



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE December 9, 2019 at 4:00 p.m.

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The College's primary government operating revenues totaled \$27,506,886 for the year ended June 30, 2019, a 2.1% decrease from the prior year. Operating expenses for the year ended June 30, 2019 totaled \$57,585,672, a 1.1% decrease from the prior year. The decrease in receipts is due primarily to the decrease in enrollment.

A copy of the audit report is available for review 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, 2019

Indian Hills Community College



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Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

November 27, 2019

Officials of Indian Hills Community College
Ottumwa, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Indian Hills Community College for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Indian Hills Community College throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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Indian Hills Community College

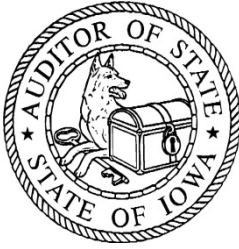
Officials

<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
George Manning	Member	(Resigned Aug 2018)
Lee Schaefer – Weaton	Member	(Resigned Aug 2018)
Katie Nichols (Appointed Sep 2018)	Member	2019
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, 2019, 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, 2019, 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.

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 8 through 13 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.

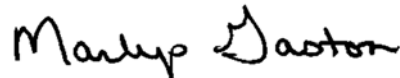
Supplementary Information

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, 2018 (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, 2019 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

November 27, 2019

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, 2019. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- As a result of fiscal year 2019 operations, total net position of the College increased approximately \$866,000, or 1.6%, over the June 30, 2018 balance, primarily due to growth in funds held for the self-funded health insurance program.
- The College issued \$1,835,000 of certificates during the year ended June 30, 2019 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.

Net Position

	June 30,	
	2019	2018
Current and other assets	\$ 36,474,105	36,738,563
Capital assets, net of accumulated depreciation/amortization	48,332,716	44,926,361
Total assets	84,806,821	81,664,924
Deferred outflows of resources	3,235,081	3,878,315
Current liabilities	7,320,993	6,761,909
Noncurrent liabilities	17,409,109	17,539,179
Total liabilities	24,730,102	24,301,088
Deferred inflows of resources	6,776,595	5,573,210
Net position:		
Net investment in capital assets	48,332,716	44,926,361
Restricted	4,159,165	3,262,285
Unrestricted	4,043,364	7,480,295
Total net position	\$ 56,535,245	55,668,941

The largest portion of the College's net position (85%) 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 \$897,000 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. The decrease in the unrestricted net position is due, in part, to the cost of construction projects during the year.

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,	
	2019	2018
Operating revenues:		
Tuition and fees	\$ 12,951,988	13,448,932
Federal appropriations	3,508,012	4,667,218
Sales and services	1,047,479	982,805
Iowa Industrial New Jobs Training Program	2,032,582	822,127
Auxiliary	4,804,366	5,014,102
Miscellaneous	3,162,459	3,172,487
Total operating revenues	27,506,886	28,107,671
Total operating expenses	57,585,672	58,208,420
Operating loss	(30,078,786)	(30,100,749)
Non-operating revenues (expenses):		
State appropriations	18,030,432	18,264,076
Pell grants	5,242,195	5,498,491
Property tax	5,646,929	5,423,508
Gifts from IHCC Foundation	1,559,624	1,198,926
Interest income on investments	559,984	300,507
Donated capital assets	60,000	41,500
Gain (loss) on disposal of capital assets	(10,184)	174,045
Interest expense	(143,890)	(93,801)
Net non-operating revenues	30,945,090	30,807,252
Change in net position	866,304	706,503
Net position beginning of year	55,668,941	54,962,438
Net position end of year	\$ 56,535,245	55,668,941

Net position of the College increased \$866,304 as a result of operations during fiscal year 2019.

In fiscal year 2019, operating revenues totaled approximately \$27.5 million and net non-operating revenues totaled approximately \$30.9 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.
- Federal appropriation revenue decreased due to reductions in funding for the various Workforce Investment Act programs.
- Iowa Industrial New Jobs Training Program revenue increased due to additional participating company withholding receipts.
- Auxiliary revenue decreased due to a decline in enrollment, impacting bookstore, food service, and housing operations.

Operating Expenses

	Year ended June 30,	
	2019	2018
Education and support:		
Liberal arts and sciences	\$ 5,384,692	5,826,072
Vocational technical	12,084,613	12,228,387
Adult education	3,369,077	3,486,569
Cooperative services	2,305,922	1,051,955
Administration	1,847,878	1,834,131
Student services	4,189,498	4,245,721
Learning resources	430,528	494,844
Physical plant	5,586,001	5,620,913
General institution	9,356,657	8,914,120
Auxiliary enterprises	5,859,913	6,336,064
Scholarships and grants	2,018,091	2,272,627
Workforce Investment Act	689,675	1,671,877
Plant operations	1,573,280	1,429,191
Depreciation/amortization	2,889,847	2,795,949
Total	<u>\$ 57,585,672</u>	<u>58,208,420</u>

The following factors address changes in fiscal year 2019 operating expenses:

- Cooperative services increased as a result of additional company training reimbursement as a component of the Iowa industrial New Jobs Training Program.
- Workforce Investment Act expenses decreased as a result of reduced funding for the programs.
- In general, total operating expenses also decreased in response 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,	
	2019	2018
Cash provided (used) by:		
Operating activities	\$ (26,609,375)	(26,425,355)
Non-capital financing activities	31,658,011	30,718,896
Capital and related financing activities	(6,246,386)	(1,560,150)
Investing activities	628,775	227,477
Net change in cash and cash equivalents	(568,975)	2,960,868
Cash and cash equivalents beginning of year	25,956,644	22,995,776
Cash and cash equivalents end of year	<u>\$ 25,387,669</u>	<u>25,956,644</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, 2019, the College had approximately \$48.3 million invested in capital assets, net of accumulated depreciation/amortization of approximately \$45.6 million. Fiscal year 2019 depreciation/amortization charges totaled \$2,889,847. Construction in progress for fiscal year 2019 consisted of \$5,369,569 for the North Campus Diesel and Welding Lab building addition project and \$780,041 for the Trustee Residence Hall restroom renovation project. A summary of capital assets, net of accumulated depreciation/amortization, is shown below.

Capital Assets, Net at Year-End

	June 30,	
	2019	2018
Land	\$ 458,397	458,397
Construction in progress	6,149,610	703,912
Capital assets not being depreciated/amortized	6,608,007	1,162,309
Buildings	36,224,201	38,183,593
Improvements other than buildings	3,373,108	3,516,797
Intangibles	-	5,013
Equipment and vehicles	2,127,400	2,058,649
Total	\$ 48,332,716	44,926,361

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

DEBT

Outstanding debt at June 30, 2019 was \$4,981,093, which consists of certificates issued for Iowa Industrial New Jobs Training Program projects. During the year ended June 30, 2019, the College issued \$1,835,000 of certificates payable.

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

Outstanding Debt

	June 30,	
	2019	2018
Certificates payable	\$ 4,981,093	4,045,055

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.

