



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

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NEWS RELEASE

FOR RELEASE

December 10, 2018 at 4:00 p.m.

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

The College's primary government operating revenues totaled \$28,107,671 for the year ended June 30, 2018, a 10.2% decrease from the prior year, and included \$13,448,932 from tuition and fees, \$4,667,218 from the federal government and \$5,014,102 from auxiliary enterprises.

Operating expenses for the year ended June 30, 2018 totaled \$58,208,420, a 3.8% decrease from the prior year, and included \$32,759,649 for salaries and benefits, \$13,960,348 for services and \$3,019,101 for materials and supplies.

Non-operating revenues totaled \$30,901,053, including \$18,264,076 from the state, \$5,498,491 from Pell grants, \$5,423,508 from property tax and \$1,198,926 in scholarships for the benefit of students from the Indian Hills Community College Foundation. Non-operating expenses totaled \$93,801, consisting of interest on indebtedness. The College's net position increased \$706,503 during the year.

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

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INDIAN HILLS COMMUNITY COLLEGE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

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Indian Hills Community College

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Trustees		
John Pothoven	President	2019
Tom Keck	Vice President	2021
Nellie Coltrain	Member	2019
Judith A. Cox	Member	(Resigned Oct 2017)
Lori Schaefer-Weaton (Appointed Oct 2017)	Member	(Resigned Aug 2018)
Katie Nichols (Appointed Sep 2018)	Member	2019
George E. Manning	Member	(Resigned Aug 2018)
Amy Webber (Appointed Sep 2018)	Member	2019
Alan M. Wilson	Member	2019
Beth Danowsky	Member	2021
Richard Gaumer	Member	2021
Jerry Kirkpatrick	Member	2021

Community College

Dr. Marlene Sprouse	President
Bill Meck	Chief Financial Officer and Board Treasurer
Anne Leathers	College Accountant
Kala Mulder	Controller/Grants Accountant

Indian Hills Community College



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Independent Auditor's Report

To the Board of Trustees of
Indian Hills Community College:

Report on the Financial Statements

We have audited the accompanying financial statements of Indian Hills Community College, Ottumwa, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the College's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian Hills Community College and its aggregate discretely presented component units as of June 30, 2018, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, Indian Hills Community College adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the College's Proportionate Share of the Net Pension Liability, the Schedule of College Contributions and the Schedule of Changes in the College's Total OPEB Liability, Related Ratios and Notes on pages 9 through 14 and 47 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Indian Hills Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2018 on our consideration of Indian Hills Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Indian Hills Community College's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

November 27, 2018

Indian Hills Community College

MANAGEMENT'S DISCUSSION AND ANALYSIS

Indian Hills Community College provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- As a result of fiscal year 2018 operations, total net position of the College increased approximately \$707,000, or 1.3%, over the restated June 30, 2017 balance, primarily due to reduced operating expenditures.
- The College issued \$1,400,000 of certificates during the year ended June 30, 2018 for Iowa Industrial New Jobs Training Program projects.

USING THIS ANNUAL REPORT

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

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

The Statement of Net Position

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

The College implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position was restated by \$21,072 to retroactively report the decrease in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available. The Statement of Net Position and the Changes in Net Position as of June 30, 2017, presented below for comparison purposes, was not restated.

Net Position

	June 30,	
	2018	2017 (Not Restated)
Current and other assets	\$ 36,738,563	33,651,828
Capital assets, net of accumulated depreciation/amortization	44,926,361	45,946,615
Total assets	81,664,924	79,598,443
Deferred outflows of resources	3,878,315	3,641,834
Current liabilities	6,761,909	6,573,651
Noncurrent liabilities	17,539,179	16,401,313
Total liabilities	24,301,088	22,974,964
Deferred inflows of resources	5,573,210	5,323,947
Net position:		
Net investment in capital assets	44,926,361	45,946,615
Restricted	3,262,285	2,201,239
Unrestricted	7,480,295	6,793,512
Total net position	\$ 55,668,941	54,941,366

The largest portion of the College's net position (81%) is in the category 'Net investment in capital assets' (land, buildings and equipment). The restricted portion of the net position represents resources subject to external restrictions. The restricted net position increased approximately \$1,061,000 over the prior year, primarily due to funds held for the self-funded health insurance program. The remaining net position is unrestricted and may be used to meet the College's operating obligations as they become due.

Statement of Revenues, Expenses and Changes in Net Position

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

Generally, a public, state supported college, such as Indian Hills Community College, will report an operating loss as the financial reporting model classifies state appropriations, Pell grants and property tax as non-operating revenues. Operating revenues are received for providing goods and services to the students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire and produce the goods and services provided in return for the operating revenues and to perform the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation/amortization, which allocates the cost of an asset over its expected useful life.

Changes in Net Position

	Year ended June 30,	
	2018	2017 (Not Restated)
Operating revenues:		
Tuition and fees	\$ 13,448,932	15,072,941
Federal appropriations	4,667,218	5,391,530
Sales and services	982,805	1,017,135
Iowa Industrial New Jobs Training Program	822,127	1,206,763
Auxiliary	5,014,102	5,481,688
Miscellaneous	3,172,487	3,117,024
Total operating revenues	28,107,671	31,287,081
Total operating expenses	58,208,420	60,501,467
Operating loss	(30,100,749)	(29,214,386)
Non-operating revenues (expenses):		
State appropriations	18,264,076	18,195,085
Pell grants	5,498,491	5,559,330
Property tax	5,423,508	5,137,967
Gifts from IHCC Foundation	1,198,926	1,249,854
Interest income on investments	300,507	145,326
Donated capital assets	41,500	30,000
Gain on sale of capital assets	174,045	3,476
Interest expense	(93,801)	(56,685)
Net non-operating revenues	30,807,252	30,264,353
Change in net position	706,503	1,049,967
Net position beginning of year, as restated	54,962,438	53,891,399
Net position end of year	\$ 55,668,941	54,941,366

Net position of the College increased \$706,503 as a result of operations during fiscal year 2018.

In fiscal year 2018, operating revenues totaled approximately \$28.1 million and net non-operating revenues totaled approximately \$30.8 million. Observations regarding the changes in operating and non-operating revenues follow:

- Tuition and fees revenue, as reported herein net of scholarship allowances, decreased due to a decline in enrollment and a reduction of participation and fees collected for the Coast Flight Training partnership.
- Federal appropriation revenue decreased due to reductions in funding for the various Workforce Investment Act programs.
- Auxiliary revenue decreased due to a decline in enrollment, impacting bookstore, food service, and housing operations.

Operating Expenses

	Year ended June 30,	
	2018	2017
Education and support:		
Liberal arts and sciences	\$ 5,826,072	5,493,256
Vocational technical	12,228,387	12,747,292
Adult education	3,486,569	3,826,755
Cooperative services	1,051,955	1,243,927
Administration	1,834,131	2,021,557
Student services	4,245,721	4,597,995
Learning resources	494,844	624,829
Physical plant	5,620,913	4,962,267
General institution	8,914,120	9,139,072
Auxiliary enterprises	6,336,064	6,671,164
Scholarships and grants	2,272,627	2,594,808
Workforce Investment Act	1,671,877	2,571,972
Plant operations	1,429,191	1,250,891
Depreciation/amortization	2,795,949	2,755,682
Total	<u>\$ 58,208,420</u>	<u>60,501,467</u>

The following factors address changes in fiscal year 2018 operating expenses:

- Vocational technical expenses decreased primarily due to a reduction of participation and fees paid for the Coast Flight Training partnership.
- Workforce Investment Act expenses decreased as a result of reduced funding for the programs.
- In general, total operating expenditures also decreased due to a decline in enrollment.

Statement of Cash Flows

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

Cash Flows

	Year ended June 30,	
	2018	2017
Cash provided (used) by:		
Operating activities	\$ (26,425,355)	(26,099,702)
Non-capital financing activities	30,718,896	31,564,367
Capital and related financing activities	(1,560,150)	(3,367,941)
Investing activities	227,477	111,203
Net change in cash and cash equivalents	2,960,868	2,207,927
Cash and cash equivalents beginning of year	22,995,776	20,787,849
Cash and cash equivalents end of year	<u>\$ 25,956,644</u>	<u>22,995,776</u>

Cash used by operating activities includes payments for salaries and benefits, goods and services, scholarships and auxiliary enterprise payments. Cash provided by operating activities includes revenues from tuition and fees, grants, contracts and auxiliary enterprise receipts. Cash provided by non-capital financing activities includes state appropriations, Pell grants, property tax and the receipt and disbursement of federal direct loan program proceeds. Cash used by 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 investment income received.

