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STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT

OF

IVY TECH COMMUNITY COLLEGE OF INDIANA

INDIANAPOLIS, INDIANA

FEDERAL AWARDS AUDIT

JULY 1, 2006 to JUNE 30, 2007

FILED
03/28/2008

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COLLEGE OFFICIALS

Office	Official	Term
President	Thomas J. Snyder	07-01-06 to 06-30-08
Vice President/Treasurer	Robert C. Holmes	01-01-00 to 06-30-08
Chairman of the Board of Trustees	Jesse R. Brand	07-01-06 to 06-30-08

IVY TECH COMMUNITY COLLEGE OF INDIANA
INDIANAPOLIS, INDIANA

INTRODUCTION

GRANTEE'S ORGANIZATION

Ivy Tech Community College of Indiana is a nonprofit state-supported educational institution. The College was founded in 1963. The 1995 General Assembly passed a law, effective June 1, 1995, changing the College's name from "Indiana Vocational Technical College" to "Ivy Tech State College." Then, on May 4, 2005, with the adoption of Senate Bill 296 by the 2005 General Assembly, the legislation, signed by Governor Mitch Daniels reinforced the College's leadership role in educating the State's workforce and broadened the institution's mission to include serving as the State's community college system. In keeping with the College's expanded mission, Ivy Tech's official name changed from "Ivy Tech State College" to "Ivy Tech Community College of Indiana," effective July 1, 2005. The College offers associate degree programs and technical certificates in vocational education. The College has regional campuses located in Gary, South Bend, Fort Wayne, Lafayette, Kokomo, Muncie, Terre Haute, Indianapolis, Richmond, Columbus, Madison, Evansville, Sellersburg, and Bloomington. The system-wide student enrollment in 2006-2007 was 45,857 (hours enrolled converted to full time equivalent).

SCOPE OF AUDIT

Our audit of compliance of Ivy Tech Community College of Indiana was performed in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. The purpose of the audit was to formulate an opinion on the basic financial statements as a whole and to determine if federally sponsored programs were administered in accordance with the applicable laws, regulations, terms of agreement, and directives which are set forth in the respective audit guides. Our work included the following:

- Expression of an opinion on the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows.

- Evaluation of the College's policies, procedures, and practices used to administer the programs.

- Evaluation of the College's system of internal control, accounting and reporting, and the controls maintained in the operation of, and accounting for the funds provided for the programs.

- Reconciliation of the information on the respective required federal reporting forms to College financial statements.

- Testing charges made to selected awards for College compliance with terms and conditions of the applicable federal awards agreement.

The audit covered the period July 1, 2006 to June 30, 2007.

STATE OF INDIANA
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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 OFFICIALS OF IVY TECH COMMUNITY COLLEGE OF INDIANA, INDIANAPOLIS, INDIANA

We have audited the financial statements of the business-type activities of Ivy Tech Community College of Indiana (College), as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above. However, of the significant deficiencies described above, we consider items 2007-1 and 2007-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 College's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the College's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the College's management, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 19, 2007

State Board of Accounts

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF IVY TECH COMMUNITY COLLEGE OF INDIANA, INDIANAPOLIS, INDIANA

Compliance

We have audited the compliance of Ivy Tech Community College of Indiana(College), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The College's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, the College complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-3 through 2007-5.

Internal Control Over Financial Reporting

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the College's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-3 to 2007-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2007-3 to 2007-5 to be material weaknesses.

We have audited the general-purpose financial statements of the College as of and for the year ended June 30, 2007, and have issued our report thereon dated December 19, 2007. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the College's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 20, 2008

State Board of Accounts

IVY TECH COMMUNITY COLLEGE OF INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION			
Direct Grant			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		$ 1,859,728
Federal Work-Study Program	84.033		1,255,201
Federal PELL Grant Program	84.063		66,134,073
Academic Competitiveness Grant	84.357		282,903
Total for cluster			69,531,905
U.S. DEPARTMENT OF LABOR			
Direct Grant			
WIA Pilots, Demonstrations, and Research Projects	17.261		895,740
Direct Grant			
Job Training Grants	17.268		14,172
Pass-Through Indiana Department of Workforce Development			
WIA Cluster			
WIA Adult Program	17.258		4,428
WIA Youth Activities	17.259		28,048
WIA Dislocated Workers	17.260		196,774
WIA Pilots, Demonstrations, and Research Projects	17.261		104,004
Total for cluster			333,254
Total for federal grantor agency			1,243,166
NATIONAL FOUNDATION FOR THE ARTS AND THE HUMANITIES			
Pass-Through Indiana State Library			
Grants to States	45.310		3,463
U.S. SMALL BUSINESS ADMINISTRATION			
Pass-Through South Central Indiana Small Business Development Center			
Small Business Development Center	59.037		315,457
U.S. DEPARTMENT OF EDUCATION			
Direct Grant			
Trio Cluster			
Student Support Services	84.042A		555,816
Talent Search	84.044A		242,663
Total for cluster			798,479
Direct Grant			
Fund for the Improvement of Postsecondary Education	84.116Z		56,780
Pass-Through Indiana Commission for Higher Education			
Vocational Education - Basic Grants to States	84.048		6,771,114
Pass-Through Indiana Department of Education			
Career and Technical Education - National Programs	84.051B		78,128
Tech - Prep Education	84.243		193,340
Total for program			271,468
Total for federal grantor agency			7,897,841
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Grant			
Nurse Education, Practice and Retention Grants	93.359		294,308
Pass-Through Indiana Commission for Higher Education			
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		101,950
Total for federal grantor agency			396,258
Total federal awards expended			$ 79,388,090

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

IVY TECH COMMUNITY COLLEGE OF INDIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Ivy Tech Community College of Indiana (College) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The purpose of the schedule is to present a summary of those activities of the college for the year ended June 30, 2007, which have been financed by the U.S. Government (federal awards). For purposes of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between the College and the federal government, and sub-awards from agencies of the State of Indiana, and other entities, made under federal sponsored agreements. Because the schedule presents only a selective portion of the activities of the College, it is not intended to and does not present the financial position of the College. For reporting purposes, federal awards have been classified into two types:

Student Financial Aid
Other Federal Programs

The accounting principles followed by the College in each of these areas used in preparing the accompanying schedule are as follows:

Student Financial Aid – Deductions (expenditures) are recognized on the accrual basis for awards made to students and allowable administrative expenses of running such programs.

Other Federal Programs – Deductions (expenditures) for direct costs are recognized as incurred using the accrual method of accounting and cost accounting principles contained in the Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenditures include a portion of costs associated with general college activities (indirect costs), which are allocated to federal awards under negotiated formulas commonly referred to as indirect cost rates.

Indirect costs and related revenues applicable to these cost recoveries are classified as unrestricted expenditures and revenues in the General Purpose Financial Statements. In the accompanying schedule, restricted grants and contracts and other agreements are recognized when funds are expended.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the primary government provided federal awards to subrecipients as follows for the year ended June 30, 2007:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Advanced Manufacturing	17.268	$ 1,755

Note 3. Federal Family Educational Loans (FFEL)

The College had the following loan types and amounts of guaranteed student loans which have continuing federal compliance requirements awarded for the year ended June 30, 2007:

Program Title	Number Students	Loans Amounts
Stafford Student Loan Program (Subsidized)	22,651	$ 51,130,739
Stafford Student Loan Program (Unsubsidized)	17,486	50,161,813
Parents Loans for Undergraduate Students (PLUS)	295	1,476,356
Totals	40,432	$ 102,768,908

Note 4. Noncash Assistance

There were no federal awards of noncash assistance, no federal loans outstanding, and no amount of insurance in effect for federal programs for the year ending June 30, 2007.

IVY TECH COMMUNITY COLLEGE OF INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:	
Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
SFA Cluster	Student Financial Aid Cluster
84.048	Vocational Education – Basic Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$2,381,643
Auditee qualified as low-risk auditee?	yes

Section II – Financial Statement Findings

2007-1, RESTATEMENT AND RECLASSIFICATION OF FINANCIAL STATEMENTS

The compilation and presentation of materially correct financial statements and the related footnotes are the responsibility of management. Adequate controls over financial reporting should exist to ensure that the financial statements are properly presented in accordance with standards issued by the Governmental Accounting Standards Board. Additionally, management should implement controls which provide for adequate reviews of the financial statements and notes prior to audit.

As a result of the in-depth review to implement the new computer system, the College found a number of errors on their financial statements issued for fiscal year ended June 30, 2006. These errors were a compilation of errors not detected in prior years due to a lack of internal controls, mainly over assets.

The restatement and reclassification impacted multiple account balances which contained errors as noted by the College. The total of all errors adjusted was material in nature to the financial statements as a whole. Thus the College restated the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2006.

Management should implement controls which provide for adequate reviews of the financial statements and notes prior to audit. The review should be conducted by an individual that is knowledgeable of generally accepted accounting principles.

2007-2, RECORDING OF CAPITAL LEASES

Transactions of the entity should be handled in accordance with standards issued by the Governmental Accounting Standards Board. In particular the recording of leases should be in accordance with standards set forth in GASB 34 and 38. The guidance set forth in GASB 34 and 38 references FASB 13 for proper standards of financial accounting and reporting for leases.

The College did not properly account for the lease of the Trialon Building at the time of the transaction. The lease was material in nature and initially recorded as an operating lease in the College's records. The error was disclosed and discussed with management upon discovery. Subsequently the correcting entry was made and properly presented on the College's records and financial statements.

Adequate controls need to be implemented to ensure all agreements for the lease of assets are properly evaluated, as well as, accounted and reported on for proper presentation.

Section III – Federal Award Findings and Questioned Costs

2007-3, AWARDING OF ACADEMIC COMPETITIVENESS GRANTS (ACG)

Federal Agency: U.S. Department of Education
Federal Program: Student Financial Aid Cluster
CFDA Number: 84.375
Pass-through Entity: N/A
Federal Award Number: N/A

34 CFR 691.15(b) states in part: ". . . (1) A student is eligible to receive an ACG grant if the student (i) meets the eligibility requirements in paragraph (a) of this section; (ii) for the first academic year of his or her eligible program—(A) Has successfully completed, after January 1, 2006, a rigorous secondary school program of study recognized by the Secretary under § 691.16; and (B) Has not previously been enrolled as a regular student in an eligible program while enrolled in high school; (iii) For the second academic year of his or her eligible program— (A) Has successfully completed, after January 1, 2005, a rigorous secondary school program of study recognized by the Secretary under § 691.16; and (B) Has successfully completed the first academic year of his or her eligible program; and (C) For the first academic year of his or her eligible program, obtained a grade point average (GPA) of 3.0 or higher on a 4.0 scale, or the equivalent, consistent with other institutional measures for academic and title IV, HEA program purposes."

Students were awarded grants even though they had completed their secondary education prior to January 1, 2006

A review of 115 out of 695 ACG awards, or 16.5%, indicated overawards of $4,775 for seven students. There was one student from Gary, Richmond, Bloomington, and Evansville and three students from Indianapolis.

ACG awards were given to students who had completed their secondary education prior to January 1, 2006, which made them ineligible to receive ACG awards.

All ACG awards for the 2006-2007 academic year should be reevaluated to determine if properly awarded. The students' accounts should be adjusted to reflect any and all errors detected upon reevaluating the awards and proper resolution made with the Department of Education.

2007-4, RETURN OF FUNDS CALCULATIONS – IMPROPER BREAK DAYS/TOTAL DAYS IN PERIOD

Federal Agency: U.S. Department of Education
Federal Program: Student Financial Aid Cluster
CFDA Number: Various
Federal Award Number: N/A
Pass-through Entity: N/A

34 CFR 668.22 (f)(1) states: "For purposes of paragraph (e)(2)(i) of this section, the percentage of the payment period or period of enrollment completed is determined – (i) in the case of a program that is measured in credit hours, by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdraw date; . . . and (2)(i) The total number of calendar days in a payment period or period of enrollment include all days within the period, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period."

Numerous Returns of Funds Calculations were incorrectly completed due to an error in the number of break days in a payment period or period of enrollment and errors in the beginning and/or ending date for the period.

A review of Return of Funds Calculations in Region 3 (Fort Wayne) and Region 12 (Evansville) noted an incorrect number of break days utilized in both fall and spring terms; in Region 2 (South Bend) and Region 11 (Madison) incorrect number of break days were utilized in the spring term only. Finally, in Region 9 (Richmond) an incorrect start date was utilized for the summer term.