Indian Hills Community College

Basic Financial Statements

Exhibit A

Indian Hills Community College

Statement of Net Position

June 30, 2019

	Primary Government	Component Units
Assets		
Current assets:		
Cash, cash equivalents and pooled investments:		
Cash, cash equivalents and pooled investments	\$ 17,872,827	26,989,680
Restricted cash, cash equivalents and pooled investments	-	4,745,228
Receivables:		
Accounts, net of allowance for doubtful accounts of \$124,520	1,314,605	864
Succeeding year property tax	5,570,966	-
Due from other governments	914,260	-
Prepaid expenses	515,384	3,250
Inventories	848,230	-
Total current assets	<u>27,036,272</u>	<u>31,739,022</u>
Noncurrent assets:		
Cash and cash equivalents	7,514,842	-
Receivable for Iowa Industrial New Jobs Training Program	1,922,991	-
Capital assets, net of accumulated depreciation/amortization	48,332,716	-
Total noncurrent assets	<u>57,770,549</u>	<u>-</u>
Total assets	<u>84,806,821</u>	<u>31,739,022</u>
Deferred Outflows of Resources		
Pension related deferred outflows	3,231,531	-
OPEB related deferred outflows	3,550	-
Total deferred outflows of resources	<u>3,235,081</u>	<u>-</u>

Indian Hills Community College

Statement of Net Position

June 30, 2019

	Primary Government	Component Units
Liabilities		
Current liabilities:		
Accounts payable	2,292,421	14,328
Salaries and benefits payable	1,148,690	-
Advances from others	1,335,898	750
Early retirement payable	497,938	-
Compensated absences payable	960,546	-
Deposits held in custody for others	395,500	-
Certificates payable	690,000	-
Total current liabilities	<u>7,320,993</u>	<u>15,078</u>
Noncurrent liabilities:		
Early retirement payable	855,626	-
Certificates payable	4,291,093	-
Net pension liability	12,153,321	-
Total OPEB liability	<u>109,069</u>	<u>-</u>
Total noncurrent liabilities	<u>17,409,109</u>	<u>-</u>
Total liabilities	<u>24,730,102</u>	<u>15,078</u>
Deferred Inflows of Resources		
Unavailable property tax revenue	5,570,966	-
Pension related deferred inflows	1,148,078	-
OPEB related deferred inflows	57,511	-
Total deferred inflows of resources	<u>6,776,555</u>	<u>-</u>
Net position		
Net investment in capital assets	48,332,716	
Restricted:		
With donor restrictions	-	11,292,014
Expendable:		
Scholarships and fellowships	40,402	-
Cash reserve	288,745	-
Other	3,830,018	-
Unrestricted/Without donor restrictions	<u>4,043,364</u>	<u>20,431,930</u>
Total net position	<u>\$ 56,535,245</u>	<u>31,723,944</u>

See notes to financial statements.

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

Year ended June 30, 2019

	Primary Government	Component Units
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$3,814,169	\$ 12,951,988	-
Federal appropriations	3,508,012	-
Sales and services	1,047,479	-
Iowa Industrial New Jobs Training Program	2,032,582	-
Auxiliary enterprises, net of scholarship allowances of \$910,019	4,804,366	-
Contributions	-	758,462
Rental income and facility management	-	566,589
Miscellaneous	3,162,459	144,088
Total operating revenues	<u>27,506,886</u>	<u>1,469,139</u>
Operating expenses:		
Education and support:		
Liberal arts and sciences	5,384,692	-
Vocational technical	12,084,613	-
Adult education	3,369,077	-
Cooperative services	2,305,922	-
Administration	1,847,878	-
Student services	4,189,498	-
Learning resources	430,528	-
Physical plant	5,586,001	-
General institution	9,356,657	-
Auxiliary enterprises	5,859,913	-
Scholarships and grants	2,018,091	-
Workforce Investment Act	689,675	-
Plant operations	1,573,280	-
General and administrative Programs	-	486,771
	-	444,210
Depreciation/amortization	2,889,847	-
Total operating expenses	<u>57,585,672</u>	<u>930,981</u>
Operating income (loss)	<u>(30,078,786)</u>	<u>538,158</u>

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

Year ended June 30, 2019

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	18,030,432	-
Pell grants	5,242,195	-
Property tax	5,646,929	-
Gifts from Indian Hills Community College Foundation for student scholarships	1,559,624	-
Investment income	559,984	2,229,484
Gifts to Indian Hills Community College for student scholarships	-	(1,559,624)
Donated capital assets	60,000	-
Loss on disposal of capital assets	(10,184)	-
Interest on indebtedness	(143,890)	-
Net non-operating revenues (expenses)	<u>30,945,090</u>	<u>669,860</u>
Change in net position	866,304	1,208,018
Net position beginning of year	<u>55,668,941</u>	<u>30,515,926</u>
Net position end of year	<u>\$ 56,535,245</u>	<u>31,723,944</u>

See notes to financial statements.

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2019

	<u>Primary Government</u>
Cash flows from operating activities:	
Tuition and fees	\$ 13,184,648
Federal appropriations	3,574,407
Iowa Industrial New Jobs Training Program	1,141,700
Payments to employees for salaries and benefits	(31,539,278)
Payments to suppliers for goods and services	(18,272,231)
Payments to New Jobs Training Program recipients	(1,589,549)
Scholarships	(2,018,091)
Payments to subrecipients	(213,713)
Auxiliary enterprise receipts	4,741,581
Other receipts	4,381,151
Net cash used by operating activities	<u>(26,609,375)</u>
Cash flows from non-capital financing activities:	
State appropriations	18,404,647
Pell grants	5,242,195
Property tax	5,646,929
Gifts	1,559,624
Federal direct lending receipts	6,768,845
Federal direct lending disbursements	(6,768,845)
Proceeds from issuance of debt	1,835,000
Principal paid on debt	(898,962)
Interest paid on debt	(143,890)
Agency receipts	1,216,671
Agency disbursements	(1,204,203)
Net cash provided by non-capital financing activities	<u>31,658,011</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	20,751
Acquisition of capital assets	(6,267,137)
Net cash used by capital and related financing activities	<u>(6,246,386)</u>
Cash flows from investing activities:	
Interest on investments	<u>628,775</u>
Net increase in cash and cash equivalents	(568,975)
Cash and cash equivalents beginning of year	<u>25,956,644</u>
Cash and cash equivalents end of year	<u>\$ 25,387,669</u>

Indian Hills Community College

Statement of Cash Flows

Year ended June 30, 2019

	Primary Government
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (30,078,786)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation/amortization	2,889,847
Provision for doubtful accounts	(57,046)
Decrease in accounts receivable	760,271
Increase in NJTP receivable	(890,882)
Decrease in due from other governments	66,395
Increase in prepaid expenses	(97,018)
Increase in inventories	(21,680)
Increase in accounts payable	745,703
Decrease in salaries and benefits payable	(50,603)
Decrease in advances from others	(362,137)
Decrease in compensated absences payable	(11,994)
Decrease in net pension liability	(1,163,564)
Increase in deferred inflows of resources	701,956
Decrease in deferred outflows of resources	643,234
Decrease in total OPEB liability	(53,669)
Increase in early retirement payable	370,598
Total adjustments	3,469,411
Net cash used by operating activities	\$ (26,609,375)

Noncash capital and related financing activities:

The College received donated capital assets with an acquisition value of \$60,000. The trade-in value of equipment deleted was \$40,436.

See notes to financial statements.

