plus interest incurred on NJTP certificates, less reimbursements received to date.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds and the succeeding year property tax receivable.

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.

Compensated absences - Community College employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities of the appropriate fund. These liabilities have been computed based on rates of pay in effect at June 30, 2002.

E. Plant Assets

Plant assets are valued at historical cost. Donated plant assets are stated at fair market value at date of donation.

In accordance with standards set forth by the Governmental Accounting Standards Board (GASB), depreciation expense is not recorded on plant assets. The cost of repair and maintenance is charged to expenditures when paid, while the cost of renewals or substantial betterments is capitalized. No interest costs were capitalized since there were no qualifying assets.

F. Restricted Fund Balances

The portion of the fund balances shown as restricted represents the amounts segregated for specific purposes as allowed by the Code of Iowa, bond covenants, donors or outside agencies.

(2) Budgets and Budgetary Accounting

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the Community College on a basis consistent with U.S. generally accepted 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 Investment Act Account, Scholarships and Grants Account, Loan Funds, and Agency Funds.

The following is a comparison of expenditures to budget:

Funds/Levy	Budget	Actual	Variance
Unrestricted	\$ 24,400,000	21,275,866	3,124,134
Restricted	9,565,584	4,305,442	5,260,142
Unemployment Compensation	25,000	31,858	(6,858)
Insurance	407,000	399,918	7,082
Equipment Replacement	119,685	121,171	(1,486)
Tort Liability	74,000	70,351	3,649
Total Restricted	10,191,269	4,928,740	5,262,529
Plant	4,385,946	1,914,405	2,471,541
Bonds and Interest	1,156,278	1,156,426	(148)
Total	\$ 40,133,493	29,275,437	10,858,056

The variance in the Restricted Fund is due to the College budgeting an allowance for NJTP projects which may or may not come to fruition. In addition the College budgets an additional amount for federal grants which are in process and may or may not be awarded.

(3) Cash and Pooled Investments

The Community College's deposits at June 30, 2002 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 Community College is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The Community College had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$14,402,141 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(4) Inventories

The Community College's inventories at June 30, 2002 are as follows:

<u>Inventory Type</u>	<u>Amount</u>
Supplies and materials	\$ 311,307
Work in process	126,656
Merchandise held for resale	100,830
Total	<u>\$ 538,793</u>

(5) Plant Assets

A summary of changes in plant assets for the year ended June 30, 2002 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Land	\$ 374,635	-	-	374,635
Buildings	38,853,063	668,423	-	39,521,486
Buildings in progress	441,820	50,039	321,180	170,679
Other structures and improvements	2,165,302	153,083	9,969	2,308,416
Furniture and equipment	10,576,887	1,293,004	571,708	11,298,183
Library books and materials	1,067,654	42,555	19,941	1,090,268
Total	<u>\$ 53,479,361</u>	<u>2,207,104</u>	<u>922,798</u>	<u>54,763,667</u>

Buildings in progress deletions includes \$117,905 for a building constructed jointly with the Excel Corp. Although Indian Hills Community College may use the facility, the College did not acquire title. The remaining \$203,275 are for renovations to existing buildings which are included as additions to buildings. In addition, other structures and improvements deletions of \$9,969 for a new faculty building at the Centerville campus are included as an addition to buildings.

(6) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	<u>Certificates Payable</u>	<u>Bonds Payable</u>	<u>Total</u>
Balance beginning of year	\$ 10,665,000	6,970,000	17,635,000
Additions	2,640,000	-	2,640,000
Reductions	1,735,000	825,000	2,560,000
Balance end of year	<u>\$ 11,570,000</u>	<u>6,145,000</u>	<u>17,715,000</u>

Certificates Payable

In accordance with agreements dated between March 13, 1985 and April 23, 2002, the Community College issued certificates totaling \$31,262,000 with interest rates ranging from 3.80% to 8.30%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes.

The certificates will mature as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 2,170,000	571,556	2,741,556
2004	1,570,000	476,308	2,046,308
2005	1,535,000	391,493	1,926,493
2006	1,550,000	306,069	1,856,069
2007	1,460,000	223,274	1,683,274
2008 - 2011	3,285,000	287,515	3,572,515
Total	\$ 11,570,000	2,256,215	13,826,215

Bonds Payable

General Obligation Refunding Bonds

The refunding bonds are to be repaid from anticipated tax receipts collected pursuant to Section 260C.20 of the Code of Iowa. In fiscal year 2002, principal repayments totaled \$665,000.