All affected Return of Funds Calculations have been recomputed and the necessary adjustments have been made.

Regional and administrative personal need to ensure the process for counting break days is understood and properly utilized and that the published start and end dates are used in the preparation of the Return of Funds Calculations. Failure to do this could result in inappropriate numbers be utilized and erroneous amounts being returned to the Department of Education.

2007-5, RETURN OF FUNDS CALCULATIONS – CALCULATION ERRORS

Federal Agency: U.S. Department of Education
Federal Program: Student Financial Aid Cluster
CFDA Number: Various
Federal Award Number: N/A
Pass-through Entity: N/A

34 CFR 668.22 (g)(1) states: "The institution must return, in the order specified in paragraph (i) of this section, the lesser of – (i) The total amount of unearned title IV assistance to be returned as calculated under paragraph (e)(4) of this section; or (ii) An amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of the title IV grant or loan assistance that has not been earned by the student, as described in paragraph (e)(3) of this section. (2) For purposes of this section, "institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally related expenses assessed by the institution."

34 CFR 668.22 (1) states: "(1) When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with paragraph (e) of this section. (2) For purposes of this section, 'title IV grant assistance or loan assistance' includes only assistance from the Federal Perkins Loan, Direct Loan, FFEL, Federal Pell Grant, Academic Competitiveness Grant, National SMART Grant, and FSEOG programs, not including the non-Federal share of FSEOG awards if an institution meets its FSEOG matching share by the individual recipient method or the aggregate method."

A review of Return of Funds Calculations yielded various errors in dollar amounts (i.e. aid awarded and institutional charges) compiled for use in the calculation.

In Region 1 (Gary) there were a total of 37 Return of Funds Calculations tested. A total of 12 (32.4%) calculation errors consisting of incorrect amounts for aid awarded, incorrect institutional charges and a lack of documentation to support the last date of attendance were utilized.

Incorrect information utilized to complete the Return of Funds Calculations could result in errors on the calculations causing erroneous amounts to be returned to the Department of Education.

All Return of Funds Calculations, at Region 1 (Gary) for the 2006-2007 academic year need to be reviewed for accuracy.

IVY TECH COMMUNITY COLLEGE OF INDIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CORRECTIVE ACTION PLAN

Finding 2007-1 Restatement and Reclassification of Financial Statements

The College agrees with the finding. The College performed increased analytical reviews in conjunction with the implementation of the finance module of the new administrative software system and as a result restated prior period balances. The College will continue with the increased analytical reviews, to assure the accuracy of the financial statements.

Finding 2007-2 Recording of Capital Leases

The College has implemented additional procedures to assure recording of leases in accordance with accounting guidelines. The College will perform a review of all material lease transactions to assure compliance. Additionally, we have asked our Foundation to send the College any leases entered into with the Foundation and the College. These measurers should assure that the College will properly account for leases in the future.

Finding 2007-3 Academic Competitiveness Grants (ACG)

Although the College is concerned and disappointed that ACG grants were issued to ineligible students, it is important to note that, as pointed out in the audit finding, there was one student overawarded at four campuses, and three students overawarded at a fifth campus; this represents 6% of the audit sample.

As outlined in the October 2006 GEN-06-18 letter published by the Department of Education (ED), institutions were given virtually no lead time in the implementation of this new program. ED staff will take this into consideration when reviewing an institution's implementation of the new program.

Although the College does not excuse the issuance of overawards, a review of our implementation process indicates that implementation tools (SFAACG Report, PDF flow chart, and ACG Guidelines) were developed in order to better prepare our financial aid offices in awarding these funds. Training opportunities were comprised of in-house training as well as ED/NASFAA training resources. The overawarding of one student at four campuses does not reflect widespread abuse of the ACG program.

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In order to rectify this issue, all regional financial aid offices will be provided reports of all ACG awards for the 2006-2007 (and 2007-2008) academic year to evaluate the propriety of the awards. Any and all errors will be corrected on the students' accounts and proper resolution made with ED, if applicable.

<u>Finding 2007-4 Return of Funds- Improper Break Days/Total Days in Period</u>

As outlined in the audit finding, all affected Return of Title IV Funds calculations have been recomputed utilizing ED approved Return of Title IV calculation software and all adjustments have been made to the individual students' accounts. In an April 2007 communication to Financial Aid Directors and Chancellors, Central Office Financial Aid Management noted that the FAM Policies and Procedures Manual had been updated with a section specifically on Return of Title IV and that Return of Title IV training would be provided during the FAM June retreat to proactively address the concern noted by SBA.

Central Office FAM will continue to work with regional financial aid administrators to ensure that the process for counting break days is executed and that the published start and end dates are used in the preparation of the Return of Title IV Calculations. Additionally, regional financial aid administrators should work with other regional offices to ensure adherence.

<u>Finding 2007-5 Return of Funds Calculations-Calculation Errors</u>

As noted in the finding, 12 of the 37 (32.4%) Return of Title IV calculations performed in the Northwest region were calculation errors. These errors consisted of incorrect amounts for aid awarded, incorrect institutional charges, and lack of documentation to support the last date of attendance. It is important to note that this finding was isolated to the Northwest region only.

The region has been instructed to review 100% of the Return of Title IV calculations for the timeframe in question. Upon completion of their review, the region has been instructed to contact Central Office Financial Aid Management. Upon receiving notification, Central Office FAM will review the regional calculations to help ensure compliance. The College will continue to provide in-house training and ED and National Association of Student Financial Aid Administrators resources to help ensure compliance.

IVY TECH COMMUNITY COLLEGE OF INDIANA
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2008, with Thomas J. Snyder, President; Robert C. Holmes, Vice President/Treasurer; Mark Husk, Assistant Treasurer; Ben Burton, Executive Director of Internal Audit; Dr. Benjamin Young, Vice President for Student Affairs and Enrollment Management; and Dr. Patricia Wilson, Executive Director of Financial Aid Management.

IVY TECH COMMUNITY COLLEGE OF INDIANA

2006-07 FINANCIAL REPORT

CHANGING LIVES. CHANGING INDIANA.

Ivy Tech Community College of Indiana

2006-07 FINANCIAL REPORT

Supplementary Schedules

Greetings,

On behalf of the Trustees of Ivy Tech Community College, I am pleased to present for your review the College's 2006-07 financial report.

As this document underscores, Ivy Tech posted an excellent fiscal record in the past year. We continue to be very sound financially, thanks to administrators, chancellors, executive deans and finance directors across the system, who have been conscientious in controlling expenditures and stretching available resources.

Financial condition is but one vital indicator of institutional health. Here are a few others by which we can assess the College and its prospects for the future:

- This past fall marked Ivy Tech's 11th straight year of growth, and the College remains the second largest post-secondary public institution in the state. More than 74,000 students enrolled at Ivy Tech campuses, as we welcomed our largest-ever entering class in 2007. Annually we are serving over 105,000 credit students a year. Our goal is to serve 175,000 credit and non-credit students by 2010.

- The Ivy Tech Foundation continues to raise funds for the benefit of the College and its students. The Foundation distributed more than $1.3 million in student financial aid in 2006-2007.

- Ivy Tech's Standard and Poor rating was an A+ with a positive outlook. Fitch Ratings assigned the College an AA- rating with stable outlook.

In addition, the 2010 Strategic Plan created by our chancellors stipulates core values and stakeholder promises for our students, communities, and business and industry. I'm proud of this blueprint for the future, which spells out strategies that encompass the breadth of our existing and potential services to Indiana: It addresses the need to increase the educational attainment of Indiana residents, and to strengthen workforce education, community economic development and student success.

But this plan goes beyond the expected. It commits us to make Ivy Tech the go-to resource for personal and professional enrichment, to support our communities with civic engagement and community services, and to complete the College's transformation to a nationally known comprehensive community college. It also recognizes the need to build the institutional capacity to support these goals, all of which reflect our mission.

As the state's first, only and still-young community college system, Ivy Tech has been given enormous responsibility for the future of Indiana and everyone who calls it home. Shouldering this task together, guided by careful planning and a shared faith in the value of the work we do, we can be confident that we will "come through" for our state and for our fellow Hoosiers.

Sincerely,

Tom Snyder

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Thomas J. Snyder

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Columbus, Indiana

Vice Chairman
Mr. Norman E. Pfau, Jr.
Jeffersonville, Indiana

Secretary
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Board listing as of June 30, 2007

To the President and State Board of Trustees of Ivy Tech Community College

On behalf of all those individuals responsible for the financial stewardship of College resources, I am pleased to present the Ivy Tech Community College Annual Financial Report for the year ended June 30, 2007.

The report has been prepared in conformance with authoritative reporting standards and guidelines for colleges and universities. This report utilizes Governmental Accounting Standards Board Statement No. 35, Basic Financial Statement and Management's Discussion and Analysis for Public Colleges and Universities. An analysis is included which compares 2006-07 figures with the prior year.

The report contains data, which is consolidated for all College locations, as well as statements and schedules listed in the table of contents.

The Indiana State Board of Accounts has audited the financial statements. Their audit opinion on the financial statements is a part of this report.

The final schedule provides information on student enrollment. The data is for five years and provides users of this report statistics relative to students enrolled in education provided by this College.

Respectfully submitted,

Robert C. Holmes
Vice President for Finance/Treasurer

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF IVY TECH COMMUNITY COLLEGE, INDIANAPOLIS, INDIANA

We have audited the accompanying basic financial statements of Ivy Tech Community College, a component unit of the State of Indiana, as of and for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component unit of the College as discussed in Note 1, which represents 100% of the assets and revenues of the discretely presented component unit. The financial statements of this component unit were audited by another auditor whose report thereon has been furnished to us and our opinion, insofar as it relates to this unit, is based upon the report of the other auditor.

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

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Ivy Tech Community College, as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2007, on our consideration of Ivy Tech Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit. This report will be issued in the University's Single Audit report prepared in accordance with OMB Circular A-133.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standard's Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

State Board of Accounts

STATE BOARD OF ACCOUNTS

December 19, 2007

Management's Discussion & Analysis

This section of Ivy Tech Community College's annual financial report presents a discussion and analysis of the financial performance of the College for the fiscal year ended June 30, 2007, along with comparative data for the year ending June 30, 2006. The management's discussion and analysis provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements and note disclosures. The management's discussion and analysis is designed to focus on current activities, significant changes, and currently known facts. The financial statements, notes, and this discussion are the responsibility of management.

Using this Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the *Governmental Accounting Standards Board Statement No. 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities, an Amendment of GASB Statement No. 34*. The financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

One of the most important questions asked about the College's finances is whether the College is better or worse as a result of this year's activity. The keys to understanding that question are the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The College's net assets are one indicator of the College's financial strength. Over time, increases or decreases in net assets is one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to the College, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The authoritative financial reporting model classifies State appropriations and gifts as non-operating revenues; therefore such a classification results in an operating deficit being shown in this statement. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital, and non-capital financing and investing activities.

Financial Highlights

Ivy Tech Community College's financial position remains strong as net assets grew by $15.6 million (6%). This continues a trend that began several years ago. Since 2002, net assets have grown from $171.4 million to $258.7 million, an increase of 51%. Unrestricted net assets have also shown significant improvement, growing $10.4 million (11%) during 2006-07. This represents positive financial performance as the State of Indiana continues to emerge from a difficult economic situation.

Total Operating Revenues for 2006-07 were $242.0 million as compared to $224.3 million in the prior fiscal year, an increase of 8%. Much of this increase was a result of the College's growing enrollment. The College once again set a record for both total enrollment and full time equivalent enrollment. For the first time, total credit enrollment surpassed 110,000 students, coming in at 111,143, and full time equivalent enrollment was 45,857. This led to a $14.4 million (12%) increase in gross student fee revenue despite increasing fee rates by only 4.8%. Growth in Auxiliary Enterprises and Federal Grants and Contracts also contributed to the increase in operating revenues.

Net Non-operating Revenues grew from $146.7 million in 2005-06 to $157.6 million in 2006-07, an increase of 7%. The primary component of this category, state appropriations, totaled $158.4 million, an increase of $7.9 million (5%) over the prior fiscal year. It is also important to note that the College received repayment of $4.6 million that the State had previously withheld in 2001-02. The remaining $6.1 million deferred by the State is scheduled to be repaid during the 2007-09 biennium. Investment income, benefiting from rising interest rates, grew from $4.8 million in 2005-06 to $7.8 million in 2006-07.