Indian Hills Community College

Statement of Net Assets
Component Units

June 30, 2019

	Indian Hills Community College Development Corp., Inc.	Indian Hills Communitiy College Foundation, Inc.	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 517,988	220,240	738,228
Investments	-	26,251,452	26,251,452
Restricted cash and investments	-	4,745,228	4,745,228
Accounts receivable	864	-	864
Prepaid expenses	-	3,250	3,250
Total current assets	518,852	31,220,170	31,739,022
Noncurrent assets:			
Capital assets, net of accumulated depreciation of \$15,434	-	-	-
Total assets	518,852	31,220,170	31,739,022
Liabilities			
Current liabilities:			
Accounts payable	14,328	-	14,328
Deferred revenue	-	750	750
Total liabilities	14,328	750	15,078
Net assets			
With donor restrictions	-	11,292,014	11,292,014
Without donor restrictions	504,524	19,927,406	20,431,930
Total net assets	\$ 504,524	31,219,420	31,723,944

See notes to financial statements.

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

Year ended June 30, 2019

	Indian Hills Community College Development Corp., Inc.	Indian Hills Community College Foundation, Inc.	Total
Operating revenues:			
Contributions	\$ -	758,462	758,462
Rental income and facility management	566,589	-	566,589
Miscellaneous	89,000	55,088	144,088
Total operating revenues	<u>655,589</u>	<u>813,550</u>	<u>1,469,139</u>
Operating expenses:			
General and administrative	222,461	264,310	486,771
Programs	444,210	-	444,210
Total operating expenses	<u>666,671</u>	<u>264,310</u>	<u>930,981</u>
Operating income	<u>(11,082)</u>	<u>549,240</u>	<u>538,158</u>
Non-operating revenues (expenses):			
Investment income, net of investment expenses	10,984	2,218,500	2,229,484
Gifts to Indian Hills Community College	-	(1,559,624)	(1,559,624)
Net non-operating revenues (expenses)	<u>10,984</u>	<u>658,876</u>	<u>669,860</u>
Change in net assets	(98)	1,208,116	1,208,018
Net assets beginning of year	<u>504,622</u>	<u>30,011,304</u>	<u>30,515,926</u>
Net assets end of year	<u>\$ 504,524</u>	<u>31,219,420</u>	<u>31,723,944</u>

See notes to financial statements.

Indian Hills Community College

Notes to Financial Statements

June 30, 2019

(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. During fiscal year 2019 the Foundation implemented FASB Accounting Standard Update (ASU) 2016-14. This standard requires net assets be presented in two classes of net assets instead of the previous three classes of net assets. Net assets are presented as without donor restrictions or with donor restrictions. The implementation of ASU 2016-14 did not affect the Foundations net assets beginning of year, as presented on Exhibit E. 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, 2019 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets – Capital assets include property, equipment and vehicles and intangibles acquired after July 1, 1980. 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, 2019.

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 and OPEB 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, 2019 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, 2019, the College had investments of \$362,497 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, 2019, the College had investments of \$7,769,653 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.

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, 2019:

<u>Investments</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 1,088,647	1,088,647	-
Mutual funds	606,887	606,887	-
Corporate and government bonds	11,908,642	-	11,908,642
Corporate stocks	17,392,504	17,392,504	-
Total	<u>\$ 30,996,680</u>	<u>19,088,038</u>	<u>11,908,642</u>

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, 2019, the Indian Hills Community College Development Corporation (Development Corporation) had investments of \$507,169 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, 2019 are as follows:

<u>Type</u>	<u>Amount</u>
Textbooks and supplies	\$ 552,700
Merchandise held for resale	295,540
Total	<u>\$ 848,240</u>

(4) Capital Assets

Capital assets activity for the year ended June 30, 2019 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	703,912	5,445,698	-	6,149,610
Total capital assets not being depreciated/amortized	1,162,309	5,445,698	-	6,608,007
Capital assets being depreciated/amortized:				
Buildings	70,610,293	-	88,945	70,521,348
Improvements other than buildings	6,127,353	94,500	-	6,221,853
Intangibles	453,939	-	27,372	426,567
Equipment and vehicles	9,890,643	827,375	513,538	10,204,480
Total capital assets being depreciated/amortized	87,082,228	921,875	629,855	87,374,248
Less accumulated depreciation/amortization for:				
Buildings	32,426,700	1,945,161	74,714	34,297,147
Improvements other than buildings	2,610,556	238,189	-	2,848,745
Intangibles	448,926	5,013	27,372	426,567
Equipment and vehicles	7,831,994	701,484	456,398	8,077,080
Total accumulated depreciation/amortization	43,318,176	2,889,847	558,484	45,649,539
Total capital assets being depreciated/amortized, net	43,764,052	(1,967,972)	71,371	41,724,709
Capital assets, net	\$ 44,926,361	3,477,726	71,371	48,332,716

(5) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Certificates Payable (1)	Net Pension Liability	Total OPEB Liability	Early Retirement	Total
Balance beginning of year	\$ 4,045,055	13,316,885	162,738	982,966	18,507,644
Additions	1,835,000	-	-	785,777	2,620,777
Reductions	898,962	1,163,564	53,669	415,179	2,531,374
Balance end of year	\$ 4,981,093	12,153,321	109,069	1,353,564	18,597,047
Due within one year	\$ 690,000	-	-	497,938	1,187,938

(1) The unamortized discount on the certificates was \$18,907 at June 30, 2019.

Certificates Payable

In accordance with agreements dated between March 12, 2007 and September 12, 2018, the College issued certificates totaling \$11,690,000 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
2020	\$ 690,000	136,772	826,772
2021	685,000	121,163	806,163
2022	685,000	104,361	789,361
2023	670,000	86,673	756,673
2024	670,000	68,339	738,339
2025-2028	1,600,000	107,553	1,707,553
Total	5,000,000	624,861	5,624,861
Unamortized discount	(18,907)		
Certificates payable	\$ 4,981,093		

(6) Operating Leases

The College has leased 145 printers and 3 copiers. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2020 and 2023 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, 2019:

Year ending June 30,	Printers	Copiers	Total
2020	\$ 65,088	32,376	97,464
2021	65,088	17,431	82,519
2022	65,088	17,431	82,519
2023	65,088	10,168	75,256
2024	48,816	-	48,816
Total	\$ 309,168	77,406	386,574

Rents for the operating leases for the year ended June 30, 2019 totaled \$117,693.

(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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the College contributed 9.44% of covered payroll, for a total rate of 15.73%.

The College's contributions to IPERS for the year ended June 30, 2019 totaled \$1,326,926.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the College reported a liability of \$12,153,321 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the College’s proportion was 0.192049%, which was a decrease of 0.007866% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the College recognized pension expense of \$1,450,527. At June 30, 2019, 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	\$ 66,635	274,685
Changes of assumptions	1,733,746	-
Net difference between projected and actual earnings on IPERS' investments	-	333,934
Changes in proportion and differences between College contributions and College's proportionate share of contributions	104,224	539,459
College's contributions subsequent to the measurement date	1,326,926	-
Total	<u>\$ 3,231,531</u>	<u>1,148,078</u>

\$1,326,926 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, 2020. 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
2020	\$ 714,142
2021	357,069
2022	(181,009)
2023	(99,001)
2024	(34,674)
Total	<u>\$ 756,527</u>

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
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	\$ 20,626,628	12,153,321	5,045,476

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, 2019, the College reported payables to IPERS of \$55,707 for legally required employer contributions and \$37,118 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 9.44% of annual salary, including overtime pay, to an individual employee account. Each employee is required to contribute 6.29%. Contributions made by both the College and employees vest immediately. For the year ended June 30, 2019, employee contributions totaled \$479,789 and the College recognized pension expense of \$751,105.