Dormitory Revenue Bonds

On March 1, 2000, the Community College issued revenue bonds of \$5,000,000 for the construction of a new dormitory as allowed by Section 260C.19 of the Code of Iowa and approved by the Iowa Department of Education. The interest rate is 5.15% and the Community College is required to make semiannual interest payments and annual principal payments with a maturity date of June 1, 2019. The bonds are to be repaid with anticipated revenue from dormitory operations. In fiscal year 2002, principal payments totaled \$160,000.

Details of the Community College's June 30, 2002 bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 1, 1999 - General Obligation			
	Interest Rates	Principal	Interest	Total
2003	4.60%	\$ 825,000	60,805	885,805
2004	4.70%	890,000	20,915	910,915
Total		\$ 1,715,000	81,720	1,796,720

Year Ending June 30,	Bond Issue of March 1, 2000 - Dormitory			
	Interest Rates	Principal	Interest	Total
2003	5.15%	\$ 170,000	228,145	398,145
2004	5.15%	180,000	219,390	399,390
2005	5.15%	185,000	210,120	395,120
2006	5.15%	195,000	200,593	395,593
2007	5.15%	205,000	190,550	395,550
2008 - 2019	5.15%	3,495,000	1,277,716	4,772,716
Total		\$ 4,430,000	2,326,514	6,756,514

(7) Iowa Public Employees Retirement System (IPERS)

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

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The College's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$536,149, \$528,799, and \$520,051, respectively, equal to the required contributions for each year.

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

The Community 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 Community 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 3.7% and the Community College is required to contribute 5.75%. The Community College's required and actual contribution to TIAA-CREF for the year ended June 30, 2002 was \$302,070. The employee's required and actual contributions were \$194,375 and \$296,122, respectively.

(9) Risk Pool

The Community 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 seven members include Iowa Community Colleges. The Program was incorporated in May 1988 for the purpose of managing and funding insurance against its members. The Program provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials bonds, property and inland marine, errors and omission and School 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 Community College's contributions to the risk pool are recorded as prepaid expense from its operating funds at the time of payment to the risk pool. The College amortizes the expense over the periods for which the pool is expected to provide coverage.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self insured retention of \$100,000 per claim, except for workers compensation which has a self insured retention of \$250,000. Excess insurance for workers compensation is for statutory limits. Excess for all other lines is \$900,000 per occurrence. There is additional excess above that for another \$5,000,000 per member. Property is insured with excess coverage over the self insured retention of up to \$30,000,000 for boiler and machinery and up to \$50,000,000 for other property. Stop gap loss protection is provided above the member's loss fund.

The Program's intergovernmental contract with its members provides that in the event any claim or series of claims exceeds the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The Community College does not report a liability for losses in excess of reinsurance unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2002, no liability has been recorded in the Community College's financial statements. As of June 30, 2002, settled claims have not exceeded the risk pool or reinsurance company 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 Community College also carries commercial insurance purchased from other insurers for coverage associated with catastrophic, accidental death and dismemberment, and underground storage tanks. The College assumes liability for any deductibles and claims in excess of coverage limits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Employee Health Insurance Plan

The Indian Hills Community College Employee Group Health Fund was established during January 1998 to account for the partial self funding of the Community College's health insurance benefit plan. The plan is funded by both employee and Community College contributions and is administered through service agreements. During fiscal year 2002, the College terminated the agreement with Hagan Benefits, Inc., and entered into an agreement with Employee Group Services. The College continued the agreement with John Deere Health Inc. The agreements are subject to automatic renewal provisions. The Community College assumes liability for claims up to the individual stop loss limitation of \$30,000 per person. Claims in excess of coverage are insured through purchase of stop loss insurance through commercial carriers.

Monthly payments of service fees and plan contributions to the Indian Hills Community College's Employee Group Health Fund are recorded as expenditures from the auxiliary funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, Hagan Benefits, Inc. and John Deere Health, Inc. from the Indian Hills Community College Employee Group Health Fund. The College records the plan assets and related liabilities of the Indian Hills Community College's Health Insurance Fund as an Unrestricted Current Fund. Total contributions to the fund for the year ended June 30, 2002 were \$1,194,559. Total claims paid include payments of \$571,274 to Hagan Benefits, Inc., \$314,404 to John Deere Health, Inc and \$449,404 to Employee Group Services.