Operating expenses were $387.5 million in 2006-07, an increase of $35.5 million (10%) over the previous fiscal year. The major increases were related to serving the College's growing enrollment and beginning implementation of the College's new enterprise resource planning software system.

In the capital area, during 2006-07 new academic buildings were completed in Evansville (Phase II) and Richmond (Phase II). In addition, construction began during 2006-07 on new academic buildings in Madison, Marion, and Valparaiso (Phase II). The completion of these projects will reduce overcrowding and significantly improve academic space. Bonds for these three projects were sold in July 2006.

Condensed Statement of Net Assets

June 30	2007	2006 Restated	Percent Change
Current assets	$159,579,911	$133,748,683	19.3
Non-current assets	362,130,916	314,364,485	15.2
Total assets	521,710,827	448,113,168	16.4
Current liabilities	43,997,112	36,650,754	20.0
Non-current liabilities	219,043,155	168,428,813	30.1
Total liabilities	263,040,267	205,079,567	28.3
Net assets			
Invested in capital assets, net of related debt	96,637,375	126,896,466	(23.8)
Restricted	55,895,048	20,430,592	173.6
Unrestricted	106,138,137	95,706,543	10.9
Total net assets	$258,670,560	$243,033,600	6.4

Assets

Current Assets

Cash and cash equivalents are comprised of cash (in banks and on hand) and investments with maturity dates of 0-90 days as of June 30, 2007. Short-term investments include those with maturity dates of 91-365 days. The College's policy is to invest available cash balances, and in 2001-02 this policy was expanded to allow longer-term investments. Cash and cash equivalents decreased 3.4% from 2005-06 and short-term investments decreased slightly. This category was reduced because the college made longer term investments this year as compared to the previous year.

Accounts receivable are related to several transactions including, but not limited to, state appropriations, student and contract tuition and fees, and auxiliary sales. Accounting standards typically require the establishment of an allowance for bad debt in the Statement of Net Assets to reflect receivables that are likely to be uncollectible. A portion of the receivables from state appropriations ($3,062,071) are classified as short term because they are expected to be received in fiscal 2007-08.

Inventories for resale (books, supplies, and other items) are maintained within the College bookstores. Inventories increased 22.2% over the prior year; partly due to a new distance education bookstore run by the Terre Haute campus and Richmond campus' new bookstore.

The deposits with trustee are $23.9 million, and it is anticipated that it will all be used within 2007-08. The deposits with trustee are attributable to the Series K construction projects for Valparaiso Phase II, Marion Phase I, and Madison Phase I in the amount of $22.3 million. The remaining $1.6 million is attributed to Series I construction for Valparaiso Phase I, Evansville Phase II, Portage Architecture & Engineering, and Series J Richmond Phase II.

Prepaid expenses are payments made in the current or a previous fiscal year, and for which we have not realized the full value of through fiscal year 2006-07. The prepaid balance at June 30, 2007 includes, among other items, payments of debt principal and interest totaling $15.1 million. Overall current assets increased by $25.8 million which was due mainly to an increase in deposits with trustee as well as an increase in prepaid expenses.

Noncurrent Assets

Long-term investments increased by nearly $10 million from the previous year. This was primarily done to take advantage of higher long-term interest rates. Noncurrent accounts receivable represents fiscal year 2004-05 appropriations from the state which are not expected to be received in fiscal year 2007-08. Capital assets include land, buildings, infrastructure, equipment, deferred losses on debt refunding, and construction work in progress. Noncurrent assets increased by $47.8 million or a 15.2% increase from the previous year.

Liabilities

Current Liabilities

Accounts payable and accrued liabilities represent amounts due at June 30, 2007 for goods and services received prior to the end of the fiscal year. This category increased 6.4% compared to the previous year. Compensated absences are the amounts due to employees for earned but unpaid vacation/special holidays and accrued sick leave payout. Deposits held in custody for others are monies held by the College for payroll withholdings ($3.8 million), student clubs ($1.2 million), and outdated checks. Deferred revenue represents monies received in the current year for services, tuition and fees, or goods to be provided by the College in a future period. Deferred Revenue went up 15.3%. The Current portion of debt obligation is the portion of the College's long-term debt which is payable within the next fiscal year. Overall, current liabilities increased by 20.0%, which was primarily due to the large increase in the current portion of debt obligation.

Noncurrent Liabilities

Noncurrent liabilities will be paid one year or later from the date of the Statement of Net Assets. The College's noncurrent liabilities include compensated absences, notes and bonds payable, and other long-term obligations. Noncurrent liabilities increased by $50.6 million due to increase in leases, notes, and bonds.

Outstanding Debt at Year End

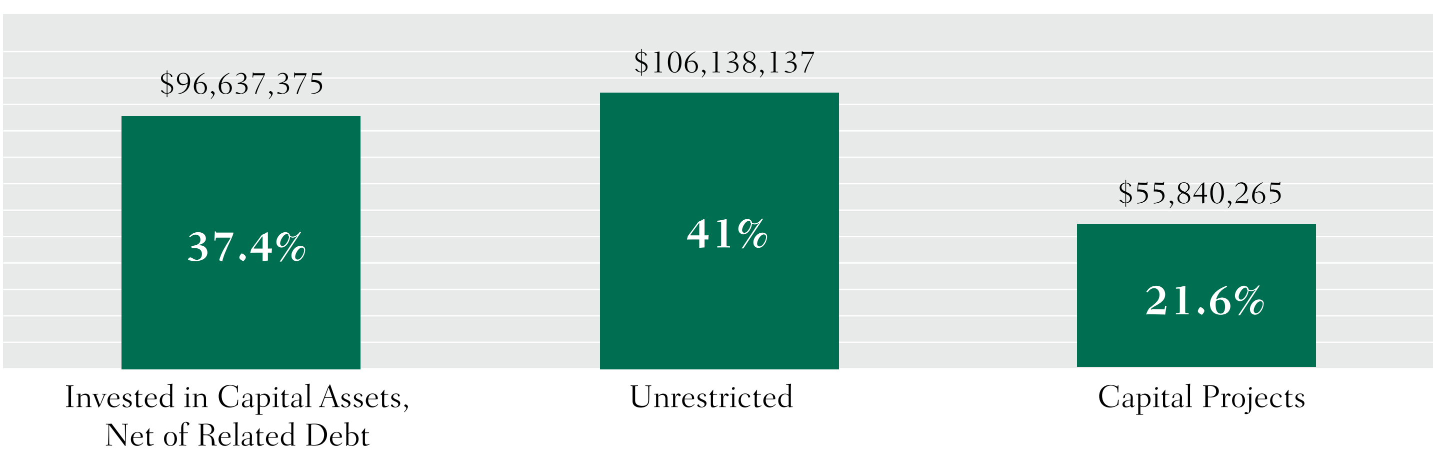
	6/30/2007	6/30/2006	Increase (Decrease)	Percent Change
Leases, notes, and bonds payable:				
Revenue bonds payable:				
Series E student fee bonds	$7,575,000	$8,560,000	$(985,000)	-11.5%
Series G student fee bonds	33,505,000	35,925,000	(2,420,000)	-6.7%
Series H student fee bonds	42,615,000	44,865,000	(2,250,000)	-5.0%
Series I student fee bonds	38,430,000	39,650,000	(1,220,000)	-3.1%
Series J student fee bonds	9,245,000	9,245,000	-	0.0%
Series K student fee bonds	60,670,000	-	60,670,000	100.0%
Total bonds payable	192,040,000	138,245,000	53,795,000	38.9%
Premium on bonds - H,I,J & K	6,339,046	5,758,025	581,021	10.1%
Lease Obligations	11,750,448	10,994,204	756,244	6.9%
Notes Payable	18,215,000	19,195,000	(980,000)	-5.1%
Total leases, notes, and bonds payable	$228,344,494	$174,192,229	$54,152,265	31.1%

During fiscal year 2006-07 the College issued the Series K Student Fee Bonds totaling $60,670,000 to fund new campus construction projects in Madison, Marion, and Valparaiso. This was the principal reason for the overall increase in outstanding leases, notes, and bonds payable of $54,152,265.

Net Assets

Net assets represent the difference between the College's assets and liabilities. The classification "invested in capital assets, net of related debt" (which includes building and equipment less depreciation, land owned by the College, and construction work in progress) decreased 23.8% over the prior year. Consequently, the restricted "capital projects" classification increased 174% from the prior year this was due to the capitalization of several building projects in the current year. Unrestricted net assets increased 10.9%. Overall net assets increased in fiscal 2006-07 by $15.6 million.

2007 Analysis of Net Assets



Internally Designated Reserves of Unrestricted Funds

The College ended the fiscal year with an unrestricted net asset balance of $106.1 million, an increase of $10.4 million, or 10.9% as compared to the prior fiscal year. The following provides additional information concerning the allocation of the unrestricted net assets.

Description	FY 2007 Amount	FY 2006 Amount
Auxiliary Enterprise Bookstores	$22,955,416	$20,509,232
Economic Development Revolving Loan	4,557,666	7,427,953
Student Accounts Receivable	4,417,393	3,737,781
Insurance Stabilization	2,949,480	2,751,046
Debt Service Cash Flow Reserve	4,400,362	4,163,109
Parking Lot Repair and Replacement	3,228,602	3,207,898
Compensated Absences Reserve	5,748,177	3,250,000
Other Post Employment Benefits	3,875,881	1,750,000
Technology Acquisition	42,711	146,575
Payroll Reserve	903,616	759,307
Enterprise Software Replacement	5,101,078	6,191,550
Lawrenceburg Financial Aid	43,276	62,166
Unclaimed Property	823,947	831,615
Student Loan Fund	57,758	54,196
Operating Budget	47,032,774	40,864,115
Total	$106,138,137	$95,706,543

The College operates bookstores at twelve of its fourteen regional campuses. The bookstores' net assets shown above are mainly used to maintain those operations. Portions of these assets are available to support one-time College expenses.

The Economic Development Revolving Loan Fund is primarily used within the College to acquire equipment necessary to rapidly implement training programs relative to economic development as well as other College initiatives. This fund is a revolving fund and is paid back over time by the College site originally granted the loan.

The College does not recognize certain student accounts receivable balances for budget purposes. After they have been collected, they are recognized for budgetary purposes and therefore available for expenditure.

The insurance stabilization reserve was established in the fiscal year ending June 30, 1994. The interest earned on this reserve has been used to reduce the amount of health insurance increases that must be passed on to the employees of the College.

Debt Service Cash Flow Reserve is used to partially offset the bond debt service payments made until they are reimbursed by the state of Indiana.

The parking lot repair and replacement reserve is funded with a College designated portion of student fee collections. Currently seventy-five cents ($.75) per student credit hour is designated to assist the funding of repairing, maintaining, and providing new parking lots throughout the College.

The compensated absences reserve was established to offset the College's compensated absences liability. This benefit is discussed in more detail in the Notes to the Financial Statements, section VII.

The Other Post Employment Benefits cash reserve was established in fiscal year 2005-06 to offset the College's other post employment benefit liability. This reserve was established in advance of the reporting requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The reporting requirements of GASB 45 are not applicable to the College until fiscal year ended June 30, 2008. This benefit is discussed in more detail in the Notes to the Financial Statements, section VI.

The technology acquisition reserve is the balance of a State appropriation received to assist the College in acquiring and maintaining technology related items.

The College pays hourly employees bi-weekly. Therefore, every eleven years the College pays employees twenty-seven times in one year instead of the normal twenty-six. This payroll reserve is to pay for the additional payroll.

The enterprise software replacement reserve has been established to assist the College in replacing the enterprise-wide software programs. The current enterprise software programs are outdated and implementation of the new Banner software system is currently underway.

In fiscal year 2003-04 the City of Lawrenceburg paid $2,875,000 to pay off a loan on the College's building in Lawrenceburg. In appreciation of the City's generosity, the College dedicated an initial amount of $375,000 for financial aid purposes for Ivy Tech students attending the Lawrenceburg campus. The amount shown represents the balance that is remaining. A committee of College and City officials developed guidelines for the use of these monies to assure that citizens in the Lawrenceburg area receive the benefit of this financial aid.

State law allows the College to maintain unclaimed property. The unclaimed properties are checks that have not been cashed and are greater than two-years old. The payees may claim these checks upon the filing of a claim and proof of identity.

The College maintains a loan fund for the purpose of making short-term loans to students. The funds are derived from a number of different sources.