CAPITAL ASSETS

At June 30, 2018, the College had approximately \$44.9 million invested in capital assets, net of accumulated depreciation/amortization of approximately \$43.3 million. Fiscal year 2018 depreciation/amortization charges totaled \$2,795,949. A summary of capital assets, net of accumulated depreciation/amortization, is shown below.

Capital Assets, Net at Year-End

	June 30,	
	2018	2017
Land	\$ 458,397	458,397
Construction in progress	703,912	1,395,724
Capital assets not being depreciated/amortized	1,162,309	1,854,121
Buildings	38,183,593	38,393,677
Improvements other than buildings	3,516,797	3,757,959
Intangibles	5,013	15,499
Equipment and vehicles	2,058,649	1,925,359
Total	\$ 44,926,361	45,946,615

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

DEBT

Outstanding debt at June 30, 2018 was \$4,045,055, which consists of certificates issued for Iowa Industrial New Jobs Training Program projects. During the year ended June 30, 2018, the College issued \$1,400,000 of certificates payable.

Detailed information is presented in Note 5 to the financial statements.

Outstanding Debt

	June 30,	
	2018	2017
Certificates payable	\$ 4,045,055	3,400,639

ECONOMIC FACTORS

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

- To identify, secure, and allocate the financial resources necessary to best support College, student and regional needs.
- To maintain current levels of services and operations, tuition revenue from rate increases must continue to help offset any shortfall in state funding and enrollment levels.
- Higher tuition is followed by an increased need for student financial aid, scholarship support and student loans.
- To continue to offer current, relevant educational programs and student services to attract and retain the diverse population the College serves.
- To provide a quality learning environment focused on student success.
- Aging College facilities and infrastructure require continual maintenance and renovation to meet the current and future needs.
- To implement technology and equipment solutions that best meet student, staff and regional needs.

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

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Indian Hills Community College

Statement of Net Position

June 30, 2018

	Primary Government	Component Units
Assets		
Current assets:		
Cash, cash equivalents and pooled investments:		
Cash, cash equivalents and pooled investments	\$ 19,681,064	25,891,133
Restricted cash, cash equivalents and pooled investments	-	4,634,896
Receivables:		
Accounts, net of allowance for doubtful accounts of \$181,566	2,089,001	-
Succeeding year property tax	5,069,577	-
Due from other governments	1,346,316	-
Prepaid expenses	418,366	3,750
Inventories	826,550	-
Total current assets	<u>29,430,874</u>	<u>30,529,779</u>
Noncurrent assets:		
Cash and cash equivalents	6,275,580	-
Receivable for Iowa Industrial New Jobs Training Program	1,032,109	-
Capital assets, net of accumulated depreciation/amortization	44,926,361	-
Total noncurrent assets	<u>52,234,050</u>	<u>-</u>
Total assets	<u>81,664,924</u>	<u>30,529,779</u>
Deferred Outflows of Resources		
Pension related deferred outflows	3,874,251	-
OPEB related deferred outflows	4,064	-
Total deferred outflows of resources	<u>3,878,315</u>	<u>-</u>

Indian Hills Community College

Statement of Net Position

June 30, 2018

	Primary Government	Component Units
Liabilities		
Current liabilities:		
Accounts payable	1,545,089	12,553
Salaries and benefits payable	1,198,814	-
Advances from others	1,658,077	1,300
Early retirement payable	288,465	-
Compensated absences payable	972,540	-
Deposits held in custody for others	418,924	-
Certificates payable	680,000	-
Total current liabilities	6,761,909	13,853
Noncurrent liabilities:		
Early retirement payable	694,501	-
Certificates payable	3,365,055	-
Net pension liability	13,316,885	-
Total OPEB liability	162,738	-
Total noncurrent liabilities	17,539,179	-
Total liabilities	24,301,088	13,853
Deferred Inflows of Resources		
Unavailable property tax revenue	5,069,577	-
Pension related deferred inflows	503,633	-
Total deferred inflows of resources	5,573,210	-
Net position		
Net investment in capital assets	44,926,361	-
Restricted:		
Nonexpendable:		
Other	-	4,634,896
Expendable:		
Scholarships and fellowships	23,352	-
Cash reserve	288,745	-
Other	2,950,188	6,546,786
Unrestricted	7,480,295	19,334,244
Total net position	\$ 55,668,941	30,515,926

See notes to financial statements.

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

Year ended June 30, 2018

	Primary Government	Component Units
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$3,745,804	\$ 13,448,932	-
Federal appropriations	4,667,218	-
Sales and services	982,805	-
Iowa Industrial New Jobs Training Program	822,127	-
Auxiliary enterprises, net of scholarship allowances of \$951,618	5,014,102	-
Contributions	-	1,166,892
Rental income and facility management	-	582,681
Miscellaneous	3,172,487	74,490
Total operating revenues	<u>28,107,671</u>	<u>1,824,063</u>
Operating expenses:		
Education and support:		
Liberal arts and sciences	5,826,072	-
Vocational technical	12,228,387	-
Adult education	3,486,569	-
Cooperative services	1,051,955	-
Administration	1,834,131	-
Student services	4,245,721	-
Learning resources	494,844	-
Physical plant	5,620,913	-
General institution	8,914,120	-
Auxiliary enterprises	6,336,064	-
Scholarships and grants	2,272,627	-
Workforce Investment Act	1,671,877	-
Plant operations	1,429,191	-
General and administrative Programs	-	413,685
	-	435,404
Depreciation/amortization	2,795,949	-
Total operating expenses	<u>58,208,420</u>	<u>849,089</u>
Operating income (loss)	<u>(30,100,749)</u>	<u>974,974</u>

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

Year ended June 30, 2018

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	18,264,076	-
Pell grants	5,498,491	-
Property tax	5,423,508	-
Gifts from Indian Hills Community College Foundation for student scholarships	1,198,926	-
Investment income	300,507	1,793,975
Gifts to Indian Hills Community College for student scholarships	-	(1,198,926)
Donated capital assets	41,500	-
Gain on disposal of capital assets	174,045	-
Interest on indebtedness	(93,801)	-
Net non-operating revenues (expenses)	30,807,252	595,049
Change in net position	706,503	1,570,023
Net position beginning of year, as restated	54,962,438	28,945,903
Net position end of year	\$ 55,668,941	30,515,926

See notes to financial statements.

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2018

	<u>Primary Government</u>
Cash flows from operating activities:	
Tuition and fees	\$ 13,926,117
Federal appropriations	4,711,035
Iowa Industrial New Jobs Training Program	748,665
Payments to employees for salaries and benefits	(32,400,986)
Payments to suppliers for goods and services	(19,695,984)
Payments to New Jobs Training Program recipients	(464,821)
Scholarships	(2,272,627)
Payments to subrecipients	(173,240)
Auxiliary enterprise receipts	5,073,764
Other receipts	4,122,722
Net cash used by operating activities	<u>(26,425,355)</u>
Cash flows from non-capital financing activities:	
State appropriations	18,022,672
Pell grants	5,498,491
Property tax	5,423,508
Gifts	1,198,926
Federal direct lending receipts	8,201,334
Federal direct lending disbursements	(8,201,334)
Proceeds from issuance of debt	1,400,000
Principal paid on debt	(755,584)
Interest paid on debt	(93,801)
Agency receipts	1,284,468
Agency disbursements	<u>(1,259,784)</u>
Net cash provided by non-capital financing activities	<u>30,718,896</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	256,410
Acquisition of capital assets	<u>(1,816,560)</u>
Net cash used by capital and related financing activities	<u>(1,560,150)</u>
Cash flows from investing activities:	
Interest on investments	<u>227,477</u>
Net increase in cash and cash equivalents	2,960,868
Cash and cash equivalents beginning of year	<u>22,995,776</u>
Cash and cash equivalents end of year	<u>\$ 25,956,644</u>

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2018

	Primary Government
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (30,100,749)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation/amortization	2,795,949
Provision for doubtful accounts	(17,796)
Decrease in accounts receivable	548,258
Increase in NJTP receivable	(73,462)
Decrease in due from other governments	43,817
Increase in prepaid expenses	(234,327)
Decrease in inventories	82,371
Increase in accounts payable	198,105
Decrease in salaries and benefits payable	(76,551)
Decrease in advances from others	(26,185)
Decrease in compensated absences payable	(15,847)
Increase in net pension liability	625,137
Increase in deferred inflows of resources	55,491
Increase in deferred outflows of resources	(236,481)
Increase in total OPEB liability	16,891
Decrease in early retirement payable	(9,976)
Total adjustments	3,675,394
Net cash used by operating activities	\$ (26,425,355)

Noncash capital and related financing activities:

The College received donated capital assets with an acquisition value of \$41,500. The trade-in value of equipment deleted was \$37,640.

See notes to financial statements.