At June 30, 2019, the College reported payables to the TIAA of \$26,944 for legally required College contributions and \$17,953 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>355</u>
Total	<u><u>355</u></u>

Total OPEB Liability – The College’s total OPEB liability of \$109,069 was measured as of June 30, 2019 and was determined by an actuarial valuation as of January 1, 2019. The total OPEB liability was rolled forward from the January 1, 2019 valuation to the June 30, 2019 measurement date.

Actuarial Assumptions – The total OPEB liability in the January 1, 2019 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, 2019)	3.00% per annum.
Rates of salary increase (effective June 30, 2019)	3.00% per annum
Discount rate (effective June 30, 2019)	4.10% per annum,
Healthcare cost trend rate (effective June 30, 2019)	5.00% for fiscal year 2019

Discount Rate – The discount rate used to measure the total OPEB liability was 4.10% 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 2006 with MP 2018 generational projection of future mortality improvement.

The actuarial assumptions used in the January 1, 2019 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	<u>\$ 162,738</u>
Changes for the year:	
Service cost	7,454
Interest	4,310
Differences between expected and actual experiences	(57,924)
Changes in assumptions	(6,776)
Benefit payments	<u>(733)</u>
Net changes	<u>(53,669)</u>
Total OPEB liability end of year	<u>\$ 109,069</u>

Changes of assumptions reflect a change in the discount rate from 3.44% in fiscal year 2018 to 4.10% in fiscal year 2019.

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 (3.10%) or 1% higher (5.10%) than the current discount rate.

	1% Decrease (3.10%)	Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB liability	\$ 117,596	109,069	101,308

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	\$ 98,778	109,069	120,925

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2019, the College recognized OPEB expense of \$5,089. At June 30, 2019, the College reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	51,488
Changes of assumptions	3,550	6,023
Total	<u>\$ 3,550</u>	<u>57,511</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
2020	\$ (6,675)
2021	(6,675)
2022	(6,675)
2023	(6,675)
2024	(6,675)
Thereafter	<u>(20,586)</u>
	<u>\$ (53,961)</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 \$1,100,000 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, 2019, no liability has been recorded in the College's financial statements. As of June 30, 2019, 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, 2019 was \$4,152,245.

Amounts payable at June 30, 2019 total \$426,540, 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 \$2,643,475 at June 30, 2019. 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	\$ 415,613
Incurred claims (including claims incurred but not reported at June 30, 2019)	3,345,718
Payments on claims during the fiscal year	<u>(3,334,791)</u>
Unpaid claims end of year	<u>\$ 426,540</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 99 projects with 15 currently receiving project funding. Of the remaining 84 projects, 76 projects have been completed, of which 75 have been fully repaid and 1 is 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 461 projects. Of these 461 projects, 7 defaulted, 10 withdrew and 26 are active projects.

(13) Termination Benefits

On December 10, 2012, January 12, 2015, December 14, 2015, December 12, 2016, December 11, 2017 and December 10, 2018 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, December 22, 2017 until February 1, 2018 and December 10, 2018 until January 31, 2019 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 December 11, 2017 and December 10, 2018 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%. Employees who accepted early retirement under the December 10, 2018 plans received a cash payment equal to 1% of the employee's annualized salary for each full year of employment, up to \$20,000.

The cash payment for the December 10, 2012 and December 10, 2018 plans 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. Retirees under the December 10, 2018 plan received 100% of the calculated cash payment on the next regular pay date following retirement. For each plan, current health coverage determined employee eligibility to receive single coverage health insurance paid by the College until the age of Medicare eligibility or 12 monthly cash payments of a specified amount.

Retirees under the January 12, 2015, December 14, 2015, December 12, 2016, December 11, 2017 and December 10, 2018 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, \$716 and \$660 per month in insurance premiums until the retiree is eligible for Medicare for the January 12, 2015, December 14, 2015, December 12, 2016, December 11, 2017 and December 10, 2018 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. Retirees who waived the College's health insurance will receive monthly cash payments of \$600 until the retiree is eligible for Medicare under the December 10, 2018 plan.

The liability at June 30, 2019 for those employees who elected early retirement under the December 10, 2012, January 12, 2015, December 14, 2015, December 12, 2016, December 11, 2017 and December 10, 2018 plans was \$82,391, \$47,070, \$2,640, \$290,744, \$218,909 and 711,810 respectively. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2019, early retirement benefits were reduced by \$415,179.

(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, 2019, the College had no abatements of property tax and \$811,879 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, 2019 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	\$ 672
City of Chariton	Urban renewal and economic development projects	3,715
City of Fairfield	Urban renewal and economic development projects	2,862
City of Oskaloosa	Urban renewal and economic development projects	897
City of Ottumwa	Urban renewal and economic development projects	2,230
City of Sigourney	Urban renewal and economic development projects	2,506
Lee County	Urban renewal and economic development projects	171
Lucas County	Urban renewal and economic development projects	5,225
Monroe County	Urban renewal and economic development projects	18,420

(15) Construction Commitment

The College has entered into a contract totaling \$5,047,565 for a building project. As of June 30, 2019, costs of \$4,639,101 on the project have been incurred. The balance of \$408,464 remaining on the contract at June 30, 2019 will be paid as work on the project progresses.

The College has entered into a contract totaling \$1,207,772 for a building renovation project. As of June 30, 2019, costs of \$502,711 on the project have been incurred. The balance of \$705,061 remaining on the contract at June 30, 2019 will be paid as work on the project progresses.

(16) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business- type activities should report their fiduciary activities.

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 Five Years*
(In Thousands)

Required Supplementary Information

	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.192049%	0.199915%	0.201670%	0.199910%	0.204420%
College's proportionate share of the net pension liability	\$ 12,153	13,317	12,692	9,877	8,107
College's covered payroll	\$ 14,447	14,936	14,453	13,731	13,405
College's proportionate share of the net pension liability as a percentage of its covered payroll	84.12%	89.16%	87.82%	71.93%	60.48%
IPERS' net position as a percentage of the total pension liability	83.62%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 1,327	1,289	1,334	1,291
Contributions in relation to the statutorily required contribution	<u>(1,327)</u>	<u>(1,289)</u>	<u>(1,334)</u>	<u>(1,291)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
College's covered payroll	\$ 14,056	14,447	14,936	14,453
Contributions as a percentage of covered payroll	9.44%	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.

2015	2014	2013	2012	2011	2010
1,226	1,195	1,178	1,058	877	857
(1,226)	(1,195)	(1,178)	(1,058)	(877)	(857)
-	-	-	-	-	-
13,731	13,405	13,590	13,105	12,618	12,893
8.93%	8.91%	8.67%	8.07%	6.95%	6.65%

Indian Hills Community College

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2019

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 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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 Last Two Years
 Required Supplementary Information

	2019	2018
Service cost	\$ 7,454	12,492
Interest cost	4,310	5,507
Difference between expected and actual experiences	(57,924)	
Changes in assumptions	(6,776)	4,578
Benefit payments	(733)	(5,686)
Net change in total OPEB liability	(53,669)	16,891
Total OPEB liability beginning of year	162,738	145,847
Total OPEB liability end of year	<u>\$ 109,069</u>	<u>162,738</u>
Covered-employee payroll	\$ 20,073,722	21,926,534
Total OPEB liability as a percentage of covered-employee payroll	0.54%	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, 2019	4.10%
Year ended June 30, 2018	3.44%
Year ended June 30, 2017	4.00%

January 1, 2019 Valuation:

The mortality assumption changed to the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2018 generational projection of future mortality improvement.