The operating budget is the remaining amount of the unrestricted net assets available for expenditure in the next fiscal year.

Capital Assets, Net, At Year-End

	6/30/2007	Restated 6/30/2006	Increase (Decrease)	Percent Change
Construction Work In Progress	$40,496,562	$37,188,513	$3,308,049	8.9%
Land, Improvements and Infrastructure	22,816,363	21,768,925	1,047,438	4.8%
Buildings	262,132,858	233,956,905	28,175,953	12.0%
Furniture, fixtures, and equipment	15,523,495	14,244,116	1,279,379	9.0%
Library materials	123,089	140,474	(17,385)	-12.4%
Totals	$341,092,367	$307,298,933	$33,793,434	11.0%

During fiscal year 2006-07 net capital assets increased by $33,793,434 or 11.0%. The major changes were from the capitalization of the Richmond Phase II of $8.2 million and the Valparaiso Phase I project of $14.8 million and the increased expenses related to on-going construction projects.

The College's credit rating assigned by Standard and Poor's as of June 2007 was A+ with a positive outlook. Fitch Ratings assigned a rating of AA- with a stable outlook.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

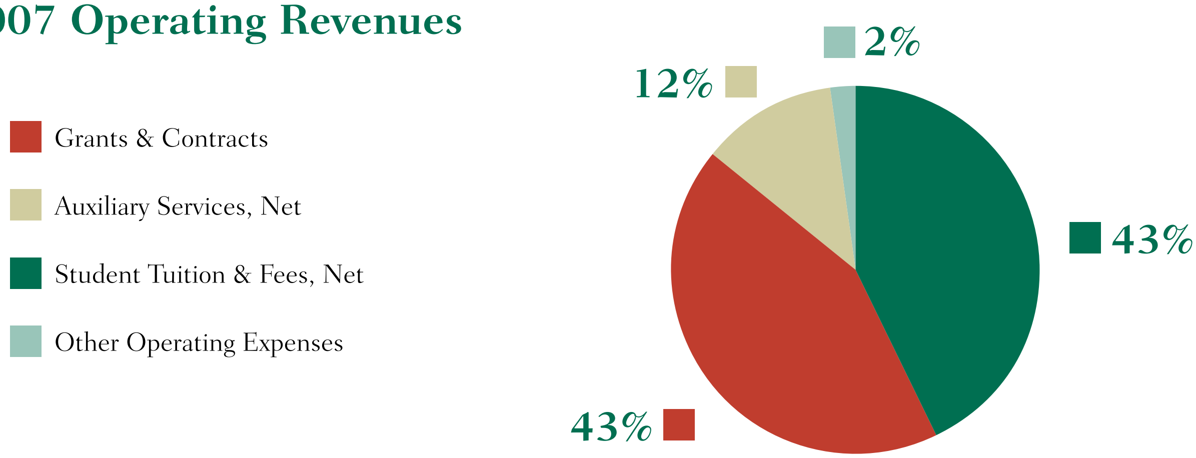
Year Ended June 30	2007	Restated 2006	Percent Change
OPERATING REVENUE			
Tuition and fees, net	$104,766,487	$ 91,034,072	15.1
Grants and contracts	103,927,693	104,292,191	(0.3)
Auxiliary services, net	29,048,009	23,922,524	21.4
Other	4,219,071	5,005,607	(15.7)
Total operating revenue	241,961,260	224,254,394	7.9
OPERATING EXPENSE	387,497,230	351,989,296	10.1
Operating income (loss)	(145,535,970)	(127,734,902)	13.9
NON-OPERATING REVENUE (EXPENSE)			
State appropriations	158,354,723	150,453,484	5.3
Other non-operating revenue (expense)	(718,619)	(3,800,183)	(81.1)
Net non-operating revenue	157,636,104	146,653,301	7.5
Income before other revenue, expenses, gains, or losses	12,100,134	18,918,399	(36.0)
Capital appropriations	3,536,826	455,914	675.8
TOTAL INCREASE IN NET ASSETS	15,636,960	19,374,313	(19.3)
NET ASSETS			
Net assets - beginning of year	243,033,600	224,973,669	8.0
Prior Period Adjustment to Net Assets			
Cumulative Effect of Error Correction		(1,314,382)	
Adjusted Net Asset-Beginning of Year	243,033,600	223,659,287	
NET ASSETS - END OF YEAR	$258,670,560	$243,033,600	6.4

Revenues

Operating Revenues

Total operating revenues for fiscal year 2006-07 were $242 million, representing a 7.9% increase compared to the prior year. The following chart and analysis illustrate the details.

2007 Operating Revenues



Tuition and Fees

Student tuition and fees include all fees assessed for educational purposes. Scholarship discounts and allowances represent the difference between the stated fee rates and the amount that is paid by the students and/or third party payers. The vast majority of the scholarship discounts is paid to the College in the form of Federal and State student financial aid. Net student fee revenue shows a 15.1% increase over 2005-06 due to a full-time equivalent enrollment increase of 6.4%, student fee increases of 4.8%, increases in incidental fees, and increases in non-credit instruction.

Grants and Contracts

Grants and contracts include restricted revenues made available by federal, state, local, and nongovernmental grants and contracts. In total, this revenue decreased 0.3% from 2005-06. Federal sources increased 8.4%, state sources decreased 23.5% due to a reduction of more than $7 million in state apprenticeship grant funding, and private sources increased 9.2%.

	2006-07	2005-06	Percent Change
FEDERAL SOURCES			
Financial aid	$70,001,493	$64,805,143	8.0%
Other federal agencies	2,076,242	1,691,975	22.7%
Total federal sources	72,077,735	66,497,118	8.4%
STATE SOURCES			
Financial aid	12,251,322	10,499,372	16.7%
Grants and Contracts	9,757,335	18,286,686	(46.6)%
Total state sources	22,008,657	28,786,058	(23.5)%
PRIVATE SOURCES	9,841,301	9,009,015	9.2%
TOTAL ALL SOURCES	$103,927,693	$104,292,191	(.3%)

Auxiliary Enterprises

Auxiliary enterprises are intended to be self-supporting and supplement the operations of the College. Bookstores and parking lots are the main auxiliary enterprises for Ivy Tech Community College. The total auxiliary enterprise revenue was $32.7 million with a scholarship allowance of $3.7 million. The vast majority of the scholarship allowance is paid to the bookstores in the form of Federal student financial aid. Net auxiliary enterprise revenue increased 21.4% over prior years, which was due to the enrollment increase and a new bookstore in Richmond.

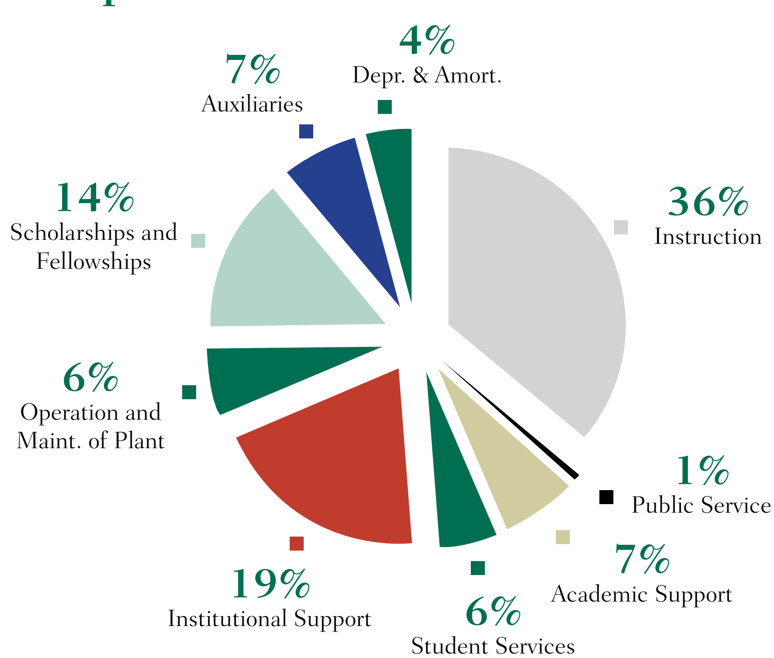
Operating Expenses

The operating expenses are presented on the financial statements using natural classifications: salaries and wages, benefits, scholarships and fellowships, utilities, supplies and other services, and depreciation. The following schedule shows expenses based on College functional categories.

Expenses by Function:	**2006-07**	**2005-06**
Instruction	$139,611,759	$134,056,826
Public service	2,803,921	3,063,375
Academic support	26,209,878	24,563,760
Student services	21,368,176	18,896,613
Institutional support	75,597,609	61,540,934
Operation and maintenance of plant	24,246,407	24,598,684
Scholarships and fellowships	54,439,359	48,493,197
Auxiliaries	27,259,681	21,783,343
Depreciation and Amortization	15,960,440	14,992,564
TOTAL	$387,497,230	$351,989,296

As a percentage of total expenses Instructional expenses decreased slightly and Institutional Support increased slightly over prior year. A portion of the increase is due to the implementation of the College's new integrated software system. All other categories remained relatively flat as a percentage of the total.

2007 Functional Expenses



Non-operating Revenue And Expense

The State of Indiana provides appropriations based on a biennial budget for higher education. The College recognized $158.4 million for fiscal year 2006-07 this is an increase of 5.3% from the previous year. Investment income, which is the earnings from pooled cash and plant investments, increased from 2005-06 by $3 million. Interest expense on capital asset-related debt is the interest paid on bond debt and interim financing. Student government support is the College's designated amount to support student government.

Statement of Cash Flows

Another way to assess the financial condition of an institution is to look at the statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess:

- an entity's ability to generate future net cash flows
- its ability to meet its obligations as they come due
- its need for external financing

Condensed Statement of Cash Flows

Year Ended June 30	2007	Restated 2006
Cash provided (used) by:		
Operating activities	$(127,340,888)	$(114,191,963)
Non-capital financing activities	163,284,489	149,015,590
Capital and related financing activities	(33,673,587)	(27,055,491)
Investing activities	(3,832,573)	(1,451,446)
Net increase (decrease) in cash	(1,562,559)	6,316,690
Cash and cash equivalents, beginning of the year	46,089,004	39,772,314
Cash and cash equivalents, end of the year	$ 44,526,445	$46,089,004

For the College's financial statement purposes, cash and cash equivalents includes cash plus investments with maturity dates less than 90 days. Cash and cash equivalents decreased by 3.4% this fiscal year. This was due to an increase in more long term investments.

According to the authoritative guidance from the Governmental Accounting Standards Board, state appropriations are to be shown as a non-capital financing activity and not as cash provided by operating activities. This will always result in showing more cash being used for operating activities than cash being provided.

Factors Impacting Future Periods

The State of Indiana continued its economic recovery during 2006-07. State General Fund and Property Tax Replacement Fund revenues exceeded the April 16, 2007 forecast targets by $290 million (2.4%). The June 30, 2007 State of Indiana General Fund and Property Tax Replacement Fund Combined Statement of Estimated Unappropriated Reserve showed Total Combined Balances of $1.286 billion, an increase of $196 million over 2005-06. Despite these positive economic factors, the State of Indiana still faces challenges as it transitions to a more knowledge based economy.

Total State funding for Ivy Tech Community College again increased as compared to the previous year. Operating appropriations grew by $5.5 million (4%), while the College once again received 50% of the 2003-05 formula generated amount for general repair and rehabilitation. In addition, the State began to repay funds that had been deferred since the 2001-03 biennium. That biennial budget had authorized the State Budget Agency to distribute eleven-twelfths of the budgeted amount for the 2001-02 fiscal year. Similar language in the 2003-05 and 2005-07 budget bills allowed this deferral to be carried forward. However, the 2006 General Assembly adopted and Governor Mitch Daniels signed, SEA 345, which appropriated $40 million to the State's public colleges and universities for general repair and rehabilitation needs. By statute, distribution of those funds reduced the one-month appropriation delay. During 2006-07, Ivy Tech received $4.6 million, its share of the $40 million total appropriation for all public colleges and universities. Receipt of these funds reduced the College's payment delayed accounts receivable by an estimated 43%. The 2007-09 biennial budget adopted by the General Assembly and signed by the Governor, includes funding to repay the remainder of the State's payment delay obligation to public colleges and universities. For Ivy Tech, this totals $6.1 million that is scheduled to be repaid in equal installments during 2007-08 and 2008-09. Once again, these funds are to be used for repair and rehabilitation purposes.