Exhibit D

Indian Hills Community College

Statement of Net Assets
Component Units

June 30, 2018

	Indian Hills Community College Development Corp., Inc.	Indian Hills Communitiy College Foundation, Inc.	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 516,369	221,323	737,692
Investments	-	25,153,441	25,153,441
Restricted cash and investments	-	4,634,896	4,634,896
Prepaid expenses	-	3,750	3,750
Total current assets	516,369	30,013,410	30,529,779
Noncurrent assets:			
Capital assets, net of accumulated depreciation of \$15,434	-	-	-
Total assets	516,369	30,013,410	30,529,779
Liabilities			
Current liabilities:			
Accounts payable	11,747	806	12,553
Deferred revenue	-	1,300	1,300
Total liabilities	11,747	2,106	13,853
Net assets			
Restricted:			
Nonexpendable:			
Other	-	4,634,896	4,634,896
Expendable:			
Other	-	6,546,786	6,546,786
Unrestricted	504,622	18,829,622	19,334,244
Total net assets	\$ 504,622	30,011,304	30,515,926

See notes to financial statements.

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

Year ended June 30, 2018

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Operating revenues:			
Contributions	\$ -	1,166,892	1,166,892
Rental income and facility management	582,681	-	582,681
Miscellaneous	11,200	63,290	74,490
Total operating revenues	<u>593,881</u>	<u>1,230,182</u>	<u>1,824,063</u>
Operating expenses:			
General and administrative	162,407	251,278	413,685
Programs	435,404	-	435,404
Total operating expenses	<u>597,811</u>	<u>251,278</u>	<u>849,089</u>
Operating income	<u>(3,930)</u>	<u>978,904</u>	<u>974,974</u>
Non-operating revenues (expenses):			
Investment income, net of \$89,099 of investment expenses	5,748	1,788,227	1,793,975
Gifts to Indian Hills Community College	-	(1,198,926)	(1,198,926)
Net non-operating revenues (expenses)	<u>5,748</u>	<u>589,301</u>	<u>595,049</u>
Change in net assets	1,818	1,568,205	1,570,023
Net assets beginning of year	<u>502,804</u>	<u>28,443,099</u>	<u>28,945,903</u>
Net assets end of year	<u>\$ 504,622</u>	<u>30,011,304</u>	<u>30,515,926</u>

See notes to financial statements.

Indian Hills Community College

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Discrete Component Units

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

Indian Hills Community College Foundation, 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. The Foundation is governed by a Board of Directors who are appointed by the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the resources held are used for the benefit of the College and its students. The address of the Foundation is 525 Grandview Avenue, Ottumwa, Iowa 52501.

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

B. Basis of Presentation

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

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation/amortization and outstanding debt obligations attributable to the acquisition, construction or improvements of those assets.

Restricted Net Position:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

Cash, Cash Equivalents and Pooled Investments – Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust and The Education Liquidity Fund which are valued at amortized cost and non-negotiable certificates of deposit which are stated 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 Trustees to the appropriate County Auditors. Delinquent property tax receivable represents unpaid taxes from the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2018 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets – Capital assets, which include property, equipment and vehicles and intangibles acquired after July 1, 1980, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Positions. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the College after the measurement date but before the end of the College’s reporting period.

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

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

Compensated Absences – College employees accumulate a limited amount of earned but unused leave for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2018.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Indian Hills Community College's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable which will not be recognized as revenue until the year for which it is levied, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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

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

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

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

E. Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method, as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for

as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid 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, Cash Equivalents and Pooled Investments

The College's deposits in banks at June 30, 2018 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 ensure there will be no loss of public funds.

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

At June 30, 2018, the College had investments of \$815,827 in a diversified portfolio in the Iowa Schools Joint Investment Trust (ISJIT). The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the ISJIT investments. The investments in ISJIT were rated AAAm by Standard & Poor's Financial Services.

At June 30, 2018, the College had investments of \$4,001,563 in a diversified portfolio in The Education Liquidity Fund (TELF). The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the TELF investments.

The College had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Component Units

The Indian Hills Community College Foundation (Foundation) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Foundation has the following recurring fair value measurement as of June 30, 2018:

Investments	Fair Value	Level 1	Level 2
Cash and cash equivalents	\$ 1,039,052	1,039,052	-
Certificates of deposit	199,652	-	199,652
Mutual funds	638,675	638,675	-
Corporate and government bonds	11,488,502	-	11,488,502
Corporate stocks	16,422,456	16,422,456	-
Total	\$ 29,788,337	18,100,183	11,688,154

Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

At June 30, 2018, the Indian Hills Community College Development Corporation (Development Corporation) had investments of \$511,185 in a diversified portfolio in TELF. The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the TELF investments.

Interest rate risk – The Foundation’s Board has determined that the Foundation can tolerate some interim fluctuation in the funds’ market value and rates of return in order to achieve long-term growth objectives. Given this, the Foundation has determined that its risk tolerance is conservative.

(3) Inventories

The College’s inventories at June 30, 2018 are as follows:

Type	Amount
Textbooks and supplies	\$ 665,807
Merchandise held for resale	160,743
Total	<u>\$ 826,550</u>

(4) Capital Assets

Capital assets activity for the year ended June 30, 2018 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated/amortized:				
Land	\$ 458,397	-	-	458,397
Construction in progress	1,395,724	703,912	1,395,724	703,912
Total capital assets not being depreciated/amortized	<u>1,854,121</u>	<u>703,912</u>	<u>1,395,724</u>	<u>1,162,309</u>
Capital assets being depreciated/amortized:				
Buildings	69,432,556	1,748,639	570,902	70,610,293
Improvements other than buildings	6,127,353	-	-	6,127,353
Intangibles	469,239	-	15,300	453,939
Equipment and vehicles	9,586,400	838,873	534,630	9,890,643
Total capital assets being depreciated/amortized	<u>85,615,548</u>	<u>2,587,512</u>	<u>1,120,832</u>	<u>87,082,228</u>
Less accumulated depreciation/amortization for:				
Buildings	31,038,879	1,890,215	502,394	32,426,700
Improvements other than buildings	2,369,394	241,162	-	2,610,556
Intangibles	453,740	10,486	15,300	448,926
Equipment and vehicles	7,661,041	654,086	483,133	7,831,994
Total accumulated depreciation/amortization	<u>41,523,054</u>	<u>2,795,949</u>	<u>1,000,827</u>	<u>43,318,176</u>
Total capital assets being depreciated/amortized, net	<u>44,092,494</u>	<u>(208,437)</u>	<u>120,005</u>	<u>43,764,052</u>
Capital assets, net	<u>\$ 45,946,615</u>	<u>495,475</u>	<u>1,515,729</u>	<u>44,926,361</u>

(5) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Certificates Payable (1)	Net Pension Liability	Total OPEB Liability	Early Retirement	Total
Balance beginning of year, as restated	\$ 3,400,639	12,691,748	145,847	992,942	17,231,176
Additions	1,400,000	625,137	16,891	261,730	2,303,758
Reductions	755,584	-	-	271,706	1,027,290
Balance end of year	\$ 4,045,055	13,316,885	162,738	982,966	18,507,644
Due within one year	\$ 680,000	-	-	288,465	968,465

(1) The unamortized premium and discount on the certificates were \$929 and \$15,874, respectively, at June 30, 2018.

Certificates Payable

In accordance with agreements dated between July 12, 2010 and February 6, 2018, the College issued certificates totaling \$9,855,000 with interest rates ranging from 1.25% to 4.78% per annum. The debt was incurred to fund the development and training costs related to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding tax, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates mature as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 680,000	98,870	778,870
2020	500,000	85,557	585,557
2021	495,000	75,363	570,363
2022	490,000	64,166	554,166
2023	485,000	52,425	537,425
2023-2025	1,410,000	90,702	1,500,702
Total	4,060,000	467,083	4,527,083
Unamortized premium	929		
Unamortized discount	(15,874)		
Certificates payable	\$ 4,045,055		

(6) Operating Leases

The College has leased 156 printers and 3 copiers. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2019 and 2020 and require various minimum monthly payments.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2018:

Year ending June 30,	Printers	Copiers	Total
2019	\$ 40,185	33,880	74,065
2020	-	14,945	14,945
Total	\$ 40,185	48,825	89,010

Rents for the operating leases for the year ended June 30, 2018 totaled \$120,150.

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

Plan Description – IPERS membership is mandatory for employees of the College except for those covered by another retirement system. Employees of the College are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member’s beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member’s accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of payroll and the College contributed 8.93% of covered payroll, for a total rate of 14.88%.