Amounts payable from the Health Insurance Fund at June 30, 2002 total \$134,596 which is for claims incurred and not paid as of June 30, 2002. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in the past year. Information on changes in the aggregate liabilities for claims for the current year is as follows:

	Liability, Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability, End of Year
Year Ended June 30, 2002	\$123,294	1,346,384	(1,335,082)	134,596

(11) Related Organizations

The Indian Hills Community College Development Corporation and the Indian Hills Community College Foundation, Inc. are non-profit corporations whose goals are to provide support to the Community College and students and whose financial activities are not included in these financial statements. The financial activities of the Indian Hills Community College Development Corporation include the operation of certain dormitory facilities on the Indian Hills Community College campus. These facilities belong to Indian Hills Community College and are leased to the Corporation under an annual renewable lease. The Indian Hills Community College Foundation, Inc. primarily receives funds through donations to provide scholarships to students. The governing boards of these organizations have members who are also officers of the Community College. However, these members do not comprise a majority in either Foundation's board. Significant financial data for the year ended June 30, 2001, the most recent date for which information is available, follows:

	Indian Hills Community College Development Corporation	Indian Hills Community College Foundation, Inc.
Total assets	\$ 214,098	5,325,473
Total liabilities	162,626	46,712
Total equity	51,472	5,278,761
Total revenues	485,766	1,390,521
Total expenses	491,777	671,428
Payments to Community College for lease of facilities and related expenses	340,508	-
Scholarships	-	444,494

(12) New Jobs Training Programs

Indian Hills Community 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 Community College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the Community College has administered 46 projects with 27 currently receiving project funding. The remaining seventeen projects have been completed and two have defaulted, one of which was repaid by the guarantor bank.

Indian Hills Community College also administers 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 receive loans from the Iowa Employment Training Fund, a State administered fund. Since inception, the Community College has administered ten projects. Of the ten, four have been completed and repayment to the state has been made and the other six have defaulted.

(13) Prospective Accounting Change

Governmental Accounting Standards Board Statements – The Governmental Accounting Standards Board has issued Statement Number 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, Statement Number 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and Statement Number 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2003. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual basis of accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the financial activities.

Supplemental Information

Schedule 1**Indian Hills Community College****Unrestricted Fund****Balance Sheet****Summary of Subgroups**

June 30, 2002

	Education and Support	Auxiliary Enterprises	Elimina- tions	Total
Assets				
Cash and pooled investments:				
Cash and pooled investments	\$ 422,614	245,209	-	667,823
ISJIT investment	3,137,964	3,176,857	-	6,314,821
Receivables:				
Accounts	1,693,035	324,214	(419,375)	1,597,874
Succeeding year property tax	729,000	-	-	729,000
Due from other governments	1,177,205	-	-	1,177,205
Due from other funds	358,198	-	(358,198)	-
Inventories	-	538,793	-	538,793
Prepaid expense	-	325	-	325
Total assets	\$ 7,518,016	4,285,398	(777,573)	11,025,841
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 334,839	453,971	(319,375)	469,435
Salaries and benefits payable	393,126	-	-	393,126
Due to other funds	393,503	442,193	(358,198)	477,498
Deferred revenue for succeeding year property tax receivable	729,000	-	-	729,000
Compensated absences	252,071	-	-	252,071
Deposits held for others	-	100,000	(100,000)	-
Total liabilities	2,102,539	996,164	(777,573)	2,321,130
Fund equity:				
Fund balances:				
Unrestricted	5,415,477	-	-	5,415,477
Auxiliary enterprises	-	3,289,234	-	3,289,234
Total fund equity	5,415,477	3,289,234	-	8,704,711
Total liabilities and fund equity	\$ 7,518,016	4,285,398	(777,573)	11,025,841

See accompanying independent auditor's report.

Indian Hills Community College

Unrestricted Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Summary of Subgroups

Year ended June 30, 2002

	Education and Support	Auxiliary Enterprises	Total
Revenues:			
State appropriations	\$ 11,318,933	-	11,318,933
Tuition and fees	8,153,196	17,305	8,170,501
Property tax	818,002	-	818,002
Federal appropriations	827,735	11,967	839,702
Sales and services	28,982	4,722,228	4,751,210
Interest on investments	109,451	77,922	187,373
Reimbursement from operating funds for self-funded health insurance	-	1,194,559	1,194,559
Miscellaneous	682,756	68,331	751,087
Total revenues	<u>21,939,055</u>	<u>6,092,312</u>	<u>28,031,367</u>
Expenditures:			
Salaries and benefits	17,173,194	867,104	18,040,298
Services	2,564,725	337,456	2,902,181
Materials and supplies	937,597	95,958	1,033,555
Travel	251,830	20,872	272,702
Loan cancellations and bad debt	39,513	30,614	70,127
Administration and collectios	30,072	-	30,072
Plant asset acquisitions	178,840	58,213	237,053
Cost of goods sold	8,852	2,540,658	2,549,510
Miscellaneous	91,243	1,388,924	1,480,167
Total expenditures	<u>21,275,866</u>	<u>5,339,799</u>	<u>26,615,665</u>
Excess of revenues over expenditures	<u>663,189</u>	<u>752,513</u>	<u>1,415,702</u>
Transfers:			
Mandatory transfers	-	(396,384)	(396,384)
Non-mandatory transfers	(255,702)	144,232	(111,470)
Total transfers	<u>(255,702)</u>	<u>(252,152)</u>	<u>(507,854)</u>
Net	407,487	500,361	907,848
Fund balances beginning of year	5,007,990	2,788,873	7,796,863
Fund balances end of year	<u>\$ 5,415,477</u>	<u>3,289,234</u>	<u>8,704,711</u>