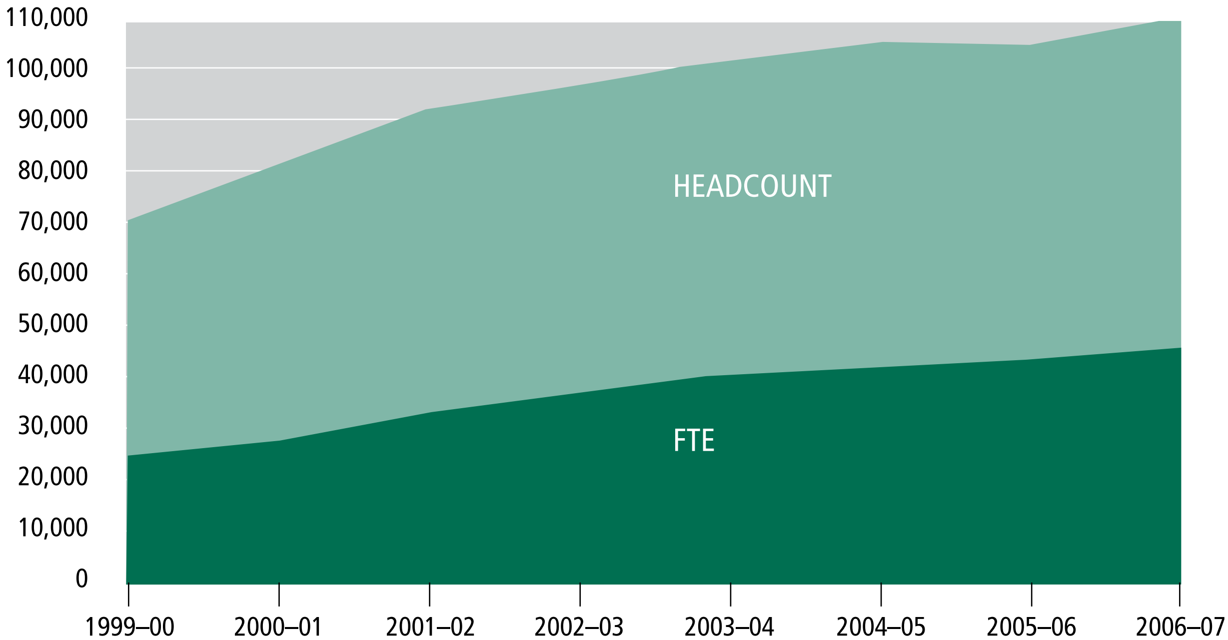
Looking to the future, Ivy Tech is well positioned to maintain its strong financial condition.
In 2006-07 full-time equivalent enrollment (FTE) once again set a new record, as it was the eleventh consecutive year that the College experienced growth. This led to an increase in student fee revenue of more than $14 million (12%) despite a fee rate increase that was substantially less. The new 2007-09 biennial budget adopted by the State, recognized the College's strong enrollment performance, and for the first time in several years, fully funded its enrollment change formula. Enrollment growth has continued during the fall 2007 semester as preliminary counts show an additional 10% increase in FTE students.

Along with increasing participation in higher education, Ivy Tech has been focused on the other goals of its Strategic Plan 2010. This plan has overarching goals of 50% increases in Associate Degrees, Technical Certificates, Industry Certifications, and successful transfers by 2010.
In addition, the plan calls for a 30% increase in enrollment of credit and noncredit students by 2010. With specific goals that focus on important outcomes, the strategic plan will guide the College for the next several years. Because 99% of Ivy Tech graduates remain in the State following graduation, successfully meeting the goals will have an important impact on Indiana's economic future.

A final factor likely to impact future periods is the State's continued investment in new Ivy Tech campuses and academic facilities. During 2006-07, new academic facilities were completed in Richmond (Phase II), Valparaiso (Phase I) and additional construction at Evansville (Phase II). Construction is underway on new classroom and laboratory buildings in Marion, Madison, and Valparaiso (Phase II). The bonds for these projects were sold in July 2006 with construction beginning about the same time. The 2007-09 biennial budget included bonding authority for new academic facilities in Fort Wayne, Logansport, Greencastle, Sellersburg, Elkhart, and Indianapolis. In addition, bonding authority was included for Warsaw A & E, Muncie/Anderson A & E, and the Lamkin Center for Instructional Leadership. Cash was provided for the Bloomington A & E project. These new facilities will further enhance the College's ability to serve the educational needs of Hoosiers.

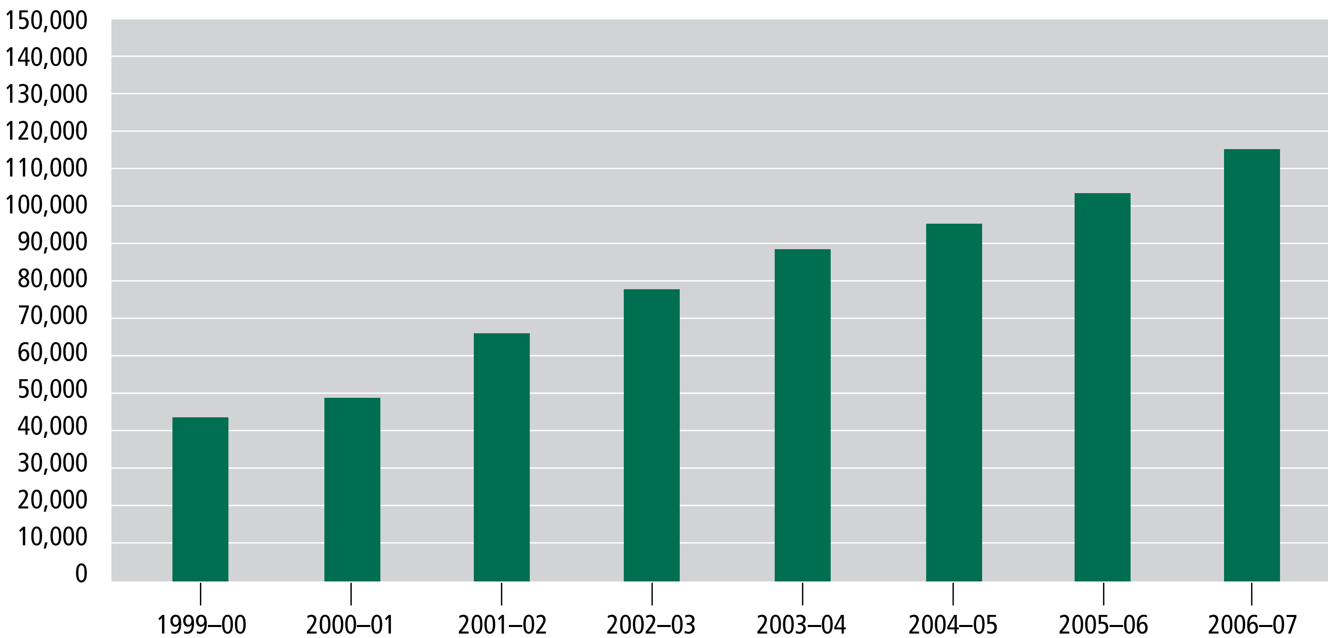
In conclusion, the College's financial position continues to be strong. We look forward to being an even greater asset for the citizens of the State of Indiana.

ANNUALIZED STUDENT ENROLLMENT TREND



Since 1999–00 Unduplicated Headcount Enrollment has grown by 56% while FTE Enrollment has grown by 81%

GROSS STUDENT FEE REVENUE



Authorized Facilities

During the 2007 General Assembly, the College received bonding authority totaling $162,870,000 and cash appropriations of $350,000 for new capital facilities. Projects receiving bonding authority include Elkhart ($16,000,000), Warsaw A & E ($1,000,000), Fort Wayne Technology Center and Demolition Costs ($26,700,000), Logansport ($16,000,000), Muncie/Anderson A & E ($4,800,000), Greencastle ($8,000,000), Indianapolis Fall Creek Expansion ($69,370,000), Lamkin Center ($1,000,000), and Sellersburg ($20,000,000). In addition, the College received a cash appropriation of $350,000 for Bloomington A & E. Prior to proceeding with any of these projects, the College must receive further authorization from the Commission for Higher Education, the State Budget Committee, and the Governor. Consequently the timing for the financing and construction of these projects is not known at this time.

IVY TECH COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2007 with Comparative Figures At June 30, 2006

ASSETS	FY 2007	RESTATED FY 2006
Current Assets		
Cash and Cash Equivalents	$44,526,445	$46,089,004
Short Term Investments	25,999,060	26,000,000
Accounts Receivable	45,931,396	40,106,994
Allowance for Bad Debt	(3,449,137)	(3,012,427)
Inventories	7,522,455	6,155,528
Deposit with Trustee	23,921,475	8,972,800
Prepaid Expenses	15,128,217	9,436,784
Total Current Assets	**159,579,911**	**133,748,683**
Noncurrent Assets		
Long-Term Investments	10,971,740	1,000,000
Deposit with Trustee	7,004,738	-
Accounts Receivable	3,062,071	6,065,552
Capital Assets, Net – Note: See Section XII	341,092,367	307,298,933
Total Noncurrent Assets – Note: See Section XII	362,130,916	314,364,485
TOTAL ASSETS – Note: See Section XII	**521,710,827**	**448,113,168**
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	8,299,125	7,798,798
Compensated Absences	6,447,424	5,798,914
Deposits Held in Custody for Others	5,049,622	4,320,628
Deferred Revenue	11,955,371	10,365,247
Current Portion of Debt Obligation	12,245,570	8,367,167
Total Current Liabilities	43,997,112	36,650,754
Noncurrent Liabilities		
Compensated Absences	2,944,231	2,603,750
Long Term Debt and other Obligations – Note: See Section XII	216,098,924	165,825,063
Total Noncurrent Liabilities – Note: See Section XII	219,043,155	168,428,813
TOTAL LIABILITIES – Note: See Section XII	**263,040,267**	**205,079,567**
NET ASSETS		
Invested in Capital Assets, Net of Related Debt – Note: See Section XII	96,637,375	126,896,466
Restricted:		
Expendable		
Capital Projects – Note: See Section XII	55,840,265	20,378,725
Debt Service – Note: See Section XII	0	0
Endowment	54,783	51,867
Unrestricted Note: Note: See Section XII	106,138,137	95,706,543
TOTAL NET ASSETS – Note: See Section XII	**$258,670,560**	**$243,033,600**

The accompanying notes to the financial statements are an integral part of this statement.

IVY TECH FOUNDATION, INC.

Statements of Assets, Liabilities and Fund Balances
Modified Cash Basis

June 30, 2007 and 2006

ASSETS	2007	Restated 2006
Cash	$ 5,976,041	$ 7,806,038
Investments	36,203,488	33,897,222
Property and Equipment held for lease	11,830,511	10,415,956
Transferred Assets Held in Community Foundations	851,466	850,597
TOTAL ASSETS	54,861,506	52,969,813
LIABILITIES		
Notes Payable	6,035,018	5,226,164
Annuity Payment liability	129,185	132,540
Total Liabilities	6,164,203	5,358,704
FUND BALANCES		
Unrestricted	6,114,695	4,035,912
Restricted:		
Expendable	24,957,154	28,775,651
Non-expendable	17,625,454	14,799,546
Total Restricted	42,582,608	43,575,197
Total Fund Balances	48,697,303	47,611,109
TOTAL LIABILITIES & FUND BALANCES	$54,861,506	$52,969,813

The accompanying notes to the financial statements are an integral part of this statement.