The College’s contributions to IPERS for the year ended June 30, 2018 totaled \$1,288,980.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the College reported a liability of \$13,316,885 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College’s proportion of the net pension liability was based on the College’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the College’s proportion was 0.199915%, which was a decrease of 0.001755% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the College recognized pension expense of \$1,737,191. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 122,262	115,381
Changes of assumptions	2,313,861	-
Net difference between projected and actual earnings on IPERS' investments	-	139,090
Changes in proportion and differences between College contributions and proportionate share of contributions	149,148	249,162
College's contributions subsequent to the measurement date	1,288,980	-
Total	<u>\$ 3,874,251</u>	<u>503,633</u>

\$1,288,980 reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Total
2019	\$ 226,974
2020	1,006,727
2021	629,693
2022	66,015
2023	152,229
Total	<u>\$ 2,081,638</u>

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 14, 2017.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the College will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of the net pension liability	\$ 21,940,884	13,316,885	6,071,069

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS' financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – At June 30, 2018, the College reported payables to IPERS of \$54,808 for legally required employer contributions and \$36,518 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(8) Teachers Insurance and Annuity Association (TIAA)

The College contributes to the TIAA retirement program, which is a defined contribution pension 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.

Benefit terms, including contribution requirements, for TIAA are established and specified by the contract with TIAA, and in accordance with the Code of Iowa. For each employee in the pension plan, the College is required to contribute 8.93% of annual salary, including overtime pay, to an individual employee account. Each employee is required to contribute 5.95%. Contributions made by both the College and employees vest immediately. For the year ended June 30, 2018, employee contributions totaled \$484,042 and the College recognized pension expense of \$758,449.

At June 30, 2018, the College reported payables to the TIAA of \$26,727 for legally required College contributions and \$17,808 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The College administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the College are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>391</u>
Total	<u><u>391</u></u>

Total OPEB Liability – The College’s total OPEB liability of \$162,738 was measured as of June 30, 2018, and was determined by an actuarial valuation as of January 1, 2017.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.00% per annum
Discount rate (effective January 1, 2018)	3.44% per annum,
Healthcare cost trend rate (effective June 30, 2018)	5.00% for fiscal year 2018

Discount Rate – The discount rate used to measure the total OPEB liability was 3.44% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 annuitant distinct mortality table adjusted to 2016 with MP 2016 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	<u>\$ 145,847</u>
Changes for the year:	
Service cost	12,492
Interest	5,507
Differences between expected and actual experiences	-
Changes in assumptions	4,578
Benefit payments	<u>(5,686)</u>
Net changes	<u>16,891</u>
Total OPEB liability end of year	<u>\$ 162,738</u>

Changes of assumptions reflect a change in the discount rate from 4.00% in fiscal year 2017 to 3.44% in fiscal year 2018.

Sensitivity of the College's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.44%) or 1% higher (4.44%) than the current discount rate.

	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB liability	\$ 174,645	162,738	151,822

Sensitivity of the College's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 147,946	162,738	179,743

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2018, the College recognized OPEB expense of \$18,513. At June 30, 2018, the College reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Changes in assumptions	<u>\$ 4,064</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2019	\$ 514
2020	514
2021	514
2022	514
2023	514
Thereafter	<u>1,494</u>
	<u>\$ 4,064</u>

(10) Insurance Management Program for Area Community Colleges (IMPACC)

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

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

The College's contributions to the Program are recorded as prepaid expense from its operating funds at the time of payment. The College amortizes the expense over the periods for which the Program 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 occurrence for wrongful acts, employee benefits liability and educators' legal liability, \$250,000 per occurrence for workers compensation and employer's liability and \$200,000 per occurrence for most other claims. First layer excess insurance is \$800,000 per occurrence for property, general and automobile liability, \$900,000 per occurrence for wrongful acts, employee benefits liability and educators' legal liability and \$250,000 per occurrence for workers compensation. The Program's annual aggregate retention (loss fund) is \$925,000 with stop gap loss protection provided above the loss fund. There is additional excess insurance for workers' compensation to statutory limits and for liability claims to \$10,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention and underlying layer up to \$250,000,000 per occurrence. Flood and earthquake exposures are covered in the property program each having \$16,000,000 limits. Also covered is employee fidelity up to \$2,000,000 having a deductible of \$10,000 per member, boiler and machinery coverage up to \$100,000,000 with a deductible of \$10,000 per member loss, foreign travel coverage with limits of \$1,000,000, as well as cyber liability including identify theft protection up to \$1,000,000 annual aggregate per member with a deductible of \$50,000 per member loss.

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, 2018, no liability has been recorded in the College's financial statements. As of June 30, 2018, settled claims have not exceeded the Program's coverage in any of the past three fiscal years.

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

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

(11) Self-Funded Health Insurance Plan

The College established a program for the self-funding of the College’s health insurance benefit plan, which is accounted for in the Restricted Fund. The plan is funded by both employee and College contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The College assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

The College’s monthly contributions to the program and employee deductions fund current operations and provide capital for future claims. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark. The College’s contribution for the year ended June 30, 2018 was \$4,300,019.

Amounts payable at June 30, 2018 total \$415,613, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,836,948 at June 30, 2018. 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 any of the past year. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 464,045
Incurred claims (including claims incurred but not reported at June 30, 2018)	3,249,592
Payments on claims during the fiscal year	<u>(3,298,024)</u>
Unpaid claims end of year	<u>\$ 415,613</u>

(12) New Jobs Training Programs

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area XV in accordance with Chapter 260E of the Code of Iowa. NJTP’s purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the case of default, from standby property tax. Since inception, the College has administered 94 projects with 10 currently receiving project funding. Of the remaining 84 projects, 76 projects have been completed, of which 71 have been fully repaid and 5 are in the repayment process. Eight projects have defaulted, one of which was repaid by the guarantor bank, six were repaid by standby property tax and one by the other companies as part of a multiple issuance.

The College also administers the Iowa Jobs Training Program in Area XV in accordance with Chapter 260F of the Code of Iowa. The current program's purpose is to provide tax-aided training or retraining for employers of businesses whose training costs cannot be economically funded under Chapter 260F. Approved businesses received forgivable loans from the Workforce Development Fund, a State administered fund. Since inception of this program, the College administered 453 projects. Of these 453 projects, 6 defaulted, 10 withdrew and 25 are active projects.

(13) Termination Benefits

On December 10, 2012, January 12, 2015, December 14, 2015, December 12, 2016 and December 11, 2017 the Board of Trustees adopted voluntary early retirement programs. The program enrollment periods ran from December 11, 2012 until February 4, 2013, January 14, 2015 until March 12, 2015, December 14, 2015 until February 1, 2016, December 12, 2016 until February 1, 2017, and December 22, 2017 until February 1, 2018 respectively. Full-time staff who had reached the age of 55 and had been employed by the College continually for the previous 10 years were eligible.

For the December 10, 2012, January 12, 2015, December 14, 2015 December 12, 2016 and December 11, 2017 plans, retirement began at the end of the retiree's employment year or another date agreed upon by the College President and approved by the Board of Trustees. Employees who accepted early retirement under the December 10, 2012 plans received a cash payment equal to 5% of the employee's annualized salary for each full year of employment, up to 100%.

The cash payment for the December 10, 2012 plan was based on the availability of funds allocated for the plan by the Board of Trustees. Retirees under the December 10, 2012 plan received 55% of the calculated cash payment. The 2012 plan required the employee to receive the incentive retirement benefits in two equal installments. Current health coverage determined employee eligibility to receive single coverage health insurance paid by the College until the age of Medicare eligibility or 12 monthly cash payments of a specified amount.

Retirees under the January 12, 2015, December 14, 2015, December 12, 2016 and December 11, 2017 plan received the option to continue with the College's health insurance plan or waive their right to the College's health insurance plan. For retirees who continue with the College's health insurance plan, the College will pay \$713, \$721, \$721 and \$716 per month in insurance premiums until the retiree is eligible for Medicare for the January 12, 2015, December 14, 2015, December 12, 2016 and December 11, 2017 plans, respectively. Retirees who waived the College's health insurance will receive monthly cash payments of \$500 for a maximum of 36 months following the retirement date under the January 12, 2015 and December 14, 2015 plans. Retirees who waived the College's health insurance will receive monthly cash payments of \$650 until the retiree is eligible for Medicare under the December 12, 2016 and December 11, 2017 plans.

The liability at June 30, 2018 for those employees who elected early retirement under the December 10, 2012, January 12, 2015, December 14, 2015, December 12, 2016 and December 11, 2017 plans was \$142,054, \$143,726, \$34,578, \$400,878 and \$261,730 respectively. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2018, \$271,706 was paid for early retirement benefits.