See accompanying independent auditor's report.

Indian Hills Community College

Unrestricted Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Education and Support

Year ended June 30, 2002

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
Revenues:				
State appropriations	\$ 3,393,355	6,567,303	1,258,506	-
Tuition and fees	3,207,039	4,016,064	730,550	58,696
Property tax	-	-	-	-
Federal appropriations	-	399,408	278,412	-
Sales and services	326	1,051	5,972	-
Interest on investments	95,147	-	-	-
Miscellaneous	-	8,400	20,290	-
	<u>6,695,867</u>	<u>10,992,226</u>	<u>2,293,730</u>	<u>58,696</u>
Allocation of support services	550,575	1,120,136	227,825	-
Total revenues	<u>7,246,442</u>	<u>12,112,362</u>	<u>2,521,555</u>	<u>58,696</u>
Expenditures:				
Salaries and benefits	2,656,021	6,699,935	1,144,004	48,577
Services	70,605	111,902	382,384	1,037
Materials and supplies	94,583	250,123	39,851	362
Travel	30,661	61,560	26,230	8,136
Loan cancellations and bad debt	-	-	-	-
Administration and collections	-	-	-	-
Plant asset acquisitions	-	62,536	550	-
Cost of goods sold	2,306	-	5,494	-
Miscellaneous	-	404	6,010	-
	<u>2,854,176</u>	<u>7,186,460</u>	<u>1,604,523</u>	<u>58,112</u>
Allocation of support services	2,776,053	5,647,831	1,148,711	-
Total expenditures	<u>5,630,229</u>	<u>12,834,291</u>	<u>2,753,234</u>	<u>58,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,616,213</u>	<u>(721,929)</u>	<u>(231,679)</u>	<u>584</u>
Transfers:				
Non-mandatory transfers	-	-	320,152	-
Total transfers	<u>-</u>	<u>-</u>	<u>320,152</u>	<u>-</u>
Net	<u>\$ 1,616,213</u>	<u>(721,929)</u>	<u>88,473</u>	<u>584</u>

Fund balances beginning of year

Fund balances end of year

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

See accompanying independent auditor's report.

General Administration	Support				Education and Support Total
	Student Services	Learning Resources	Physical Plant	General Institution	
-	-	94,857	4,912	-	11,318,933
1,948	138,899	-	-	-	8,153,196
818,002	-	-	-	-	818,002
-	149,915	-	-	-	827,735
-	10,640	8,270	-	2,723	28,982
14,304	-	-	-	-	109,451
221,263	10,444	2,464	392,936	26,959	682,756
1,055,517	309,898	105,591	397,848	29,682	21,939,055
(1,055,517)	(309,898)	(105,591)	(397,848)	(29,682)	-
-	-	-	-	-	21,939,055
888,914	2,351,387	417,563	1,195,617	1,771,176	17,173,194
70,022	113,970	244,628	832,775	737,402	2,564,725
11,378	118,115	84,447	210,636	128,102	937,597
54,353	13,980	6,965	1,310	48,635	251,830
39,513	-	-	-	-	39,513
30,072	-	-	-	-	30,072
21,325	17,525	50,920	21,409	4,575	178,840
-	1,052	-	-	-	8,852
1,133	40	58	-	83,598	91,243
1,116,710	2,616,069	804,581	2,261,747	2,773,488	21,275,866
(1,116,710)	(2,616,069)	(804,581)	(2,261,747)	(2,773,488)	-
-	-	-	-	-	21,275,866
-	-	-	-	-	663,189
-	(854)	-	-	(575,000)	(255,702)
-	(854)	-	-	(575,000)	(255,702)
-	(854)	-	-	(575,000)	407,487
					5,007,990
					<u>\$ 5,415,477</u>

Indian Hills Community College

Indian Hills Community College

Unrestricted Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Auxiliary Enterprises