IVY TECH COMMUNITY COLLEGE

Statement Of Revenues, Expenses and Changes In Net Assets

Year Ended June 30, 2007 with Comparative Figures At June 30, 2006

REVENUES	FY 2007	Restated FY 2006
Operating Revenues		
Student Tuition and Fees	$133,622,079	$119,182,478
Scholarship Allowances	(28,855,592)	(28,148,406)
Net Student Tuition and Fees	104,766,487	91,034,072
Federal Grants and Contracts	72,077,735	66,497,118
State and Local Grants and Contracts	22,008,657	28,786,058
Nongovernmental Grants and Contracts	9,841,301	9,009,015
Sales and Services of Educational Departments	180,964	111,939
Auxiliary Enterprises	32,732,370	27,573,736
Scholarship Allowances	(3,684,361)	(3,651,212)
Net Auxiliary Enterprises	29,048,009	23,922,524
Other Operating Revenues	4,038,107	4,893,668
TOTAL OPERATING REVENUES	**241,961,260**	**224,254,394**
EXPENSES		
Operating Expenses		
Salaries and Wages	157,037,246	144,661,385
Benefits	47,835,314	43,281,950
Scholarships and Fellowships	57,631,575	51,451,738
Utilities	6,111,785	5,701,975
Supplies and Other Services – Note: See Section XII	102,920,871	91,850,309
Depreciation – Note: See Section XII	15,673,747	14,725,247
Amortization of Deferred Loss on Refunding	286,692	316,692
TOTAL OPERATING EXPENSES – Note: See Section XII	**387,497,230**	**351,989,296**
Operating Loss – Note: See Section XII	(145,535,970)	(127,734,902)
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	158,354,723	150,453,484
Investment Income	7,759,471	4,791,601
Interest on Capital Asset-Related Debt	(7,827,743)	(6,874,959)
Endowment Transfer	-	(1,098,223)-
Student Government Support	(650,347)	(618,602)
NET NON-OPERATING REVENUES	**157,636,104**	**146,653,301**
Income (Loss) Before Other Revenues, Expenses,		
Gains, or Losses – Note: See Section XII	12,100,134	18,918,399
Capital Appropriations	3,536,826	455,914
Total Other Revenues	3,536,826	455,914
Increase in Net Assets Before Cumulative Effect of an Error Correction – Note: See Section XII	15,636,960	19,374,313
INCREASE IN NET ASSETS – Note: See Section XII	**15,636,960**	**19,374,313**
Net Assets - Beginning of Year	243,033,600	224,973,669
Prior Period Adjustment to Net Assets		
Cumulative Effect of Error Correction – Note: See Section XII		(1,314,382)
Adjusted Net Asset-Beginning of Year – Note: See Section XII	243,033,600	223,659,287
Net Assets - End of Year – Note: See Section XII	$258,670,560	$243,033,600

The accompanying notes to the financial statements are an integral part of this statement.

IVY TECH FOUNDATION, INC.

Statements of Revenues, Expenses And Changes in Fund Balances–Modified Cash Basis

Years Ended June 30, 2007 and 2006

REVENUE, GAINS AND SUPPORT	2007 Unrestricted	2007 Restricted	Total
Contributions:			
Expendable	$28,698	$5,697,072	$5,725,770
Non-expendable		2,138,208	2,138,208
Non-cash	700,000		700,000
Investment Income	1,423,833	957,294	2,381,127
Lease Income			
Vending Income	206,541	262,172	468,713
Special events income, net of expenses of $154,743 in 2007 and $63,293 in 2006		(49,078)	(49,078)
Grant Revenue		338,696	338,696
Royalties		58,692	58,692
Real Estate Rental Income	729,346		729,346
Realized Gain on Sale of Property	216,970		216,970
Change in value of split-interest agreements			
Miscellaneous Revenue	76,250	31,226	107,476
Total Revenue, Gains and Support	3,381,638	9,434,282	12,815,920
EXPENSES			
Financial Aid to students		1,303,399	1,303,399
Instructional Supplies and equipment		4,495,978	4,495,978
Faculty and Staff Development	100	129,914	130,014
Employee Recognition	8,893	23,762	32,655
Special Programs	20,597	4,012,360	4,032,957
Community Outreach/Promotional Expense	107,124	248,844	355,968
Donations to Ivy Tech Community College	64,133	117,461	181,594
Annuity Obligations		5,270	5,270
Real Estate Rental Expenses	703,316		703,316
Other Real Estate Expenses		53,089	53,089
Total College Assistance Program Expense	904,163	10,390,077	11,294,240
Administrative Expenses	350,716	8,032	358,748
Fundraising Expenses	47,976	28,762	76,738
Total Expenses	1,302,855	10,426,871	11,729,726
EXCESS OF REVENUE OVER EXPENSES	2,078,783	(992,589)	1,086,194
FUND BALANCES			
Beginning of Year	4,035,912	43,575,197	47,611,109
End of Year	$ 6,114,695	$42,582,608	$48,697,303

The accompanying notes to the financial statements are an integral part of this statement.

IVY TECH FOUNDATION, INC.

Statements of Revenues, Expenses And Changes in Fund Balances–Modified Cash Basis (continued)

Years Ended June 30, 2007 and 2006

		2006 Restated	
REVENUE, GAINS AND SUPPORT	**2006 Unrestricted**	**Restricted**	**Total**
Contributions:			
Expendable	$37,062	$9,725,980	$9,763,042
Non-expendable		3,749,989	3,749,989
Non-cash	1,508,079		1,508,079
Investment Income	1,106,416	1,100,837	2,207,253
Lease Income		1,600	1,600
Vending Income	207,545	249,559	457,104
Special events income, net of expenses of $154,743 in 2007 and $63,293 in 2006		36,670	36,670
Grant Revenue		328,608	328,608
Royalties		49,858	49,858
Real Estate Rental Income	687,387		687,387
Realized Gain on Sale of Property	3,000		3,000
Change in value of split-interest agreements			
Miscellaneous Revenue	4,440	93,845	98,285
Total Revenue, Gains and Support	3,553,929	15,336,946	18,890,875
EXPENSES			
Financial Aid to students	287	1,490,493	1,490,780
Instructional Supplies and equipment		5,702,007	5,702,007
Faculty and Staff Development	21	90,010	90,031
Employee Recognition	6,953	23,745	30,698
Special Programs	14,500	3,964,843	3,979,343
Community Outreach/Promotional Expense	80,493	171,960	252,453
Donations to Ivy Tech Community College	2,168,349	179,610	2,347,959
Annuity Obligations		4,290	4,290
Real Estate Rental Expenses	550,741		550,741
Other Real Estate Expenses	____	31,897	31,897
Total College Assistance Program Expense	2,821,344	11,658,855	14,480,199
Administrative Expenses	360,692	7,162	367,854
Fundraising Expenses	29,646	38,093	67,739
Total Expenses	3,211,682	11,704,110	14,915,792
EXCESS OF REVENUE OVER EXPENSES	342,247	3,632,836	3,975,083
	-		
FUND BALANCES			
Beginning of Year	3,693,665	39,942,361	43,636,026
End of Year	$4,035,912	$43,575,197	$47,611,109

The accompanying notes to the financial statements are an integral part of this statement.

IVY TECH COMMUNITY COLLEGE

Statement of Cash Flows

For the Year Ended June 30, 2007

CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	FY 2007	Restated FY 2006
Tuition and Fees	$ 128,611,400	$120,555,366
Gifts, Grants, and Contracts	106,189,142	104,086,001
Auxiliary Enterprises	32,476,860	28,449,303
Sales and Services of Educational Departments	180,964	111,939
Payments to Suppliers Note E, F	(108,597,928)	(105,728,284)
Payments to or on Behalf of Employees	(203,763,272)	(186,961,490)
Payments to Students	(86,471,510)	(79,532,386)
Other Receipts (Payments)	4,033,456	4,827,588
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(127,340,888)**	**(114,191,963)**
CASH FLOWS FROM (FOR) NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations	162,883,018	150,453,484
Receipts from Stafford Loan Proceeds	109,990,278	92,022,212
Payments from Stafford Loan Proceeds to Students/Financial Institutions	(110,108,896)	(92,204,103)
Other Non-operating Receipts (Payments)	520,089	(1,256,003)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	**163,284,489**	**149,015,590**
CASH FLOW FROM (FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Appropriations	3,536,826	840,412
Deposit With Trustee	(22,748,974)	37,463,968
Other Debt Service Fees	-	(16,981)
Proceeds from Issuance of Capital Debt	69,589,496	
Purchase of Capital Assets Note E, F	(60,029,717)	(50,984,456)
Principal Paid on Capital-Related Debt	(16,193,475)	(7,483,475)
Interest Paid on Capital-Related Debt	(7,827,743)	(6,874,959)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(33,673,587)**	**(27,055,491)**
CASH FLOW FROM (FOR) INVESTING ACTIVITIES		
Purchase of Investments	(36,970,800)	(27,000,000)
Proceeds from Sales and Maturities of Investments	27,000,000	20,800,000
Income on Investments	6,138,227	4,748,554
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(3,832,573)**	**(1,451,446)**
Net Increase in Cash	(1,562,559)	6,316,690
Cash and Cash Equivalents – Beginning of Year	46,089,004	39,772,314
Cash and Cash Equivalents – End of Year	**44,526,445**	**46,089,004**
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	(145,535,970)	(127,734,902)
Adjustments to reconcile net operating expenses		
Depreciation Note F	15,673,747	14,725,247
Amortization	286,692	316,692
Allowance for Bad Debt	436,709	3,012,428
Changes in Assets and Liabilities:		
Accounts Receivable	(5,031,572)	(2,839,738)
Inventories	(1,366,926)	(207,123)
Prepaid Expense	24,141	(19,853)
Accounts Payable and Accrued Liabilities	5,593,177	(4,225,565)
Compensated Absences	988,991	928,441
Deferred Revenue	1,590,123	1,852,410
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$(127,340,888)**	**$(114,191,963)**

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

I. Summary of Significant Accounting Policies

A. General Information

Ivy Tech Community College of Indiana is a statewide open-access, community college that provides residents of Indiana with professional, technical, transfer, and lifelong education for successful careers, personal development, and citizenship. Through its affordable, quality educational programs and services, the College strengthens Indiana's economy and enhances its cultural development. The Indiana General Assembly (by IC 20-12-61-2) established Ivy Tech State College in 1963. In 2005 the General Assembly adopted Senate Bill 296 which broadened the institution's mission to include serving as the state's community college system. Ivy Tech's official name changed to "Ivy Tech Community College of Indiana". Ivy Tech is governed by a board of trustees, composed of fourteen (14) members, appointed by the governor. Each member of the state board must have knowledge or experience in one (1) or more of the following areas; manufacturing; commerce; labor; agriculture; state and regional economic development needs; or Indiana's educational delivery system. At least one (1) trustee must reside in each College region. Appointments are made for three (3) year terms, on a staggered basis. Ivy Tech Community College has fourteen main regional sites located across the State of Indiana. The President's office and other statewide administrative offices are located in Indianapolis, Indiana.

Ivy Tech Foundation (the Foundation) was incorporated on June 9, 1969, under the Indiana Foundations and Holding Companies Act of 1921 as a corporation organized exclusively for charitable, educational and scientific purposes. The Foundation, whose principal activity is to promote educational, scientific and charitable purposes in connection with or at the request of Ivy Tech Community College (the College), commenced its financial activities with the receipt of various unrestricted contributions in October 1970 and provided $11.3 million to assist the College during fiscal year 2006-07. The Foundation currently operates under the Indiana Nonprofit Corporations Law of 1971 as amended, which is codified as IC 23-17. As required by the Governmental Accounting Standards Board (GASB) number 39, the audited financial statements of the Foundation are discretely presented with the College's financial statements. The Foundation's fiscal year reporting period is from July 1 through June 30. It is important to note for comparison purposes that the Foundation's statements are prepared using the modified cash basis of accounting, while the College uses the accrual basis of accounting. The modified cash basis differs from the cash basis primarily because the Foundation reflects investments and property and equipment purchased as assets on its Statements of Assets, Liabilities, and Fund Balances. Additionally, the Foundation reports notes payable for the purchase of property and annuities payable as liabilities in its Statements of Assets, Liabilities and Fund Balances. Gains and losses on investments are recorded when realized. In addition to receiving cash contributions, the Foundation receives non-cash contributions including gifts of real estate. Effective July 1, 2004 the Foundation's policy is to record securities and real estate donations at their fair market value on the date of donation. Prior to July 1, 2004, the Foundation did not recognize such contributions until the date of sale. Therefore the Foundation financial statements reflect a restatement of prior year figures. The Foundation believes that modified cash-basis statements present the financial information in a more meaningful manner than accrual-basis statements and, accordingly is continuing its policy of presenting its financial statements on the modified cash basis of accounting. Further information regarding the Foundation may be obtained at Ivy Tech Foundation, 50 West Fall Creek Parkway Drive North, Indianapolis, IN 46208-5752 or http://ivytech.edu/giving.

With the implementation of Governmental Accounting Standards Boards (GASB) Statement No. 35, Ivy Tech Community College is considered a special purpose government. The College has elected to report as a business type activity using proprietary fund accounting and financial reporting model. The College is considered to be a component unit of the State of Indiana.