(14) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

College Tax Abatements

The College provides tax abatements for industrial new jobs training projects with the tax increment financing as provided for in Chapters 403.19 of the Code of Iowa and/or state income tax withholding as provided for in section 260E.5 of the Code of Iowa. For these types of projects, the College enters into agreements with employers which require the College, after employers meet the terms of the agreements, to pay the employers for the costs of on-the-job training not to exceed 50% of the annual gross payroll costs for up to one year of the new jobs. No other commitments were made by the College as part of these agreements.

For the year ended June 30, 2018, the College had no abatements of property tax and \$516,941 of state income tax withholding under the projects.

Tax Abatements of Other Entities

Property tax revenues of the College were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Bloomfield	Urban renewal and economic development projects	\$ 549
City of Fairfield	Urban renewal and economic development projects	2,514
City of Oskaloosa	Urban renewal and economic development projects	9,110
City of Ottumwa	Urban renewal and economic development projects	2,800
City of Sigourney	Urban renewal and economic development projects	2,815
Lee County	Urban renewal and economic development projects	187
Lucas County	Urban renewal and economic development projects	4,823
Monroe County	Urban renewal and economic development projects	21,107

(15) Construction Commitment

The College has entered into a contract totaling \$5,027,415 for a building project. As of June 30, 2018, costs of \$384,030 on the project has been have been incurred. The balance of \$4,643,385 remaining on the contract at June 30, 2018 will be paid as work on the project progresses.

(16) Subsequent Event

On September 12, 2018, the College issued certificates totaling \$1,835,000 for Iowa Industrial New Jobs Training Program (NJTP) projects. The debt was incurred as allowed by Chapter 260E of the Code of Iowa and will mature beginning June 1, 2019.

(17) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Net Position
Net position June 30, 2017, as previously reported	\$ 54,941,366
Net OPEB obligation measured under previous standards	166,919
Total OPEB liability at June 30, 2017	<u>(145,847)</u>
Net position July 1, 2017, as restated	<u>\$ 54,962,438</u>

Indian Hills Community College

Required Supplementary Information

Indian Hills Community College

Indian Hills Community College

Schedule of the College's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Four Years*
(In Thousands)

Required Supplementary Information

	2018	2017	2016	2015
College's proportion of the net pension liability	0.199915%	0.201670%	0.199910%	0.204420%
College's proportionate share of the net pension liability	\$ 13,317	12,692	9,877	8,107
College's covered payroll	\$ 14,936	14,453	13,731	13,405
College's proportionate share of the net pension liability as a percentage of its covered payroll	89.16%	87.82%	71.93%	60.48%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No.68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Indian Hills Community College

Schedule of College Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 1,289	1,334	1,291	1,226
Contributions in relation to the statutorily required contribution	<u>(1,289)</u>	<u>(1,334)</u>	<u>(1,291)</u>	<u>(1,226)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
College's covered payroll	\$ 14,447	14,936	14,453	13,731
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%

* Amounts reported do not agree with calculated amounts due to rounding required contributions and covered payroll to nearest thousandth.

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
1,195	1,178	1,058	877	857	804
(1,195)	(1,178)	(1,058)	(877)	(857)	(804)
-	-	-	-	-	-
13,405	13,590	13,105	12,618	12,893	12,665
8.91%	8.67%	8.07%	6.95%	6.65%	6.35%

Indian Hills Community College

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Indian Hills Community College
 Schedule of Changes in College's
 Total OPEB Liability, Related Ratios and Notes
 For the Current Year
 Required Supplementary Information

	2018
Service cost	\$ 12,492
Interest cost	5,507
Changes in assumptions	4,578
Benefit payments	(5,686)
Net change in total OPEB liability	16,891
Total OPEB liability beginning of year, as restated	145,847
Total OPEB liability end of year	\$ 162,738
Covered-employee payroll	\$ 21,926,534
Total OPEB liability as a percentage of covered-employee payroll	0.74%

See accompanying Independent Auditor's Report.

Notes to Schedule of Changes in the College's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.44%
Year ended June 30, 2017	4.00%

Indian Hills Community College

Supplementary Information

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

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

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

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

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

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

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

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

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

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

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

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

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

Year ended June 30, 2018

Funds/Levy	Original/ Final Budget	Actual	Variance between Budget and Actual
Unrestricted	\$ 39,190,000	35,004,712	4,185,288
Restricted	11,265,000	9,070,975	2,194,025
Unemployment Compensation	46,000	30,207	15,793
Insurance	1,550,000	1,904,401	(354,401)
Tort Liability	470,000	475,903	(5,903)
Early Retirement	460,000	260,894	199,106
Equipment Replacement	517,927	517,401	526
Total Restricted	14,308,927	12,259,781	2,049,146
Plant	8,250,000	2,796,398	5,453,602
Total	\$ 61,748,927	50,060,891	11,688,036

Note to Budgetary Reporting:

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

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

For the year ended June 30, 2018, the College's expenditures did not exceed the total amount budgeted.

See accompanying independent auditor's report.

Indian Hills Community College

Balance Sheet
All Funds

June 30, 2018

	Current Funds		Quasi- Endowment Funds
	Unrestricted	Restricted	
Assets and Deferred Outflows of Resources			
Cash, cash equivalents and pooled investments	\$ 11,474,484	4,206,759	4,649,759
Receivables:			
Accounts, net of allowance of \$181,566	1,899,163	5,872	7,487
Succeeding year property tax	1,070,033	2,929,511	-
Iowa Industrial New Jobs Training Program	-	1,032,109	-
Due from other funds	304,553	1,641,645	-
Due from other governments	8,721	1,227,554	-
Prepaid expenses	259,754	32,553	-
Inventories	826,550	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Improvements other than buildings	-	-	-
Intangibles	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation/amortization	-	-	-
Total assets	15,843,258	11,076,003	4,657,246
Deferred Outflows of Resources:			
Pension related deferred outflows	-	-	-
OPEB related deferred outflows	-	-	-
Total deferred outflows	-	-	-
Total assets and deferred outflows of resources	\$ 15,843,258	11,076,003	4,657,246

Plant Funds		Agency			
Unexpended	Investment in Plant	Funds	Adjustments		Total
5,412,681	-	212,961	-		25,956,644
161,819	-	14,660	-		2,089,001
1,070,033	-	-	-		5,069,577
-	-	-	-		1,032,109
697,682	-	85,056	(2,728,936)		-
-	-	110,041	-		1,346,316
126,059	-	-	-		418,366
-	-	-	-		826,550
-	458,397	-	-		458,397
-	71,314,205	-	-		71,314,205
-	6,127,353	-	-		6,127,353
-	453,939	-	-		453,939
-	9,890,643	-	-		9,890,643
-	-	-	(43,318,176)		(43,318,176)
7,468,274	88,244,537	422,718	(46,047,112)		81,664,924
-	-	-	3,874,251		3,874,251
-	-	-	4,064		4,064
-	-	-	3,878,315		3,878,315
7,468,274	88,244,537	422,718	(42,168,797)		85,543,239

(continued on next page)

Indian Hills Community College

Balance Sheet
All Funds
(continued)

June 30, 2018

	Current Funds		Quasi-
	Unrestricted	Restricted	Endowment Funds
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 992,903	529,739	-
Salaries and benefits payable	1,195,767	2,392	-
Due to other funds	2,424,383	304,553	-
Advances from others	1,588,773	-	-
Early retirement payable	-	982,966	-
Compensated absences	969,593	2,947	-
Deposits held in custody for others	-	-	-
Certificates payable	-	4,045,055	-
Net pension liability	-	-	-
Total OPEB liability	-	-	-
Total liabilities	7,171,419	5,867,652	-
Deferred inflows of resources:			
Succeeding year property tax	1,070,033	2,929,511	-
Pension related deferred inflows	-	-	-
Total deferred inflows of resources	1,070,033	2,929,511	-
Fund balances:			
Net investment in capital assets	-	-	-
Restricted:			
Expendable:			
Scholarships and fellowships	-	23,352	-
Cash reserve	-	288,745	-
Other	-	2,950,188	-
Unrestricted	5,078,830	(983,445)	4,657,246
Auxiliary enterprises	2,522,976	-	-
Total fund balances	7,601,806	2,278,840	4,657,246
Total liabilities, deferred inflows of resources and fund balances	\$ 15,843,258	11,076,003	4,657,246

See accompanying independent auditor's report.