Year ended June 30, 2002

	Institutional Services	Education Program	Miscel- laneous	Total
Revenues:				
Tuition and fees	\$ -	-	17,305	17,305
Federal appropriations	-	11,967	-	11,967
Sales and services	2,636,172	1,454,337	631,719	4,722,228
Interest on investments	2,524	-	75,398	77,922
Reimbursement from operating funds - self funded health insurance	1,194,559	-	-	1,194,559
Miscellaneous	26,911	28,277	13,143	68,331
Total revenues	3,860,166	1,494,581	737,565	6,092,312
Expenditures:				
Salaries and benefits	224,357	566,114	76,633	867,104
Services	140,848	127,025	69,583	337,456
Materials and supplies	64,228	21,571	10,159	95,958
Travel	13,684	4,005	3,183	20,872
Loan cancellations and bad debt	30,614	-	-	30,614
Plant asset acquisitions	52,393	5,820	-	58,213
Cost of goods sold	1,841,554	699,104	-	2,540,658
Miscellaneous	1,371,837	15,687	1,400	1,388,924
Total expenditures	3,739,515	1,439,326	160,958	5,339,799
Excess of revenues over expenditures	120,651	55,255	576,607	752,513
Transfers:				
Mandatory transfers	-	-	(396,384)	(396,384)
Non-mandatory transfers	577,682	(12,612)	(420,838)	144,232
Total transfers	577,682	(12,612)	(817,222)	(252,152)
Net	698,333	42,643	(240,615)	500,361
Fund balances beginning of year	1,938,593	86,704	763,576	2,788,873
Fund balances end of year	\$ 2,636,926	129,347	522,961	3,289,234

See accompanying independent auditor's report.

Indian Hills Community College

Restricted Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Education and Support

Year ended June 30, 2002

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance
Revenues and other additions:				
State appropriations	\$ 279,864	-	-	-
Property tax	-	121,171	71,016	420,302
Federal appropriations	3,678,639	-	-	-
Interest on investments	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	279,243	-	-	-
Total revenues and other additions	4,237,746	121,171	71,016	420,302
Expenditures and other deductions:				
Salaries and benefits	-	-	-	33,985
Services	-	-	70,351	365,933
Materials and supplies	-	-	-	-
Travel	-	-	-	-
Plant asset acquisitions	-	121,171	-	-
Interest on indebtedness	-	-	-	-
Miscellaneous	-	-	-	-
Awards to subrecipients	-	-	-	-
Federal Pell grant program	3,572,479	-	-	-
Federal Supplemental educational opportunity grant (FSEOG)	106,160	-	-	-
Iowa College Student Aid Commission	211,335	-	-	-
Private scholarships	257,717	-	-	-
State of Iowa scholarships	49,253	-	-	-
Total expenditures and other deductions	4,196,944	121,171	70,351	399,918
Excess (deficiency) of revenues and other additions over (under) expenditures and other deductions	40,802	-	665	20,384
Transfers:				
Non-mandatory transfers	854	-	-	-
Net	41,656	-	665	20,384
Fund balances beginning of year	7,021	-	48,200	41,357
Fund balances end of year	\$ 48,677	-	48,865	61,741

See accompanying independent auditor's report.

Unemploy- ment Compen- sation	Higher Education Institutional Aid (Title III)	Iowa			Miscel- laneous	Total
		Industrial New Jobs Training Program	Workforce Investment Act			
-	202,989	-	-	101,468	584,321	
24,823	-	938	-	-	638,250	
-	336,927	-	1,988,850	909,280	6,913,696	
-	-	214,307	-	-	214,307	
-	-	2,691,786	-	-	2,691,786	
-	-	-	10,532	1,000	290,775	
24,823	539,916	2,907,031	1,999,382	1,011,748	11,333,135	
31,858	205,526	134,535	784,373	497,569	1,687,846	
-	2,389	1,786,202	194,805	231,852	2,651,532	
-	24,190	488	29,120	73,514	127,312	
-	7,028	2,198	24,578	29,831	63,635	
-	300,783	-	-	325,663	747,617	
-	-	652,472	-	-	652,472	
-	-	3,044	-	28,158	31,202	
-	-	-	982,994	-	982,994	
-	-	-	-	-	3,572,479	
-	-	-	-	-	106,160	
-	-	-	-	-	211,335	
-	-	-	-	-	257,717	
-	-	-	-	-	49,253	
31,858	539,916	2,578,939	2,015,870	1,186,587	11,141,554	
(7,035)	-	328,092	(16,488)	(174,839)	191,581	
-	-	(328,092)	-	58,686	(268,552)	
(7,035)	-	-	(16,488)	(116,153)	(76,971)	
23,338	-	-	31,673	357,146	508,735	
16,303	-	-	15,185	240,993	431,764	

Indian Hills Community College

Indian Hills Community College

Loan Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

	<u>Perkins Loans</u>
Revenues and other additions:	
Interest on student loans	\$ 7,112
Miscellaneous	22,370
Total revenues and other additions	<u>29,482</u>
Expenditures and other deductions:	
Refund to federal government	125,000
Administrative and collection costs	598
Total expenditures and other deductions	<u>125,598</u>
Deficiency of revenues and other additions under expenditures and other deductions	(96,116)
Fund balance beginning of year	<u>408,103</u>
Fund balance end of year	<u><u>\$ 311,987</u></u>

See accompanying independent auditor's report.