As such there is a close relationship between the College and the State of Indiana. The College receives appropriations, program approvals and grants from the State.

The financial statements have been prepared to incorporate all fund groups utilized internally by Ivy Tech Community College. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB Statements No. 34 & 35. These Statements require the College to report revenues net of discounts and allowances. The following components of the College's financial statements are also required by GASB 34/35:

- Management's Discussion and Analysis
- Basic financial statements including a Statement of Net Assets, Statement of Revenues,
- Expenses and Changes in Net Assets, and Statement of Cash Flows for the College as a whole
- Notes to the financial statements

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The College's financial statements are reported 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Eliminations have been made to prevent the double counting of internal activities.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The College utilizes the accounting standard of the establishment of an allowance for bad debt in the Statement of Net Assets to reflect receivables that are likely to be uncollectible.

Operating revenues of the College consist of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Transactions related to capital and related financing activities, non-capital financing activities, investing activities, and State appropriations are components of non-operating income. The bookstore inventories are valued based on a perpetual inventory or physical count system, with the majority utilizing the perpetual inventory method. The first in, first out (FIFO) method is used in determining inventory costs. This method applies the latest price paid for the item to all items on hand. The actual freight cost or an average freight cost per book are applied to the ending inventory valuation. Obsolete books, supplies, and other items are not included in bookstore inventories.

C. Capital Assets Accounting Policy Disclosure

The College's capitalization threshold is defined as any non-expendable item, or group of items making up one unit, with a useful life of more than one year, and a unit acquisition cost of $3,000 or more. Library books costing $35 or more are generally capitalized as a group, with the detail maintained and updated periodically as new acquisitions are made or other items are removed.

College capital equipment and facilities are depreciated on a "Straight Line" basis dividing the cost of the asset by the appropriate useful life. Building improvements are depreciated over the remaining life of the facilities to which they pertain. Leasehold improvements are depreciated over the remaining life of the asset for capital leases and over the remaining life of the lease for operating leases.

Land Improvements	10 years
Buildings	40 years
Building Improvements	Remaining life of the building
Furniture, fixtures, and equipment	3-8 years
Library Books and Materials	5 years

Ivy Tech has a minimal amount of infrastructure assets that are components of buildings or land improvements and are depreciated accordingly.

If both restricted and unrestricted resources are to be expended for the same purpose or project the determination of the portion of the expenses paid from the restricted sources are made on a case-by-case basis.

D. Prepaid Assets

Prepaid Assets are paid when due and the remaining value is reported as prepaid and consists of the following.

1. Bond principal and interest payments	$14,764,935
2. Advance payments to health insurance providers	$ 336,034
3. Other	$ 27,248

II. Accrual of Loss Contingency

The College has been named a party in two matters of litigation in the state courts, one matter of litigation in the federal court, one matter with the Indiana Civil Rights Commission, and four matters with the Equal Employment Opportunity Commission. In the opinion of management, an unfavorable outcome in these matters will not have a material adverse affect on the balance sheet of the institution. Management is currently unable to assess the probability of an unfavorable outcome.

III. Lease Obligations

The College has entered into certain operating leases for facilities, office furniture and equipment, vehicles, computing equipment, etc. Many of these leases require payments in excess of one year from the date of initiation. The schedule on page 46 provides the minimum future annual payments for those leases, which were in effect on June 30, 2007.

The College has several lease obligations with Ivy Tech Foundation, Inc. which were determined to meet the requirements necessary to be recognized as capital leases, which are reflected in the College's Statement of Net Assets.

IV. Investments

Investment policies, as set forth by the State Board of Trustees, authorize Certificates of Deposits to be established not longer than five years. The bank must be insured by Public Deposit Insurance Fund (PDIF) or Federal Deposit Insured Fund (FDIC). One bank's deposits must not exceed thirty percent (30%) of the College's total investment portfolio, and the total invested must not be more than fifty percent (50%) of the combined capital, surplus, and undivided profits of that bank. US Government Treasury Bills, Notes, Bonds and Agencies maturity dates cannot exceed five years or more. Repurchase Agreement's maximum maturity allowed is thirteen (13) days. Bankers' Acceptances cannot exceed one million dollars ($1,000,000) and have a maturity date longer than one hundred eighty days (180). Commercial Paper's maximum maturity is two hundred seventy (270) days, must be rated at least A-1 or P-1 by the bond rating agencies, may not exceed fifty (50%) of the College total investments, no more than one million ($1,000,000) or ten percent (10%) of the College's total investment, whichever is less, may be in vested in any one company at one time, and no more than twenty five percent (25%) of the total Commercial Paper portfolio may be invested in a single industry. Money Market Accounts are limited to funds with assets totaling at least two hundred fifty million ($250,000,000) or funds managed by Indiana banks insured by Public Deposit Insurance fund (PDIF). All investments are unrated at June 30, 2007.

All investments owned by the College are held in safekeeping by the issuing or selling bank. Safekeeping receipts are held by the College.

The College's policy regarding the Endowment investments are the same as the College's investment policy, unless restricted by the Endowment Trustee.

Types of investments held by the College's Foundation, a component unit, are authorized by the Foundation's Board of Trustees. They include a broader selection of investments including domestic equities, Certificates of Deposit, Money Market Accounts, interest bearing demand deposits insured by FDIC, US Government Notes, Bills, Bonds, Agencies, Commercial Paper and donated real and personal property.

Investments held in the name of the College at June 30, 2007 consist of the following:

Investment Type	Rating	Fair Market Value	Investment Maturities (Years) Less Than 1	1-2	More than 2
Deposits:	N/A				
Certificate of Deposits		$ 79,000,000	$75,000,000	$2,000,000	$2,000,000
Investment:					
US Government Agencies Securities	N/A	7,970,800	999,060	2,977,510	3,994,230
Money Market	N/A	8,250,561	8,250,561		
Total		$95,221,361	$ 84,249,621	$4,977,510	$5,994,230

A. Credit Risk

The College's investment policy requires that all bond investments have a Standard and Poor's rating of A-1 or better or a Moody's Investors Service rating of P-1.

B. Interest Rate Risk

Interest rate risk refers to the fact that changes in market interest rates may adversely affect the fair value of an investment. Generally the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in market interest rate; one of the ways that the College manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The College's policy for Certificates of Deposits, US Government Treasury Bills, Notes, Bonds, and Agency limit the maximum maturity to five years or less, thus limiting exposure to fair value losses arising from increasing interest rates. Additionally it has been College practice to hold the investment instrument to maturity.

C. Concentration of Credit Risk

In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political or social developments is a highly desirable objective of credit risk. Thus to avoid undue risk concentrations in any single asset class or investment category, the College's policy requires that Certificates of Deposit at any one bank do not exceed thirty (30%) of the College's total investment portfolio, the amount invested must not be more than fifty percent (50%) of the combined capital, surplus, and undivided profits of that bank, as determined from its last published report of condition, Commercial Paper may not exceed fifty (50%) of total investments, no more than one million ($1,000,000) or ten percent (10%) of the College's total investment, whichever is less, may be invested in any one company at one time, and no more than twenty-five percent (25%) of the total Commercial Paper portfolio may be invested in a single industry.

The financial institutions that hold five (5%) or more of the College's investments at June 30, 2007 are listed below:

Institutions	Cost	Percent of Total Invested
Lake City Bank	$36,500,000	38.33%
Huntington Capital	22,970,360	24.12%
Irwin Union Bank	12,000,000	12.60%
First Federal Bank	9,000,000	9.45%
Federated Investors	8,032,457	8.44%

D. Foreign Currency Risk

The College does not hold foreign currency.

E. Custodial Credit Risk

The College Certificates of Deposits are all insured by Public Deposit Insurance Fund (PDIF) or Federal Deposit Insurance Fund (FDIC) and Money Market Accounts are limited to funds with assets totaling at least two hundred and fifty million ($250,000,000) or funds managed by Indiana banks insured by the Public Deposit Insurance Fund (PDIF).

V. Line Of Credit

The College has a line of credit in the amount of $3,000,000 with an Indiana financial institution. The College can draw against this agreement to meet certain working capital provisions. As of June 30, 2007, the College had not drawn against this line of credit.

VI. Post-Employment Benefits

All employees who retire between the age of 55 and up to but not including 65 with ten years of benefits-eligible service with the College or at the age of 65 or later with five years of benefits-eligible service with the College may continue participation in College group medical benefits. The entire cost of the post-employment benefits is the responsibility of the retiree and the College has no funding or costs incurred.

In addition, all employees who retire between the age of 55 and 65, and whose combined age and years of continuous benefit-eligible service equal at least 75, may elect to remain in the College group medical and dental programs. Those who meet the above requirements and remain in the programs pay only 20% of the full premium expense. The College pays the remaining 80% of the premium, and the expenditure is recognized when paid. During fiscal year 2006-07, expenditures of $343,089 were recognized for 49 employees who participated in the post-retirement health and dental care program.

To enable employees to have paid time off as needed, College policy provides for the accrual of sick leave and vacation time for benefits-eligible employees. The College will pay to each eligible full-time employee a benefit at retirement equal to 50% of the employee's unused sick leave accrual up to 100 days. An employee is eligible for this benefit if he is at least 55 years old and his age plus years of service equal 75 or more at retirement. There is no maximum age limit. Accrued benefit for Sick leave is $3.3 million.

VII. Accrued Vacation and Special Holiday

Accrued time for vacation vests to a maximum. That maximum is equal to the amount accrued during the preceding 18 months. Unused vacation time is paid out upon termination regardless of age or years of service. The computed College current portion of the liability for accumulated unused vacation pay as of June 30, 2007 is $5.0 million.

Because the College does not observe certain legal holidays available to employees of other Indiana state agencies, the College offers benefits-eligible Administrative and Support staff employees one Special Holiday per calendar quarter. Depending on the employees regular work schedule, an employee may accrue up to 8 hours per quarter. The maximum that may be accrued is 56 hours. Once an employee's accrual reaches 56 hours, no more hours are accrued until some are used. Beginning in fiscal year 2003-04, College policy was established to pay out unused accrued Special Holiday hours upon termination of an employee. As of June 30, 2007 the current portion of the liability was $1.0 million.

VIII. Retirement Plans

Ivy Tech Community College's State Board of Trustees has the authority to determine employee benefits and personnel policies. The following describes the retirement plans authorized by the College's State Board of Trustees.

A. Teachers Insurance Annuity Association/College Retirement Equities Fund

Full-time faculty, professional, and administrative staff are eligible for participation in a retirement program with Teachers Insurance Annuity Association (TIAA) and College Retirement Equities Fund (CREF), defined contributions plan. This program is fully funded by the College.

The participation date for eligible employees is determined by their personnel position classification. Members of TIAA and CREF may elect to allocate contributions to their account under several options. The allocation may be designated in whole or prescribed ratios to the fixed-dollar fund (TIAA) or to a diversified common stock fund(s) (CREF). During the fiscal year ended June 30, 2007, Ivy Tech Community College paid $11,774,039 to TIAA/CREF, representing $78,493,594 in total salaries.

On June 30, 2007, there were 1,551 employees participating in this retirement program. Further information may be obtained from TIAA/CREF by contacting them at 730 3rd Avenue, New York, New York 10017-3206.

B. American United Life Retirement Option

In fiscal year 2002 the Ivy Tech State Board of Trustees approved the addition of new options to the College's retirement plan offerings. The adoption of these options creates a greater opportunity for employees to diversify their investments. The new retirement plan, American United Life Insurance Company (AUL), was added as an alternate direct vendor to receive College contributions to the Defined Contribution Retirement Annuity (RA) plan for eligible faculty and administrative employees. The Plan became effective on October 1, 2002; employees must choose between TIAA/CREF and AUL. During fiscal year ended June 30, 2007, Ivy Tech Community College paid $954,773 to AUL, representing $6,365,151 in total salaries. On June 30, 2007, there were 100 employees participating in this retirement program. Further information may be obtained from AUL by contacting them at One American Square, P.O. Box 368, Indianapolis, IN 46206-0368.

C. Public Employees' Retirement Fund

1. Plan Description

Ivy Tech Community College contributes to the Public Employees' Retirement Fund (PERF), a defined benefit pension plan for certain employees of the State of Indiana. Full-time non-exempt employees are eligible to participate in the defined benefit plan. On June 30, 2007, 810 employees of Ivy Tech Community College were members of this retirement plan. State statutes (IC 5-10.2 and 5-10.3) govern most requirements of the system and give Ivy Tech authority to contribute to the plan.