Plant Funds					
Unexpended	Investment in Plant	Agency Funds	Adjustments	Total	
20,812	-	1,635	-	1,545,089	
-	-	655	-	1,198,814	
-	-	-	(2,728,936)	-	
67,800	-	1,504	-	1,658,077	
-	-	-	-	982,966	
-	-	-	-	972,540	
-	-	418,924	-	418,924	
-	-	-	-	4,045,055	
-	-	-	13,316,885	13,316,885	
-	-	-	162,738	162,738	
88,612	-	422,718	10,750,687	24,301,088	
1,070,033	-	-	-	5,069,577	
-	-	-	503,633	503,633	
1,070,033	-	-	503,633	5,573,210	
-	88,244,537	-	(43,318,176)	44,926,361	
-	-	-	-	23,352	
-	-	-	-	288,745	
-	-	-	-	2,950,188	
6,309,629	-	-	(10,104,941)	4,957,319	
-	-	-	-	2,522,976	
6,309,629	88,244,537	-	(53,423,117)	55,668,941	
7,468,274	88,244,537	422,718	(42,168,797)	85,543,239	

Indian Hills Community College

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

Year ended June 30, 2018

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
Revenues:			
General:			
State appropriations	\$ 14,689,941	3,153,774	-
Tuition and fees	17,194,736	-	-
Property tax	1,143,814	3,130,605	-
Federal appropriations	253	10,165,456	-
Sales and services	485,872	44,019	-
Interest on investments	184,268	41,215	7,006
Iowa Industrial New Jobs Training Program	-	822,127	-
Increase in plant investment due to donated plant assets	-	-	-
Increase in plant investment due to plant expenditures (including \$449,353 of current fund expenditures)	-	-	-
Gifts from the Indian Hills Community College Foundation	-	-	-
Proceeds from sale of capital assets	-	-	-
Miscellaneous	2,268,969	4,883,459	-
	35,967,853	22,240,655	7,006
Auxiliary enterprises:			
Tuition and fees	551,500	-	-
Federal appropriations	10,047	-	-
Sales and services	5,899,947	-	-
Interest on investments	24,355	-	-
Miscellaneous	411,167	-	-
	6,897,016	-	-
Total revenues	42,864,869	22,240,655	7,006
Expenditures:			
Education and support:			
Liberal arts and sciences	5,521,665	701,570	-
Vocational technical	12,330,859	944,722	-
Adult education	1,151,102	2,564,831	-
Cooperative services	8,035	1,325,559	-
Administration	1,537,905	517,401	-
Student services	4,499,414	190,901	-
Learning resources	530,364	-	-
Physical plant	3,968,667	1,904,401	-
General institution	5,456,701	4,016,595	-
Total education and support	35,004,712	12,165,980	-

Plant Funds				
Unexpended	Investment in Plant	Adjustments		Total
420,361	-	-		18,264,076
-	-	(3,745,804)		13,448,932
1,149,089	-	-		5,423,508
-	-	-		10,165,709
452,914	-	-		982,805
68,018	-	-		300,507
-	-	-		822,127
-	41,500	-		41,500
-	1,854,200	(1,854,200)		-
-	-	1,198,926		1,198,926
256,410	-	(256,410)		-
162,620	-	(4,142,561)		3,172,487
<u>2,509,412</u>	<u>1,895,700</u>	<u>(8,800,049)</u>		<u>53,820,577</u>
-	-	-		551,500
-	-	-		10,047
-	-	(1,882,914)		4,017,033
-	-	-		24,355
-	-	-		411,167
-	-	(1,882,914)		5,014,102
<u>2,509,412</u>	<u>1,895,700</u>	<u>(10,682,963)</u>		<u>58,834,679</u>
-	-	(397,163)		5,826,072
-	-	(1,047,194)		12,228,387
-	-	(229,364)		3,486,569
-	-	(281,639)		1,051,955
-	-	(221,175)		1,834,131
-	-	(444,594)		4,245,721
-	-	(35,520)		494,844
-	-	(252,155)		5,620,913
-	-	(559,176)		8,914,120
-	-	(3,467,980)		43,702,712

(continued on next page)

Indian Hills Community College

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

Year ended June 30, 2018

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
Expenditures (continued):			
Auxiliary enterprises	6,731,330	-	-
Scholarships and grants	-	6,970,049	-
Workforce Investment Act	-	1,671,877	-
Plant operations	-	-	-
Plant asset acquisitions	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	93,801	-
Depreciation/amortization	-	-	-
Gain on disposal of capital assets	-	-	-
Total expenditures	<u>41,736,042</u>	<u>20,901,707</u>	-
Excess (deficiency) of revenues over (under) expenditures	1,128,827	1,338,948	7,006
Transfers:			
Mandatory transfers	(20,000)	-	-
Non-mandatory transfers	<u>(1,023,507)</u>	<u>(253,818)</u>	-
Total transfers	(1,043,507)	(253,818)	-
Net	85,320	1,085,130	7,006
Fund balances beginning of year, as restated	<u>7,516,486</u>	<u>1,193,710</u>	<u>4,650,240</u>
Fund balances end of year	<u>\$ 7,601,806</u>	<u>2,278,840</u>	<u>4,657,246</u>

See accompanying independent auditor's report.

Plant Funds			
Unexpended	Investment in Plant	Adjustments	Total
-	-	(395,266)	6,336,064
-	-	(4,697,422)	2,272,627
-	-	-	1,671,877
1,429,191	-	-	1,429,191
1,367,207	-	(1,367,207)	-
-	1,120,832	(1,120,832)	-
-	-	-	93,801
-	-	2,795,949	2,795,949
-	-	(174,045)	(174,045)
2,796,398	1,120,832	(8,426,803)	58,128,176
(286,986)	774,868	(2,256,160)	706,503
20,000	-	-	-
1,277,325	-	-	-
1,297,325	-	-	-
1,010,339	774,868	(2,256,160)	706,503
5,299,290	87,469,669	(51,166,957)	54,962,438
6,309,629	88,244,537	(53,423,117)	55,668,941

Indian Hills Community College

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

Year ended June 30, 2018

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
Revenues:				
State appropriations	\$ 4,256,020	9,648,831	725,674	-
Tuition and fees	4,297,948	12,164,103	657,655	-
Property tax	-	-	-	-
Federal appropriations	-	-	-	-
Sales and services	366	39,641	160,288	-
Interest on investments	-	-	-	-
Miscellaneous	13,948	124,449	10,994	-
Total revenues	<u>8,568,282</u>	<u>21,977,024</u>	<u>1,554,611</u>	<u>-</u>
Expenditures:				
Salaries and benefits	5,263,423	9,991,738	913,589	-
Services	18,769	1,403,747	111,969	4,424
Materials and supplies	50,456	567,952	98,051	1,112
Travel	92,209	88,370	19,484	2,124
Loan cancellations and bad debts	96,627	219,044	-	-
Administrative and collections	-	-	-	-
Miscellaneous	181	60,008	8,009	375
Total expenditures	<u>5,521,665</u>	<u>12,330,859</u>	<u>1,151,102</u>	<u>8,035</u>
Excess (deficiency) of revenues over (under) expenditures	3,046,617	9,646,165	403,509	(8,035)
Transfers:				
Non-mandatory transfers	1,274	-	-	-
Net	<u>\$ 3,047,891</u>	<u>9,646,165</u>	<u>403,509</u>	<u>(8,035)</u>
Fund balances beginning of year				
Fund balances end of year				

See accompanying independent auditor's report.

Support					Education and Support Total
General Administration	Student Services	Learning Resources	Physical Plant	General Institution	
20,355	-	-	14,680	24,381	14,689,941
-	73,970	-	-	1,060	17,194,736
1,143,814	-	-	-	-	1,143,814
253	-	-	-	-	253
100	241,524	104	602	43,247	485,872
184,268	-	-	-	-	184,268
652,275	1,519	29	1,439,716	26,039	2,268,969
2,001,065	317,013	133	1,454,998	94,727	35,967,853
1,118,669	3,699,343	367,820	2,094,309	3,047,063	26,495,954
325,484	601,605	21,477	1,595,609	1,560,501	5,643,585
29,482	62,822	140,560	276,188	502,446	1,729,069
31,969	92,309	507	1,949	92,933	421,854
-	2,655	-	-	-	318,326
29,303	-	-	-	-	29,303
2,998	40,680	-	612	253,758	366,621
1,537,905	4,499,414	530,364	3,968,667	5,456,701	35,004,712
463,160	(4,182,401)	(530,231)	(2,513,669)	(5,361,974)	963,141
(940,000)	(7,560)	-	-	(7,560)	(953,846)
(476,840)	(4,189,961)	(530,231)	(2,513,669)	(5,369,534)	9,295
					5,069,535
					<u>\$ 5,078,830</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, 2018