Schedule 7**Indian Hills Community College****Agency Funds****Statement of Changes in Deposits Held in Custody for Others**

Year ended June 30, 2002

	Athletics and Student Organizations	Federal Direct Loan Program	Miscel- laneous	Retraining Program (HF 550)	Total
Balance beginning of year	\$ 40,794	-	(4,797)	231,990	267,987
Additions:					
State appropriations	-	-	-	121,355	121,355
Federal appropriations	-	5,958,290	135,453	-	6,093,743
Tuition and fees	182,695	-	-	-	182,695
Sales and services	134,841	-	40,797	-	175,638
Interest on investments	-	-	-	5,548	5,548
Miscellaneous	34,835	-	91,506	5,040	131,381
Total additions	352,371	5,958,290	267,756	131,943	6,710,360
Deductions:					
Salaries and benefits	3,741	-	80,424	-	84,165
Services	74,319	-	49,404	-	123,723
Materials and supplies	92,188	-	1,399	-	93,587
Travel	191,738	-	734	-	192,472
Plant asset acquisitions	4,960	-	-	-	4,960
Miscellaneous	12,349	-	137,169	206,151	355,669
Cost of goods sold	14,372	-	-	-	14,372
Direct student loans	-	5,958,290	-	-	5,958,290
Total deductions	393,667	5,958,290	269,130	206,151	6,827,238
Balance end of year	\$ (502)	-	(6,171)	157,782	151,109

See accompanying independent auditor's report.

Indian Hills Community College

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
Local (property tax)	\$ 3,039,503	3,046,900	2,869,641	2,656,717
State	12,569,921	12,983,480	12,370,070	11,849,150
Federal	7,753,398	6,195,634	5,487,804	5,895,693
Total	\$ 23,362,822	22,226,014	20,727,515	20,401,560

See accompanying independent auditor's report.

Schedule 9

Indian Hills Community College
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Direct:				
U.S. Department of Labor:				
Employment and Training Assistance	17.246		\$ 256,338	-
U.S. Department of Education:				
Student Financial Aid - Cluster:				
Federal Supplemental Educational Opportunity Grant	84.007		106,160	-
Federal Direct Loan	84.268		-	6,093,743
Federal Work-Study Program	84.033		149,915	-
Federal Pell Grant Program	84.063		3,572,479	-
			<u>3,828,554</u>	<u>6,093,743</u>
Higher Education-Institutional Aid	84.031		336,927	-
TRIO - Student Support Services	84.042		276,596	-
Fund for the Improvement of Postsecondary Education	84.116		102,374	6,093,743
National Science Foundation				
Unknown Title	47.000	0101711	140,938	-
Total Direct			<u>4,941,727</u>	-
Indirect:				
U.S. Department of Agriculture:				
Indirect through Iowa Department of Education:				
Child and Adult Care Food Program	10.558		11,967	-
Indirect through Iowa Department of Workforce Development:				
State Administrative Matching Grants for Food Stamp Program	10.561		336	-
U.S. Department of Labor:				
Indirect through Iowa Department of Education:				
Mine and Health Safety Grants	17.600		852	-
Indirect through Iowa Department of Workforce Development:				
Employment Service	17.207	1-W-15-FR	36,275	-
Unemployment Insurance	17.225	1-W-15-FR	4,947	-
Welfare-to-Work Grants to States and Localities	17.253	1-W-15-FR	404,268	-
Workforce Investment Act - Adult Program	17.258	1-W-15-FR	214,205	-
Workforce Investment Act - Youth Activities	17.259	1-W-15-FR	182,310	-
Workforce Investment Act - Dislocated Workers	17.260	1-W-15-FR	154,521	-
Local Veterans' Employment Representative Program	17.804	1-W-15-FR	2,110	-
NAFTA Rapid Response	17.000		401,426	-