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, 2019

Funds/Levy	Original/ Final Budget	Actual	Variance between Budget and Actual
Unrestricted	\$ 37,280,000	34,892,532	2,387,468
Restricted	10,950,000	9,513,630	1,436,370
Unemployment Compensation	55,000	73,491	(18,491)
Insurance	1,660,000	1,908,912	(248,912)
Tort Liability	495,000	503,710	(8,710)
Early Retirement	460,000	731,174	(271,174)
Equipment Replacement	537,916	537,669	247
Total Restricted	14,157,916	13,268,586	889,330
Plant	9,260,000	7,407,992	1,852,008
Total	\$ 60,697,916	55,569,110	5,128,806

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, 2019, 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, 2019

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
Assets and Deferred Outflows of Resources			
Cash, cash equivalents and pooled investments	\$ 13,027,133	4,367,462	4,666,141
Receivables:			
Accounts, net of allowance of \$124,520	1,269,404	10,045	2,752
Succeeding year property tax	1,135,616	3,299,734	-
Iowa Industrial New Jobs Training Program	-	1,922,991	-
Due from other funds	260,013	2,850,536	-
Due from other governments	55,789	739,876	-
Prepaid expenses	314,520	425	-
Inventories	848,230	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Construction in progress	-	-	-
Improvements other than buildings	-	-	-
Intangibles	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation/amortization	-	-	-
Total assets	16,910,705	13,191,069	4,668,893
Deferred Outflows of Resources:			
Pension related deferred outflows	-	-	-
OPEB related deferred outflows	-	-	-
Total deferred outflows	-	-	-
Total assets and deferred outflows of resources	\$ 16,910,705	13,191,069	4,668,893

Plant Funds		Agency Funds	Adjustments	Total
Unexpended	Investment in Plant			
3,108,107	-	218,826	-	25,387,669
20,122	-	12,282	-	1,314,605
1,135,616	-	-	-	5,570,966
-	-	-	-	1,922,991
271,119	-	91,657	(3,473,325)	-
-	-	118,595	-	914,260
200,439	-	-	-	515,384
-	-	-	-	848,230
-	458,397	-	-	458,397
-	70,521,348	-	-	70,521,348
-	6,149,610	-	-	6,149,610
-	6,221,853	-	-	6,221,853
-	426,567	-	-	426,567
-	10,204,480	-	-	10,204,480
-	-	-	(45,649,539)	(45,649,539)
4,735,403	93,982,255	441,360	(49,122,864)	84,806,821
-	-	-	3,231,531	3,231,531
-	-	-	3,550	3,550
-	-	-	3,235,081	3,235,081
4,735,403	93,982,255	441,360	(45,887,783)	88,041,902

(continued on next page)

Indian Hills Community College

Balance Sheet
All Funds
(continued)

June 30, 2019

	Current Funds		Quasi- Endowment Funds
	Unrestricted	Restricted	
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,488,464	534,538	-
Salaries and benefits payable	1,145,961	1,595	-
Due to other funds	3,213,312	260,013	-
Advances from others	1,259,527	109	-
Early retirement payable	-	1,353,564	-
Compensated absences	958,474	2,072	-
Deposits held in custody for others	-	-	-
Certificates payable	-	4,981,093	-
Net pension liability	-	-	-
Total OPEB liability	-	-	-
Total liabilities	8,065,738	7,132,984	-
Deferred inflows of resources:			
Succeeding year property tax	1,135,616	3,299,734	-
Pension related deferred inflows	-	-	-
OPEB related deferred inflows	-	-	-
Total deferred inflows of resources	1,135,616	3,299,734	-
Fund balances:			
Net investment in capital assets	-	-	-
Restricted:			
Expendable:			
Scholarships and fellowships	-	40,402	-
Cash reserve	-	288,745	-
Other	-	3,830,018	-
Unrestricted	5,082,473	(1,400,814)	4,668,893
Auxiliary enterprises	2,626,878	-	-
Total fund balances	7,709,351	2,758,351	4,668,893
Total liabilities, deferred inflows of resources and fund balances	\$ 16,910,705	13,191,069	4,668,893

See accompanying independent auditor's report.

Plant Funds				
Unexpended	Investment in Plant	Agency Funds	Adjustments	Total
266,155	-	3,264	-	2,292,421
-	-	1,134	-	1,148,690
-	-	-	(3,473,325)	-
34,800	-	41,462	-	1,335,898
-	-	-	-	1,353,564
-	-	-	-	960,546
-	-	395,500	-	395,500
-	-	-	-	4,981,093
-	-	-	12,153,321	12,153,321
-	-	-	109,069	109,069
300,955	-	441,360	8,789,065	24,730,102
1,135,616	-	-	-	5,570,966
-	-	-	1,148,078	1,148,078
-	-	-	57,511	57,511
1,135,616	-	-	1,205,589	6,776,555
-	93,982,255	-	(45,649,539)	48,332,716
-	-	-	-	40,402
-	-	-	-	288,745
-	-	-	-	3,830,018
3,298,832	-	-	(10,232,898)	1,416,486
-	-	-	-	2,626,878
3,298,832	93,982,255	-	(55,882,437)	56,535,245
4,735,403	93,982,255	441,360	(45,887,783)	88,041,902

Indian Hills Community College

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

Year ended June 30, 2019

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
Revenues:			
General:			
State appropriations	\$ 14,883,698	2,728,042	-
Tuition and fees	16,766,157	-	-
Property tax	1,191,060	3,260,846	-
Federal appropriations	-	8,750,207	-
Sales and services	593,485	9,858	-
Interest on investments	336,625	109,601	11,647
Iowa Industrial New Jobs Training Program	-	2,032,582	-
Increase in plant investment due to donated plant assets	-	-	-
Increase in plant investment due to plant expenditures (including \$432,425 of current fund expenditures)	-	-	-
Gifts from the Indian Hills Community College Foundation	-	-	-
Proceeds from sale of capital assets	-	-	-
Miscellaneous	2,456,504	4,739,815	-
	<u>36,227,529</u>	<u>21,630,951</u>	<u>11,647</u>
Auxiliary enterprises:			
Tuition and fees	522,500	-	-
Federal appropriations	8,517	-	-
Sales and services	5,496,428	-	-
Interest on investments	17,994	-	-
Miscellaneous	483,819	-	-
	<u>6,529,258</u>	<u>-</u>	<u>-</u>
Total revenues	<u>42,756,787</u>	<u>21,630,951</u>	<u>11,647</u>
Expenditures:			
Education and support:			
Liberal arts and sciences	5,440,896	297,596	-
Vocational technical	12,517,840	763,162	-
Adult education	1,235,031	2,356,718	-
Cooperative services	13,511	2,380,994	-
Administration	1,581,153	537,669	-
Student services	4,437,806	225,554	-
Learning resources	467,795	-	-
Physical plant	3,960,408	1,908,911	-
General institution	5,238,092	4,654,092	-
Total education and support	<u>34,892,532</u>	<u>13,124,696</u>	<u>-</u>