	Institutional Services	Education Program	Miscellaneous	Total
Revenues:				
Tuition and fees	\$ -	521,500	30,000	551,500
Federal appropriations	-	10,047	-	10,047
Sales and services	2,801,554	2,372,692	725,701	5,899,947
Interest on investments	-	-	24,355	24,355
Miscellaneous	182,531	104,995	123,641	411,167
Total revenues	<u>2,984,085</u>	<u>3,009,234</u>	<u>903,697</u>	<u>6,897,016</u>
Expenditures:				
Salaries and benefits	459,638	933,003	218,767	1,611,408
Services	250,401	317,318	573,445	1,141,164
Materials and supplies	111,771	351,532	179,565	642,868
Travel	607	281,506	1,011	283,124
Loan cancellations and bad debts	100,379	44,325	26,348	171,052
Plant asset acquisitions	35,000	14,949	24,069	74,018
Miscellaneous	3,038	36,399	5,734	45,171
Cost of goods sold	1,778,619	983,906	-	2,762,525
Total expenditures	<u>2,739,453</u>	<u>2,962,938</u>	<u>1,028,939</u>	<u>6,731,330</u>
Excess (deficiency) of revenues over (under) expenditures	244,632	46,296	(125,242)	165,686
Transfers:				
Mandatory transfers	(20,000)	-	-	(20,000)
Non-mandatory transfers	(263,890)	20	194,209	(69,661)
Total transfers	<u>(283,890)</u>	<u>20</u>	<u>194,209</u>	<u>(89,661)</u>
Net	(39,258)	46,316	68,967	76,025
Fund balances beginning of year	<u>1,787,699</u>	<u>227,576</u>	<u>431,676</u>	<u>2,446,951</u>
Fund balances end of year	<u>\$ 1,748,441</u>	<u>273,892</u>	<u>500,643</u>	<u>2,522,976</u>

See accompanying independent auditor's report.

Indian Hills Community College

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

Year ended June 30, 2018

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance	Early Retirement
Revenues:					
State appropriations	\$ 767,716	9,047	8,185	29,981	8,050
Property tax	-	508,354	460,004	1,683,204	454,918
Federal appropriations	5,622,116	-	-	-	-
Sales and services	-	-	-	-	-
Interest on investments	-	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-	-
Miscellaneous	491,783	-	-	-	-
Total revenues	<u>6,881,615</u>	<u>517,401</u>	<u>468,189</u>	<u>1,713,185</u>	<u>462,968</u>
Expenditures:					
Salaries and benefits	-	-	75,325	-	260,894
Services	-	-	400,578	1,904,401	-
Materials and supplies	-	366,879	-	-	-
Travel	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Awards to subrecipients	-	-	-	-	-
Plant asset acquisitions	-	150,522	-	-	-
Miscellaneous	-	-	-	-	-
Federal Pell grant program	5,498,491	-	-	-	-
Federal Supplemental Educational Opportunity grant	123,625	-	-	-	-
Iowa College Student Aid Commission	767,716	-	-	-	-
Private scholarships	580,217	-	-	-	-
Total expenditures	<u>6,970,049</u>	<u>517,401</u>	<u>475,903</u>	<u>1,904,401</u>	<u>260,894</u>
Excess (deficiency) of revenues over (under) expenditures	(88,434)	-	(7,714)	(191,216)	202,074
Transfers:					
Non-mandatory transfers	84,782	-	-	-	-
Net	(3,652)	-	(7,714)	(191,216)	202,074
Fund balances beginning of year	27,004	-	54,912	(341,118)	(653,185)
Fund balances end of year	<u>\$ 23,352</u>	<u>-</u>	<u>47,198</u>	<u>(532,334)</u>	<u>(451,111)</u>

See accompanying independent auditor's report.

Unemployment Compensation	State Grants	Federal Grants	Workforce Investment Act	Iowa Industrial New Jobs Training Program	Retraining Program (HF 260F)	Self - Funded Health Insurance Program	Miscellaneous	Total
427	2,164,235	-	-	-	166,133	-	-	3,153,774
24,125	-	-	-	-	-	-	-	3,130,605
-	-	2,829,055	1,714,285	-	-	-	-	10,165,456
-	-	23,200	-	-	-	-	20,819	44,019
-	-	-	-	41,215	-	-	-	41,215
-	-	-	-	822,127	-	-	-	822,127
-	159	185	-	-	-	4,300,019	91,313	4,883,459
24,552	2,164,394	2,852,440	1,714,285	863,342	166,133	4,300,019	112,132	22,240,655
30,207	1,072,248	1,776,541	1,231,126	91,905	-	33,252	80,789	4,652,287
-	475,077	321,560	244,060	464,821	134,022	3,211,780	19,300	7,175,599
-	147,801	103,819	8,729	-	-	4,560	15,376	647,164
-	27,696	141,659	14,722	-	-	-	1,828	185,905
-	-	-	-	93,801	-	-	-	93,801
-	-	-	173,240	-	-	-	-	173,240
-	124,813	100,000	-	-	-	-	-	375,335
-	188,006	393,972	-	-	-	-	46,349	628,327
-	-	-	-	-	-	-	-	5,498,491
-	-	-	-	-	-	-	-	123,625
-	-	-	-	-	-	-	-	767,716
-	-	-	-	-	-	-	-	580,217
30,207	2,035,641	2,837,551	1,671,877	650,527	134,022	3,249,592	163,642	20,901,707
(5,655)	128,753	14,889	42,408	212,815	32,111	1,050,427	(51,510)	1,338,948
-	(230,148)	(14,710)	-	(92,467)	-	-	(1,275)	(253,818)
(5,655)	(101,395)	179	42,408	120,348	32,111	1,050,427	(52,785)	1,085,130
58,888	188,725	-	(13,226)	518,473	218,096	786,521	348,620	1,193,710
53,233	87,330	179	29,182	638,821	250,207	1,836,948	295,835	2,278,840

Schedule 7

Indian Hills Community College

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

Year ended June 30, 2018

	Student Organizations	Federal Direct Student Loan Program	Miscellaneous	Total
Balances beginning of year	\$ 136,852	-	270,232	407,084
Additions:				
State appropriations	-	-	24,176	24,176
Federal appropriations	-	8,201,334	-	8,201,334
Tuition and fees	70,000	-	1,704	71,704
Sales and services	68,882	-	202,308	271,190
Miscellaneous	14,820	-	889,030	903,850
Total additions	153,702	8,201,334	1,117,218	9,472,254
Deductions:				
Salaries and benefits	1,301	-	167,639	168,940
Services	58,622	-	773,334	831,956
Materials and supplies	29,748	-	5,133	34,881
Travel	37,874	-	133	38,007
Miscellaneous	24,487	-	158,411	182,898
Direct student loans	-	8,201,334	-	8,201,334
Cost of goods sold	2,398	-	-	2,398
Total deductions	154,430	8,201,334	1,104,650	9,460,414
Balances end of year	\$ 136,124	-	282,800	418,924

See accompanying independent auditor's report.

Indian Hills Community College
 Schedule of Credit and Contact Hours
 Year ended June 30, 2018

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	39,432	-	39,432	-	-	-
Vocational Education	50,118	-	50,118	-	-	-
Adult Education/ Continuing Education	-	-	-	144,976	5,344	150,320
Total	<u>89,550</u>	<u>-</u>	<u>89,550</u>			

See accompanying independent auditor's report.

Indian Hills Community College

Schedule of Taxes and Intergovernmental Revenues

For the Last Ten Years

	Years ended			
	2018	2017	2016	2015
Local (property tax)	\$ 5,423,508	5,137,967	4,979,238	4,944,550
State	18,264,076	18,195,085	18,971,694	18,600,408
Federal	10,175,756	10,964,930	12,252,023	12,281,881
Total	<u>\$ 33,863,340</u>	<u>34,297,982</u>	<u>36,202,955</u>	<u>35,826,839</u>

See accompanying independent auditor's report.