Indian Hills Community College
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Small Business Administration:				
Indirect through Iowa State University:				
Small Business Development Center	59.037		86,258	-
U.S. Department of Education:				
Indirect through Iowa Department of Education:				
Adult Education - State Grant Program	84.002		262,037	-
353 Project - National Adult Literacy Survey	84.002		7,837	-
Teacher Training	84.002		7,686	-
			277,560	-
Vocational Education - Basic Grants to States:				
Title II-C, Carl Perkins Allotment	84.048		399,408	-
Tech Prep Education	84.243		36,573	-
Rehabilitation Services Demonstration and Training - Special Demonstration Programs				
	84.235		10,203	-
U.S. Department of Health and Human Services:				
Indirect through Iowa Department of Workforce Development				
Temporary Assistance for Needy Families	93.558		563,071	-
Temporary Assistance for Needy Families	93.558	1-W-15-FR	25,381	-
			588,452	-
Total indirect			2,811,671	
Total			\$ 7,753,398	6,093,743

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 general purpose financial statements.

See accompanying independent auditor's report.

Indian Hills Community College
Schedule of Costs Compared to Budget
Iowa Industrial New Jobs Training Program
Year ended June 30, 2002

Company	Project Costs			Subtotal
	Training & Wages	Administration	Legal & Other Costs	
Hy-Vee Food Stores, Inc.	\$ -	8,294	1,603	9,897
New Zealand Milk	-	7,990	2,109	10,099
The Dexter Co.	-	9,172	2,884	12,056
Cargill, Inc. - 1997	-	7,190	1,739	8,929
Barker Co. - 1997	-	15,909	3,507	19,416
Hy-Vee Food Stores, Inc. - 1997	-	13,607	3,148	16,755
Rubbermaid Commercial Products, Inc. - 1997	-	5,069	1,481	6,550
Excel Corp. - 1997	-	27,173	6,435	33,608
Duro-Last, Inc. - 1997	-	3,099	959	4,058
Clearpass Container, Inc. - 1998	-	5,984	1,570	7,554
Standard Casing Co., Inc./dba/Excellent Casing	-	1,538	339	1,877
Wacker Biochem - 1998	9,908	3,202	705	13,815
Cargill, Inc. - 1998	179,601	36,185	7,786	223,572
John Deere - 1998	89,540	15,212	3,272	108,024
Millard Refrigeration, Inc. - 1998	83,532	11,912	2,562	98,006
Barker Co., Ltd. - 2000	50,116	41,606	8,752	100,474
Excel Corp. - 2000	21,221	38,083	8,010	67,314
Principal Life - 2000	-	7,823	1,646	9,469
C & C Machining - 2001	-	15,668	3,361	19,029
American Republic - 2001	-	9,877	2,293	12,170
Heartland Handcrafted - 2001	880	12,950	3,017	16,847
Iowa Aluminum - 2001	6,558	1,917	445	8,920
Sigourney Foods - 2001	57,961	12,464	2,899	73,324
Soy Protein - 2001	-	8,580	1,994	10,574
Stratford Homes - 2001	57,876	4,253	988	63,117
Creative Edge - 2002	28,356	1,200	231	29,787
Excel - 2002	756,000	33,662	6,496	796,158
FALCO - 2002	-	2,539	490	3,029
Ajinomoto Heartland - 2002	-	1,487	287	1,774
Total	\$ 1,341,549	363,645	81,008	1,786,202

See accompanying independent auditor's report.

Retirement Costs		Current	<Less>	Prior Periods	Total	
Debt	Interest	Year	Non-budgeted	Budgeted	Budgeted	Budget
		Costs	Costs	Costs	Costs	
345,000	22,350	377,247	(369,320)	1,264,132	1,272,059	1,296,111
80,000	17,570	107,669	(99,540)	445,606	453,735	469,325
55,000	14,247	81,303	(71,253)	270,669	280,719	306,190
95,000	4,845	108,774	(101,480)	456,269	463,563	464,650
90,000	28,515	137,931	(120,520)	706,279	723,690	787,638
75,000	24,007	115,762	(101,329)	572,378	586,811	640,303
25,000	12,180	43,730	(37,480)	228,844	235,094	252,724
120,000	46,340	199,948	(168,327)	1,082,833	1,114,454	1,215,255
15,000	5,945	25,003	(21,245)	74,923	78,681	122,526
25,000	13,750	46,304	(39,050)	26,116	33,370	152,400
10,000	3,040	14,917	(13,054)	46,995	48,858	63,746
15,000	6,362	35,177	(21,391)	85,207	98,993	131,081
170,000	60,545	454,117	(231,710)	1,145,127	1,367,534	1,523,480
65,000	27,634	200,658	(93,126)	353,095	460,627	608,515
30,000	25,364	153,370	(55,750)	319,524	417,144	477,434
320,000	95,235	515,709	(416,437)	422,597	521,869	1,561,500
130,000	74,250	271,564	(205,358)	1,176,037	1,242,243	1,440,000
25,000	17,570	52,039	(42,796)	130,920	140,163	292,500
45,000	25,477	89,506	(73,234)	4,068	20,340	369,000
-	18,050	30,220	(18,515)	-	11,705	297,000
-	21,400	38,247	(21,964)	134,720	151,003	360,000
-	3,575	12,495	(3,666)	-	8,829	58,500
-	21,493	94,817	(22,056)	5,880	78,641	360,000
-	15,288	25,862	(15,682)	5,162	15,342	252,000
-	7,608	70,725	(7,805)	-	62,920	126,000
-	1,322	31,109	(1,322)	-	29,787	76,500
-	33,653	829,811	(33,653)	-	796,158	2,025,000
-	3,354	6,383	(3,354)	-	3,029	184,500
-	1,503	3,277	(1,503)	-	1,774	90,000
1,735,000	652,472	4,173,674	(2,411,920)	8,957,381	10,719,135	16,003,878