Plant Funds			
Unexpended	Investment in Plant	Adjustments	Total
418,692	-	-	18,030,432
-	-	(3,814,169)	12,951,988
1,195,023	-	-	5,646,929
-	-	-	8,750,207
444,136	-	-	1,047,479
102,111	-	-	559,984
-	-	-	2,032,582
-	60,000	-	60,000
-	6,307,573	(6,307,573)	-
-	-	1,559,624	1,559,624
20,751	-	(20,751)	-
332,930	-	(4,366,790)	3,162,459
2,513,643	6,367,573	(12,949,659)	53,801,684
-	-	-	522,500
-	-	-	8,517
-	-	(1,724,892)	3,771,536
-	-	-	17,994
-	-	-	483,819
-	-	(1,724,892)	4,804,366
2,513,643	6,367,573	(14,674,551)	58,606,050
-	-	(353,800)	5,384,692
-	-	(1,196,389)	12,084,613
-	-	(222,672)	3,369,077
-	-	(88,583)	2,305,922
-	-	(270,944)	1,847,878
-	-	(473,862)	4,189,498
-	-	(37,267)	430,528
-	-	(283,318)	5,586,001
-	-	(535,527)	9,356,657
-	-	(3,462,362)	44,554,866

(continued on next page)

Indian Hills Community College

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

Year ended June 30, 2019

	Current Funds		Quasi- Endowment
	Unrestricted	Restricted	Funds
Expenditures (continued):			
Auxiliary enterprises	6,324,058	-	-
Scholarships and grants	-	6,742,279	-
Workforce Investment Act	-	689,675	-
Plant operations	-	-	-
Plant asset acquisitions	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	143,890	-
Depreciation/amortization	-	-	-
Loss on disposal of capital assets	-	-	-
Total expenditures	<u>41,216,590</u>	<u>20,700,540</u>	-
Excess (deficiency) of revenues over (under) expenditures	1,540,197	930,411	11,647
Transfers:			
Non-mandatory transfers	<u>(1,432,652)</u>	<u>(450,900)</u>	-
Net	107,545	479,511	11,647
Fund balances beginning of year	<u>7,601,806</u>	<u>2,278,840</u>	<u>4,657,246</u>
Fund balances end of year	<u>\$ 7,709,351</u>	<u>2,758,351</u>	<u>4,668,893</u>

See accompanying independent auditor's report.

Plant Funds			
Unexpended	Investment in Plant	Adjustments	Total
-	-	(464,145)	5,859,913
-	-	(4,724,188)	2,018,091
-	-	-	689,675
1,573,280	-	-	1,573,280
5,834,712	-	(5,834,712)	-
-	629,855	(629,855)	-
-	-	-	143,890
-	-	2,889,847	2,889,847
-	-	10,184	10,184
<u>7,407,992</u>	<u>629,855</u>	<u>(12,215,231)</u>	<u>57,739,746</u>
(4,894,349)	5,737,718	(2,459,320)	866,304
<u>1,883,552</u>	-	-	-
(3,010,797)	5,737,718	(2,459,320)	866,304
<u>6,309,629</u>	<u>88,244,537</u>	<u>(53,423,117)</u>	<u>55,668,941</u>
<u>3,298,832</u>	<u>93,982,255</u>	<u>(55,882,437)</u>	<u>56,535,245</u>

Indian Hills Community College

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

Year ended June 30, 2019

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
Revenues:				
State appropriations	\$ 7,139,922	6,578,537	1,131,867	-
Tuition and fees	7,103,638	8,649,770	920,804	-
Property tax	-	-	-	-
Federal appropriations	-	-	-	-
Sales and services	335	206,107	140,562	-
Interest on investments	-	-	-	-
Miscellaneous	14,296	308,080	11,460	-
Total revenues	<u>14,258,191</u>	<u>15,742,494</u>	<u>2,204,693</u>	<u>-</u>
Expenditures:				
Salaries and benefits	5,116,402	10,152,987	737,804	-
Services	38,427	1,460,386	331,964	7,710
Materials and supplies	55,751	601,733	136,518	4,134
Travel	114,536	105,848	15,973	1,167
Loan cancellations and bad debts	115,543	105,254	-	-
Plant asset acquisitions	-	7,358	-	-
Administrative and collections	-	-	-	-
Miscellaneous	237	84,274	12,772	500
Total expenditures	<u>5,440,896</u>	<u>12,517,840</u>	<u>1,235,031</u>	<u>13,511</u>
Excess (deficiency) of revenues over (under) expenditures	8,817,295	3,224,654	969,662	(13,511)
Transfers:				
Non-mandatory transfers	-	-	-	-
Net	<u>\$ 8,817,295</u>	<u>3,224,654</u>	<u>969,662</u>	<u>(13,511)</u>
Fund balances beginning of year				
Fund balances end of year				

See accompanying independent auditor's report.

General Administration	Support				Education and Support Total
	Student Services	Learning Resources	Physical Plant	General Institution	
18,692	-	-	14,680	-	14,883,698
-	91,045	-	-	900	16,766,157
1,191,060	-	-	-	-	1,191,060
-	-	-	-	-	-
-	191,500	-	137	54,844	593,485
336,625	-	-	-	-	336,625
594,546	2,695	380	1,511,745	13,302	2,456,504
2,140,923	285,240	380	1,526,562	69,046	36,227,529
1,140,450	3,754,904	308,377	2,123,461	3,017,603	26,351,988
339,763	524,663	19,790	1,521,749	1,391,878	5,636,330
30,402	71,597	139,423	314,553	565,842	1,919,953
38,436	80,972	205	615	95,292	453,044
-	5,670	-	-	-	226,467
-	-	-	-	-	7,358
29,214	-	-	-	-	29,214
2,888	-	-	30	167,477	268,178
1,581,153	4,437,806	467,795	3,960,408	5,238,092	34,892,532
559,770	(4,152,566)	(467,415)	(2,433,846)	(5,169,046)	1,334,997
(1,320,000)	(5,677)	-	-	(5,677)	(1,331,354)
(760,230)	(4,158,243)	(467,415)	(2,433,846)	(5,174,723)	3,643
					5,078,830
					\$ 5,082,473

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, 2019

	Institutional Services	Education Program	Miscellaneous	Total
Revenues:				
Tuition and fees	\$ -	492,500	30,000	522,500
Federal appropriations	-	8,517	-	8,517
Sales and services	2,589,793	2,244,765	661,870	5,496,428
Interest on investments	-	-	17,994	17,994
Miscellaneous	245,502	93,726	144,591	483,819
Total revenues	2,835,295	2,839,508	854,455	6,529,258
Expenditures:				
Salaries and benefits	470,162	924,891	195,345	1,590,398
Services	278,751	263,039	632,841	1,174,631
Materials and supplies	137,036	315,907	119,349	572,292
Travel	691	249,462	1,183	251,336
Loan cancellations and bad debts	81,263	36,115	20,788	138,166
Plant asset acquisitions	29,275	-	94,500	123,775
Miscellaneous	4,820	70,000	6,430	81,250
Cost of goods sold	1,501,794	890,416	-	2,392,210
Total expenditures	2,503,792	2,749,830	1,070,436	6,324,058
Excess (deficiency) of revenues over (under) expenditures	331,503	89,678	(215,981)	205,200
Transfers:				
Non-mandatory transfers	(389,608)	7,363	280,947	(101,298)
Net	(58,105)	97,041	64,966	103,902
Fund balances beginning of year	1,748,441	273,892	500,643	2,522,976
Fund balances end of year	\$ 1,690,336	370,933	565,609	2,626,878