June 30,					
2014	2013	2012	2011	2010	2009
4,143,844	3,981,490	4,307,405	4,292,781	4,033,815	3,573,445
18,099,666	15,521,696	16,156,190	13,491,892	12,267,335	15,615,288
12,526,693	13,784,293	15,944,207	18,106,236	19,768,049	10,665,497
<u>34,770,203</u>	<u>33,287,479</u>	<u>36,407,802</u>	<u>35,890,909</u>	<u>36,069,199</u>	<u>29,854,230</u>

Indian Hills Community College

Schedule of Current Fund Revenues by Source
and Expenditures by Function

For the Last Ten Years

	Years ended			
	2018	2017	2016	2015
Revenues:				
State appropriations	\$ 17,843,715	17,774,403	18,030,920	17,979,069
Tuition and fees	17,194,736	18,728,253	20,784,275	19,395,523
Property tax	4,274,419	4,032,218	3,910,307	3,883,262
Federal appropriations	10,165,709	10,950,860	12,236,822	12,181,578
Sales and services	529,891	556,838	383,741	297,256
Interest on investments	225,483	100,374	63,334	51,920
Iowa Industrial New Jobs Training Program	822,127	1,206,763	157,690	596,542
Auxiliary enterprises	6,897,016	7,520,131	7,835,328	7,631,662
Miscellaneous	7,152,428	7,214,997	2,771,633	2,192,017
Total	\$ 65,105,524	68,084,837	66,174,050	64,208,829
Expenditures:				
Liberal arts and sciences	\$ 6,223,235	5,864,965	5,744,156	5,600,909
Vocational technical	13,275,581	13,852,317	16,443,417	14,905,151
Adult education	3,715,933	4,387,844	3,838,136	3,262,739
Cooperative services	1,333,594	1,566,597	457,993	832,692
Administration	2,055,306	2,128,346	2,100,764	2,092,312
Student services	4,690,315	5,080,346	4,605,789	4,745,026
Learning resources	530,364	671,888	666,013	639,303
Physical plant	5,873,068	5,231,076	5,504,060	5,705,919
General institution	9,473,296	9,805,014	6,310,500	6,007,787
Auxiliary enterprises	6,731,330	7,211,589	7,509,776	7,201,078
Scholarships and grants	6,970,049	7,309,917	8,646,281	9,507,591
Workforce Investment Act	1,671,877	2,571,972	2,493,210	2,260,702
Interest on indebtedness	93,801	56,685	58,427	72,413
Total	\$ 62,637,749	65,738,556	64,378,522	62,833,622

See accompanying independent auditor's report.

June 30,					
2014	2013	2012	2011	2010	2009
17,363,247	15,111,760	14,551,548	12,633,837	12,228,203	15,442,692
17,579,936	18,196,872	17,868,770	18,767,263	17,044,910	14,064,149
3,085,749	2,957,789	3,330,915	3,352,711	3,131,607	2,707,554
12,031,460	13,751,605	15,711,640	18,044,436	19,742,867	10,632,557
300,735	238,768	171,215	305,266	250,654	226,627
37,972	59,773	80,746	97,588	107,931	282,958
1,916,716	1,342,184	1,451,917	1,606,070	1,835,403	3,067,908
7,569,391	8,422,448	8,141,095	8,840,122	8,343,338	9,306,142
1,842,141	1,448,965	1,238,987	1,602,279	1,475,699	2,667,175
61,727,347	61,530,164	62,546,833	65,249,572	64,160,612	58,397,762
5,850,290	6,201,782	6,128,369	5,776,120	5,254,600	5,227,040
13,786,667	13,532,045	13,450,906	12,662,111	11,967,322	10,914,226
2,123,833	2,165,784	2,527,489	2,411,689	2,314,128	2,673,018
1,222,017	675,129	1,063,639	1,054,744	1,281,494	2,248,721
2,240,614	2,144,312	2,275,963	2,022,809	2,125,380	2,122,678
4,984,211	5,069,400	4,185,342	3,962,638	3,844,065	3,493,592
609,387	613,975	602,093	611,580	717,093	832,129
5,067,087	4,691,539	4,793,837	4,758,517	4,054,447	4,275,086
5,260,498	6,974,687	4,616,827	4,555,092	7,023,970	4,745,672
7,634,273	9,280,259	7,745,980	7,673,920	7,152,283	8,879,662
9,215,765	11,089,617	11,621,322	13,871,194	12,701,869	8,105,241
2,130,210	1,899,227	1,671,189	1,455,604	2,339,810	2,095,278
228,566	315,247	394,435	499,401	551,318	619,816
60,353,418	64,653,003	61,077,391	61,315,419	61,327,779	56,232,159

Indian Hills Community College
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures	New Loans and New Loan Guarantees
Direct:				
U.S. Department of Agriculture: Rural Business Development Grant	10.351		\$ 12,921	-
U.S. Department of Justice: Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525		71,114	-
National Science Foundation: Education and Human Resources (\$196,736 provided to subrecipients)	47.076		789,079	-
U.S. Department of Education: Student Financial Assistance Cluster: Federal Supplemental Educational Opportunity Grants	84.007		123,625	-
Federal Work-Study Program	84.033		114,921	-
Federal Pell Grant Program	84.063		5,498,491	-
Federal Direct Student Loans	84.268		-	8,201,334
Total Student Financial Assistance Cluster			5,737,037	8,201,334
TRIO Cluster: TRIO_Student Support Services	84.042		327,020	-
TRIO_Talent Search	84.044		239,182	-
TRIO_Upward Bound	84.047		159,955	-
TRIO_Educational Opportunity Centers	84.066		246,299	-
Total TRIO Cluster			972,456	-
Total Direct			7,582,607	8,201,334
Indirect:				
U.S. Department of Agriculture: Iowa Department of Education: Child and Adult Care Food Program	10.558		10,047	-
U.S. Department of Labor: Hawkeye Community College: Trade Adjustment Assistance Community College and Career Training (TAACCT) Grants	17.282		75,860	-
U.S. Department of Labor: Iowa Department of Workforce Development: National Emergency Grants: WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	16-W-FR-JD-0-14	569	-
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	17-W-15-WI-OA	2,512	-
			3,081	-

Indian Hills Community College
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2018

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures	New Loans and New Loan Guarantees
Indirect (continued):				
WIOA Cluster:				
WIOA Adult Program	17.258	16-W-PF-ID-0-29	424	-
WIOA Adult Program	17.258	17-W-15-WI-OA	260,228	-
			<u>260,652</u>	-
WIOA Youth Activities	17.259	17-W-15-WI-OA	347,046	-
WIOA Dislocated Worker Formula Grants	17.278	17-W-15-WI-OA	289,133	-
Total WIOA Cluster			<u>896,831</u>	-
U.S. Small Business Administration:				
Iowa State University:				
Small Business Development Centers	59.037		81,425	-
U.S. Department of Education:				
Iowa Department of Education:				
Adult Education - Basic Grants to States	84.002		138,328	-
Career and Technical Education - Basic Grants to States	84.048		467,288	-
Iowa Department of Education - Division of Rehabilitation Services:				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		105,916	-
U.S. Department of Health and Human Services:				
Iowa Department of Workforce Development:				
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	16-W-PF-SM-0-14	11,815	-
Temporary Assistance for Needy Families	93.558	17-CE-PF-PH-03	802,558	-
Total of TANF Cluster			<u>814,373</u>	-
Total Indirect			2,593,149	-
Total			<u>\$ 10,175,756</u>	<u>8,201,334</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Indian Hills Community College under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Indian Hills Community College, it is not intended to and does not present the financial position, changes in financial position or cash flows of Indian Hills Community College.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – Indian Hills Community College has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

Indian Hills Community College



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Board of Trustees of Indian Hills Community College:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Indian Hills Community College, Ottumwa, Iowa, and the aggregate discretely presented component units as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 27, 2018. Our report includes a reference to other auditors who audited the financial statements of the Indian Hills Community College Development Corp., Inc. and the Indian Hills Community College Foundation, Inc., as described in our report on Indian Hills Community College's financial statements. The financial statements of the Indian Hills Community College Development Corp, Inc. and the Indian Hills Community College Foundation, Inc. were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters


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

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

November 27, 2018



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
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Independent Auditor's Report on Compliance
For Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Board of Trustees of Indian Hills Community College:

Report on Compliance for Each Major Federal Program

We have audited Indian Hills Community College's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. Indian Hills Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Indian Hills Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Indian Hills Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Indian Hills Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.


Report on Internal Control Over Compliance

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

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

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

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


MARY MOSIMAN, CPA
Auditor of State

November 27, 2018

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

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

- (a) An unmodified opinion was issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) Major programs were as follows:
 - TANF Cluster
 - TRIO Cluster
 - Student Financial Assistance Cluster
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (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, 2018

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Indian Hills Community College
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2018

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-18 Certified Budget – Expenditures for the year ended June 30, 2018 did not exceed the amount budgeted.
- IV-B-18 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-18 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-18 Business Transactions and Competitive Bidding Requirements – Business transactions between the College and College officials as detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tom Keck, Trustee, President of Winger Services	Maintenance and repair, per bid	\$ 102,833

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

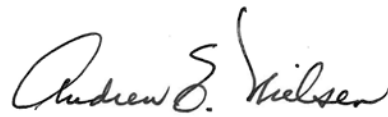
- IV-E-18 Bond Coverage – Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-18 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-18 Publication – The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.
- IV-H-18 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the College’s investment policy were noted.
- IV-I-18 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College for the year ended June 30, 2018 were supported by detailed records maintained by the College.

Indian Hills Community College

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor II
Cole L. Hocker, CPA, Senior Auditor
Preston R. Grygiel, Staff Auditor
Sarah K. Nissen, Staff Auditor
Erin K. Howland, Assistant Auditor
Matthew A. Miller, Assistant Auditor
Andy J. Salwolke, Assistant Auditor
Ethan M. Snedigar, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State