Schedule 11

Indian Hills Community College
Schedule of Credit and Contact Hours
Year ended June 30, 2002

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts & Sciences	\$ 44,800	-	44,800	854,850	-	854,850
Vocational Preparatory	56,859	-	56,859	1,709,024	-	1,709,024
Adult Education/ Continuing Education	-	-	-	337,167	9,254	348,254
240 Adjustment	-	-	-	-	1,833	-
Cooperative programs/ services	-	-	-	-	-	-
Total	\$ 101,659	-	101,659	2,901,041	11,087	2,912,128

See accompanying independent auditor's report.



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

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Auditor of State

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Warren G. Jenkins, CPA
Chief Deputy Auditor of State

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

To the Board of Directors of
Indian Hills Community College:

We have audited the accompanying general purpose financial statements of Indian Hills Community College, Ottumwa, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 24, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the Community College's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Community College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

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

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

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

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 24, 2002



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

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Warren G. Jenkins, CPA
Chief Deputy Auditor of State

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

To the Board of Directors of
Indian Hills Community College:

Compliance

We have audited the compliance of Indian Hills Community College, Ottumwa, Iowa, with the types of compliance requirements described in the 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, 2002. Indian Hills Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Indian Hills Community College's management. Our responsibility is to express an opinion on Indian Hills Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Indian Hills Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Indian Hills Community College's compliance with those requirements.

In our opinion, Indian Hills Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Indian Hills Community College and other parties to whom Indian Hills Community College may report, 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.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 24, 2002

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number - 17.000 NAAFTA Rapid Response
 - CFDA Number - 17.253 Welfare-to-Work Grants to States and Localities
 - Student Financial Aid Cluster:
 - CFDA Number - 84.007 Federal Supplemental Educational Opportunity Grant
 - CFDA Number - 84.268 Federal Direct Loan
 - CFDA Number - 84.033 Federal Work Study Program
 - CFDA Number - 84.063 Federal Pell Grant Program
 - CFDA Number - 84.031 Higher Education-Institutional Aid (Title III)
 - CFDA Number - 84.048 Vocational Education - Basic Grants to States
- (h) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (i) Indian Hills Community College qualified as a low-risk auditee.

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over compliance were identified.

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-02 Official Depositories - Official depositories have been adopted by the Board. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2002.
- IV-B-02 Certified Budget - Expenditures for the year ended June 30, 2002 did not exceed the amounts budgeted.
- IV-C-02 Questionable Disbursements - No expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-D-02 Travel Expense - No expenditures of Community College money for travel expenses of spouses of Community College officials or employees were noted. No travel advances to Community College officials or employees were noted.
- IV-E-02 Business Transactions - No business transactions between the Community College and Community College officials or employees were noted.
- IV-F-02 Bond Coverage - Surety bond coverage of Community College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-02 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-02 Publication - The Community College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made as required by Section 260C.14(12) of the Code of Iowa.
- IV-I-02 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Community College's investment policy were noted.
- IV-J-02 Credit and Contact Hours - Eligible credit and contact hours reported to the Iowa Department of Education by the Community College were supported by a detailed database maintained by the Community College.

Indian Hills Community College

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
James S. Cunningham, CPA, Senior Auditor II
Daniel L. Durbin, CPA, Staff Auditor
Jeremy J. Howard, CPA, Staff Auditor
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Lora A. Van Essen, CPA, Staff Auditor
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Andrew E. Nielsen, CPA
Deputy Auditor of State