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, 2019

	Scholarships and Grants	Equipment Replacement	Tort Liability	Insurance	Early Retirement
Revenues:					
State appropriations	\$ 743,660	8,308	7,621	27,185	7,150
Property tax	-	529,361	485,510	1,732,538	455,844
Federal appropriations	5,365,623	-	-	-	-
Sales and services	-	-	-	-	-
Interest on investments	-	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-	-
Miscellaneous	512,803	-	-	-	-
Total revenues	<u>6,622,086</u>	<u>537,669</u>	<u>493,131</u>	<u>1,759,723</u>	<u>462,994</u>
Expenditures:					
Salaries and benefits	-	-	75,165	-	731,174
Services	-	-	428,545	1,908,912	-
Materials and supplies	-	359,571	-	-	-
Travel	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Awards to subrecipients	-	-	-	-	-
Plant asset acquisitions	-	178,098	-	-	-
Miscellaneous	-	-	-	-	-
Federal Pell grant program	5,242,195	-	-	-	-
Federal Supplemental Educational Opportunity grant	148,019	-	-	-	-
Iowa College Student Aid Commission	743,660	-	-	-	-
Private scholarships	608,405	-	-	-	-
Total expenditures	<u>6,742,279</u>	<u>537,669</u>	<u>503,710</u>	<u>1,908,912</u>	<u>731,174</u>
Excess (deficiency) of revenues over (under) expenditures	(120,193)	-	(10,579)	(149,189)	(268,180)
Transfers:					
Non-mandatory transfers	137,243	-	-	-	-
Net	17,050	-	(10,579)	(149,189)	(268,180)
Fund balances beginning of year	23,352	-	47,198	(532,334)	(451,111)
Fund balances end of year	<u>\$ 40,402</u>	<u>-</u>	<u>36,619</u>	<u>(681,523)</u>	<u>(719,291)</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
910	1,793,396	-	-	-	139,812	-	-	2,728,042
57,593	-	-	-	-	-	-	-	3,260,846
-	-	2,694,034	690,550	-	-	-	-	8,750,207
-	-	-	-	-	-	-	9,858	9,858
-	-	-	-	109,601	-	-	-	109,601
-	-	-	-	2,032,582	-	-	-	2,032,582
-	2,700	560	-	-	-	4,152,245	71,507	4,739,815
58,503	1,796,096	2,694,594	690,550	2,142,183	139,812	4,152,245	81,365	21,630,951
73,491	949,702	1,697,692	353,728	112,046	-	35,693	4,159	4,032,850
-	267,078	393,037	111,964	1,589,549	161,974	3,305,717	34,740	8,201,516
-	48,631	93,554	6,747	-	-	4,308	12,868	525,679
-	12,580	134,239	3,523	-	-	-	2,728	153,070
-	-	-	-	143,890	-	-	-	143,890
-	-	-	213,713	-	-	-	-	213,713
-	23,194	100,000	-	-	-	-	-	301,292
-	127,978	251,660	-	-	-	-	6,613	386,251
-	-	-	-	-	-	-	-	5,242,195
-	-	-	-	-	-	-	-	148,019
-	-	-	-	-	-	-	-	743,660
-	-	-	-	-	-	-	-	608,405
73,491	1,429,163	2,670,182	689,675	1,845,485	161,974	3,345,718	61,108	20,700,540
(14,988)	366,933	24,412	875	296,698	(22,162)	806,527	20,257	930,411
-	(425,000)	(24,591)	-	(138,552)	-	-	-	(450,900)
(14,988)	(58,067)	(179)	875	158,146	(22,162)	806,527	20,257	479,511
53,233	87,330	179	29,182	638,821	250,207	1,836,948	295,835	2,278,840
38,245	29,263	-	30,057	796,967	228,045	2,643,475	316,092	2,758,351

Schedule 7

Indian Hills Community College

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

Year ended June 30, 2019

	Student Organizations	Federal Direct Student Loan Program	Miscellaneous	Total
Balances beginning of year	\$ 136,124	-	282,800	418,924
Additions:				
State appropriations	-	-	18,706	18,706
Federal appropriations	-	6,768,845	-	6,768,845
Tuition and fees	67,500	-	3,015	70,515
Sales and services	72,540	-	176,002	248,542
Interest on investments	-	-	691	691
Miscellaneous	4,300	-	840,133	844,433
Total additions	144,340	6,768,845	1,038,547	7,951,732
Deductions:				
Salaries and benefits	489	-	175,260	175,749
Services	61,376	-	735,007	796,383
Materials and supplies	20,005	-	5,232	25,237
Travel	38,759	-	608	39,367
Miscellaneous	27,706	-	129,310	157,016
Direct student loans	-	6,768,845	-	6,768,845
Cost of goods sold	12,559	-	-	12,559
Total deductions	160,894	6,768,845	1,045,417	7,975,156
Balances end of year	\$ 119,570	-	275,930	395,500

See accompanying independent auditor's report.

Indian Hills Community College
 Schedule of Credit and Contact Hours
 Year ended June 30, 2019

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not		Eligible for Aid	Not	
		Eligible for Aid	Total		Eligible for Aid	Total
Arts and Sciences	48,240	-	48,240	-	-	-
Vocational Education	37,573	-	37,573	-	-	-
Adult Education/ Continuing Education	-	-	-	207,779	4,484	212,263 *
Total	85,813	-	85,813			

* - During fiscal year 2019 the College increased the contact hours for certain adult literacy programs from 40 hours per program to 120 hours per program. This resulted in contact hours increasing approximately 63,500 for adult literacy.

See accompanying independent auditor's report.

Indian Hills Community College
Schedule of Taxes and Intergovernmental Revenues
For the Last Ten Years

	Years ended			
	2019	2018	2017	2016
Local (property tax)	\$ 5,646,929	5,423,508	5,137,967	4,979,238
State	18,030,432	18,264,076	18,195,085	18,971,694
Federal	8,758,724	10,175,756	10,964,930	12,252,023
Total	<u>\$ 32,436,085</u>	<u>33,863,340</u>	<u>34,297,982</u>	<u>36,202,955</u>

See accompanying independent auditor's report.

June 30,					
2015	2014	2013	2012	2011	2010
4,944,550	4,143,844	3,981,490	4,307,405	4,292,781	4,033,815
18,600,408	18,099,666	15,521,696	16,156,190	13,491,892	12,267,335
12,281,881	12,526,693	13,784,293	15,944,207	18,106,236	19,768,049
35,826,839	34,770,203	33,287,479	36,407,802	35,890,909	36,069,199

Indian Hills Community College

Schedule of Current Fund Revenues by Source
and Expenditures by Function

For the Last Ten Years

	Years ended			
	2019	2018	2017	2016
Revenues:				
State appropriations	\$ 17,611,740	17,843,715	17,774,403	18,030,920
Tuition and fees	16,766,157	17,194,736	18,728,253	20,784,275
Property tax	4,451,906	4,274,419	4,032,218	3,910,307
Federal appropriations	8,750,207	10,165,709	10,950,860	12,236,822
Sales and services	603,343	529,891	556,838	383,741
Interest on investments	446,226	225,483	100,374	63,334
Iowa Industrial New Jobs Training Program	2,032,582	822,127	1,206,763	157,690
Auxiliary enterprises	6,529,258	6,897,016	7,520,131	7,835,328
Miscellaneous	7,196,319	7,152,428	7,214,997	2,771,633
Total	\$ 64,387,738	65,105,524	68,084,837	66,174,050
Expenditures:				
Liberal arts and sciences	\$ 5,738,492	6,223,235	5,864,965	5,744,156
Vocational technical	13,281,002	13,275,581	13,852,317	16,443,417
Adult education	3,591,749	3,715,933	4,387,844	3,838,136
Cooperative services	2,394,505	1,333,594	1,566,597	457,993
Administration	2,118,822	2,055,306	2,128,346	2,100,764
Student services	4,663,360	4,690,315	5,080,346	4,605,789
Learning resources	467,795	530,364	671,888	666,013
Physical plant	5,869,319	5,873,068	5,231,076	5,504,060
General institution	9,892,184	9,473,296	9,805,014	6,310,500
Auxiliary enterprises	6,324,058	6,731,330	7,211,589	7,509,776
Scholarships and grants	6,742,279	6,970,049	7,309,917	8,646,281
Workforce Investment Act	689,675	1,671,877	2,571,972	2,493,210
Interest on indebtedness	143,890	93,801	56,685	58,427
Total	\$ 61,917,130	62,637,749	65,738,556	64,378,522

See accompanying independent auditor's report.

June 30,					
2015	2014	2013	2012	2011	2010
17,979,069	17,363,247	15,111,760	14,551,548	12,633,837	12,228,203
19,395,523	17,579,936	18,196,872	17,868,770	18,767,263	17,044,910
3,883,262	3,085,749	2,957,789	3,330,915	3,352,711	3,131,607
12,181,578	12,031,460	13,751,605	15,711,640	18,044,436	19,742,867
297,256	300,735	238,768	171,215	305,266	250,654
51,920	37,972	59,773	80,746	97,588	107,931
596,542	1,916,716	1,342,184	1,451,917	1,606,070	1,835,403
7,631,662	7,569,391	8,422,448	8,141,095	8,840,122	8,343,338
2,192,017	1,842,141	1,448,965	1,238,987	1,602,279	1,475,699
<u>64,208,829</u>	<u>61,727,347</u>	<u>61,530,164</u>	<u>62,546,833</u>	<u>65,249,572</u>	<u>64,160,612</u>
5,600,909	5,850,290	6,201,782	6,128,369	5,776,120	5,254,600
14,905,151	13,786,667	13,532,045	13,450,906	12,662,111	11,967,322
3,262,739	2,123,833	2,165,784	2,527,489	2,411,689	2,314,128
832,692	1,222,017	675,129	1,063,639	1,054,744	1,281,494
2,092,312	2,240,614	2,144,312	2,275,963	2,022,809	2,125,380
4,745,026	4,984,211	5,069,400	4,185,342	3,962,638	3,844,065
639,303	609,387	613,975	602,093	611,580	717,093
5,705,919	5,067,087	4,691,539	4,793,837	4,758,517	4,054,447
6,007,787	5,260,498	6,974,687	4,616,827	4,555,092	7,023,970
7,201,078	7,634,273	9,280,259	7,745,980	7,673,920	7,152,283
9,507,591	9,215,765	11,089,617	11,621,322	13,871,194	12,701,869
2,260,702	2,130,210	1,899,227	1,671,189	1,455,604	2,339,810
72,413	228,566	315,247	394,435	499,401	551,318
<u>62,833,622</u>	<u>60,353,418</u>	<u>64,653,003</u>	<u>61,077,391</u>	<u>61,315,419</u>	<u>61,327,779</u>

Indian Hills Community College
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures	New Loans and New Loan Guarantees
Direct:				
U.S. Department of Justice:				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525		101,523	-
National Science Foundation:				
Education and Human Resources (\$28,371 provided to subrecipients)	47.076		620,852	-
U.S. Department of Education:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007		123,428	-
Federal Work-Study Program	84.033		113,219	-
Federal Pell Grant Program	84.063		5,242,195	-
Federal Direct Student Loans	84.268		-	6,768,845
Total Student Financial Assistance Cluster			5,478,842	6,768,845
TRIO Cluster:				
TRIO_Student Support Services	84.042		297,597	-
TRIO_Talent Search	84.044		268,470	-
TRIO_Upward Bound	84.047		317,005	-
TRIO_Educational Opportunity Centers	84.066		243,503	-
Total TRIO Cluster			1,126,575	-
Total Direct			7,327,792	6,768,845
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Child and Adult Care Food Program	10.558		8,517	-
U.S. Department of Labor:				
Hawkeye Community College:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		5,463	-
WIOA Cluster:				
WIOA Adult Program	17.258	16-W-PF-ID-0-29	96	-
WIOA Adult Program	17.258	17-W-15-WI-OA	203,004	-
			203,100	-
WIOA Youth Activities	17.259	17-W-15-WI-OA	233,080	-
WIOA Dislocated Worker Formula Grants	17.278	17-W-15-WI-OA	254,082	-
Total WIOA Cluster			690,262	-
U.S. Small Business Administration:				
Iowa State University:				
Small Business Development Centers	59.037		82,991	-

Indian Hills Community College
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2019

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures	New Loans and New Loan Guarantees
Indirect (continued):				
U.S. Department of Education:				
Iowa Department of Education:				
Adult Education - Basic Grants to States	84.002		149,023	-
Career and Technical Education - Basic Grants to States	84.048		377,180	-
Iowa Department of Education - Division of Rehabilitation Services:				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		89,350	-
U.S. Department of Health and Human Services:				
Iowa Department of Public Health				
Injury Prevention and Control Research and State and Community				
Based Programs	93.136		27,858	-
Iowa Department of Workforce Development:				
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	17-CE-PF-PH-03	288	-
Total of TANF Cluster			288	-
Total Indirect			1,430,932	-
Total			\$ 8,758,724	6,768,845

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, 2019. 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 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.



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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, 2019, 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, 2019. 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

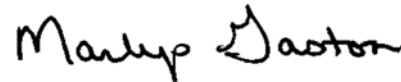
As part of obtaining reasonable assurance about whether Indian Hills Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct 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, 2019 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

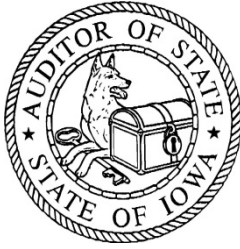
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

November 27, 2019



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STATE OF IOWA

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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, 2019. 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, 2019.

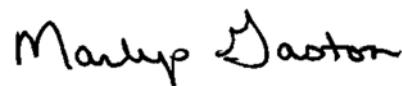
Report on Internal Control Over Compliance

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.



Marlys K. Gaston, CPA
Deputy Auditor of State

November 27, 2019

Indian Hills Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

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) The major program was the 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, 2019

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 compliance were noted.

Indian Hills Community College
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2019

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-18 Certified Budget – Expenditures for the year ended June 30, 2019 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	\$ 310,301

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, 2019 were supported by detailed records maintained by the College.

Indian Hills Community College

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Michelle B. Meyer, CPA, Manager
Cole L. Hocker, CPA, Senior Auditor II
Selina V. Johnson, CPA, Senior Auditor II
Jon G. Hanson, Staff Auditor
Matthew A. Miller, Staff Auditor
Drake J. Caple, Assistant Auditor
Maria R. Collins, Assistant Auditor