The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions set by state statute at three percent of compensation, plus the interest credited to the member's account. Ivy Tech Community College has elected to make the contributions on behalf of the eligible members. The College contributed $641,431 to individual employee annuity accounts in the Indiana Public Employees' Retirement Fund (PERF) for the year ended June 30, 2007.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by writing the Public Employees Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204, or by calling (317) 233-4162.

2. Funding Policy and Annual Pension Cost

The Board of Trustees of PERF establishes the contribution requirements of plan members. Ivy Tech Community College's annual pension cost for the 2007 fiscal year and related information, as provided by the actuary is presented in this note. The amount of retirement costs associated with the employee share, $641,431, is not included in the following information.

PERF

Annual Required Contribution	$ 953,205	Increase (Decrease) in Net Pension Obligation	$ 68,934
Interest on Net Pension Obligation	(80,121)	Net Pension Obligation, Beginning of Year	(1,105,115)
Adjustment to Annual Required Contribution	91,304	Net Pension Obligation, End of Year	$ (1,036,181)
Annual Pension Cost-Employers Share Only	964,388		
Contributions Made – Employers Share Only	$ 895,454		

College Contributions, Includes a 3% Member Savings Annuity: 9.3%
Plan Members: 810
Actuarial Valuation Date: 6/30/06
Actuarial Cost Method: Entry Age
Amortization Method: Level Percentage of Projected Payroll, Closed
Cost-of-Living Adjustments: 2%

Asset Valuation Method: 4-Year Smoothed Market
Investment Rate of Return: 7.25%
Projected Future Salary Increases: Total 5%
Attributed to Inflation: 4%
Attributed to Merit/Seniority: 1%
Remaining Amortization Period: 40 Years

Three-Year Trend Information

PERF

Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/04	$652,844	153%	$(1,113,262)
06/30/05	732,487	99%	(1,105,115)
06/30/06	964,388	93%	(1,036,181)

Schedules of Funding Process
Public Employees Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Excess of Assets Over (Unfunded) AAL	Funded Ratio	Covered Payroll	Excess (Unfunded) AAL %
07/01/04	$13,466,436	$12,668,220	$ 798,216	106.30%	$16,693,279	4.78%
07/01/05	15,195,527	15,503,797	(308,270)	98.01%	17,831,760	(1.73%)
07/01/06	18,573,945	18,922,865	(348,920)	98.20%	18,596,192	(1.88%)

D. Federal Social Security Act

All employees (except work-study students) are members of and are covered upon employment by the Old Age and Survivors Insurance and Medical Insurance Provisions of the Federal Social Security Act.

IX. Capital Assets

Property, buildings, and equipment are stated at cost on the date of acquisition or at fair market value at the time of donation. Assets used by the College which are subject to capital lease obligations are recorded at the net present value of the minimum lease payments of the asset at inception of the lease. The College has adopted the provisions of Statement of Financial Accounting Standards No. 93, which requires the recording of depreciation on long-lived tangible assets.

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$18,719,290	$ 269,406	$ -	$18,988,696
Construction work in progress	37,188,513	31,626,005	28,317,956	40,496,562
Land improvements and infrastructure	8,947,933	1,474,615	354,663	10,067,885
Buildings	309,446,185	38,212,698	2,760,256	344,898,626
Furniture, fixtures, and equipment	48,880,214	6,616,117	2,067,434	53,428,897
Library materials	1,802,385	106,554	4,964	1,903,975
Total	424,984,519	78,305,395	33,505,273	469,784,641
Less accumulated depreciation:				
Land improvements and infrastructure	5,898,298	593,645	251,725	6,240,218
Buildings	75,489,278	9,280,286	2,003,797	82,765,767
Furniture, fixtures, and equipment	34,636,099	9,378,822	6,109,518	37,905,403
Library materials	1,661,911	270,915	151,940	1,780,886
Total accumulated depreciation	117,685,586	19,523,668	8,516,980	128,692,274
Capital assets, net	$307,298,933	$ 58,781,727	$24,988,293	$341,092,367

Construction Work In Progress

The following table presents the construction projects in process as of June 30, 2007.

Valparaiso – Region 01 Construction Phase II	8,230,167
Portage – Region 01 Planning	104
Ft Wayne – Region 03 A&E	113,385
Logansport – Region 05 Planning	171,200
Marion – Region 06 A&E	251,244
Marion – Region 06 Construction	12,536,807
Greencastle – Region 07 Planning	170,482
Indianapolis – Region 08 Fall Creek Expansion	976,356
Lawrenceburg – Lawrenceburg Gaming	194,017
Madison – Region 11 Planning	841,394
Madison – Region 11 Construction	10,905,078
Various Repair & Rehabilitation & Parking Lot Projects	518,616
Integrated Information System (IIS)	5,587,712
Total Construction Work In Progress	$ 40,496,562

X. Long Term Liabilities

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases, notes, and bonds payable:					
Lease Obligations	$10,994,204	$1,587,456	$831,212	$11,750,448	$478,120
Notes Payable	19,195,000	7,960,000	8,940,000	18,215,000	1,021,000
Revenue bonds payable:					
Series E student fee bonds	8,560,000	-	985,000	7,575,000	1,035,000
Bond yield 4.55% - 5.35%					
Series G student fee bonds	35,925,000	-	2,420,000	33,505,000	3,455,000
Bond yield 1.93% - 4.93%					
Series H student fee bonds	44,865,000	-	2,250,000	42,615,000	2,310,000
Bond Yield 1.32% - 4.01%					
Series I student fee bonds	39,650,000	-	1,220,000	38,430,000	1,610,000
Bond Yield 2.3% - 4.55%					
Series J student fee bonds	9,245,000	-	-	9,245,000	-
Bond Yield 4.25% - 4.47%					
Series K student fee bonds					
Bond Yield 3.76% - 4.74%		60,670,000		60,670,000	1,910,000
Total bonds payable	138,245,000	60,670,000	6,875,000	192,040,000	10,320,000
Premium on Bonds-Series H, I, J,K	5,758,025	959,496	378,475	6,339,046	426,450
Total leases, notes, & bonds payable	174,192,229	71,176,952	17,024,687	228,344,494	12,245,570
Other liabilities:					
Compensated absences	8,402,664	6,751,207	5,762,217	9,391,654	6,447,424
Total other liabilities	8,402,664	6,751,207	5,762,217	9,391,654	6,447,424
Total long-term liabilities	$182,594,893	$77,928,159	$22,786,904	$237,736,148	$18,692,994

A. Notes Payable

The College has issued interim financing notes as a means of providing funds for acquisition and/or construction of facilities as more fully described below. On July 1, 2006 interim financing agreements totaling $19,195,000 were outstanding. During 2006-07, the note financing the Lafayette Phase III project matured and was refinanced with $15,000 of issuance costs rolled into the loan. Also during 2006-07, the College made principal payments totaling $995,000 which was $55,000 greater than the scheduled payment of $940,000. The June 30, 2007 principal balance was $18,215,000.

Location	Balance 6-30-06	Principal Paid 2006-07	New Debt 2006-07	Balance 6-30-07
Lafayette	$ 8,195,000	$8,385,000	$7,960,000	$ 7,770,000
Indianapolis	11,000,000	555,000		10,445,000
Totals	$19,195,000	$8,940,000	$7,960,000	$18,215,000

Indianapolis. In October 2003, the College entered into an interim financing agreement in the amount of $11,000,000 with a maturity of November 3, 2008 for the acquisition and partial renovation of the Fairbanks Center in Lawrence, Indiana. The interest rate is fixed at 3.48% per annum for the entire term of the loan. The interest expense is paid quarterly. The College will make a principal payment of $518,000 on November 1, 2007.

IVY TECH COMMUNITY COLLEGE

Schedule Of Annual Requirements For Principal And Interest

Fairbanks Center, Lawrence – $11,000,000 Original Loan Amount

Year Ending June 30	Principal	Interest	Total	Outstanding Principal Balance
2008	518,000	359,471	877,471	9,927,000
2009	9,927,000	176,568	10,103,568	
Totals	$10,445,000	$536,039	$10,981,039	

Upon maturity, the loan will be refinanced by the issuance of permanent financing or additional junior lien financing or repaid from student fees.

Lafayette Phase III. In January 2007, the College entered into an interim financing agreement in the amount of $7,960,000 with a maturity of January 05, 2012, for the refinancing of a major campus expansion and renovation in Lafayette, Indiana. Upon maturity the loan will be refinanced by the issuance of permanent financing or additional junior lien financing or repaid from student fees. Under the terms of the loan agreement, the College pays a fixed interest rate of 3.75% per annum for the entire term of the loan. The interest expense is paid semi-annually. The College will make principal payments annually according to the following schedule.

IVY TECH COMMUNITY COLLEGE

Schedule Of Annual Requirements For Principal And Interest

Lafayette Phase III Interim Financing Agreement – $7,960,000 Original Loan Amount

Year Ending June 30	Principal	Interest	Total	Outstanding Principal Balance
2008	$503,000	$291,375	$794,375	$7,267,000
2009	521,000	272,513	793,513	6,746,000
2010	541,000	252,975	793,975	6,205,000
2011	561,000	232,688	793,688	5,644,000
2012	5,644,000	125,814	5,769,814	
Totals	$7,770,000	$1,175,365	$8,945,365	

Upon maturity, the loan will be refinanced by the issuance of permanent financing or additional junior lien financing or repaid from student fees.

B. Refunded Bond Issues

In prior years, the College defeased certain serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the College's financial statements. At June 30, 2007, $23,855,000 of bonds outstanding is considered defeased.

The June 30, 2006 defeased bond balance was incorrectly reported as $23,395,000 and should have been $25,395,000.

C. Premium On Bonds

The June 30, 2006 Premium on Bonds of $5,758,025 is the remaining balance from the sale of Series H, I, and J Student Fee Bonds. The Series K Bonds were issued on July 19, 2006 with a premium of $959,496. The ending balance of $6,339,046 is being amortized over the remaining life of the related bonds.

D. Bond Schedules

IVY TECH COMMUNITY COLLEGE

Schedule Of Annual Requirements For Principal And Interest

Series E of 1997, Advanced Refunding Series G of 2002,
Series H of 2003, Series I and J of 2005, Series K of 2007. (1)

Year Ending June 30	Principal	Interest	Total	Outstanding Principal Balance
2008	10,320,000.00	8,686,395.50	19,006,395.50	181,720,000.00
2009	9,745,000.00	8,291,783.00	18,036,783.00	171,975,000.00
2010	10,170,000.00	7,876,464.75	18,046,464.75	161,805,000.00
2011	10,630,000.00	7,411,869.88	18,041,869.88	151,175,000.00
2012	11,135,000.00	6,913,263.13	18,048,263.13	140,040,000.00
2013-2017	56,260,000.00	26,632,296.00	82,892,296.00	83,780,000.00
2018-2022	46,735,000.00	13,986,246.25	60,721,246.25	37,045,000.00
2023-2027	37,045,000.00	4,539,867.50	41,584,867.50	0.00
Totals	$192,040,000.00	$84,338,186.01	$276,378,186.01	

XI. Property Subject To Capital Leases

The College has several lease obligations with Ivy Tech Foundation, Inc, which were determined to meet the requirements necessary to be recognized as capital leases; thus requiring the recognition of long-term debt and capital assets on the College's Statement of Net Assets. Ivy Tech Foundation, Inc. believes these leases are operating leases and that they own the property and therefore reports the assets in their financial statements. Therefore, the Foundation also shows these assets in their Statements of Assets, Liabilities, and Fund Balance, which are incorporated herein. Consequently, the College and the Foundation have reported the same capital assets on their respective financial statements.

XII. Restatement of Prior Year Balances – Note Disclosure

Due to increased analytical procedures and in conjunction with the implementation of the finance module of the new administrative software system, the College noted and made the following adjustments to the prior year 2006 ending balance.

Adjustments to Statement of Net Assets

Category	Beginning Balance	Adjustments	Adjusted Beg. Balance
Capital Assets, Net	$307,050,189	$248,744	$307,298,933
Total Noncurrent Assets	$314,115,741	$248,744	$314,364,485
Total Assets	$447,864,424	$248,744	$448,113,168
Long Term Debt and Other Obligations	$164,290,063	$1,535,000	$165,825,063
Total Noncurrent Liabilities	$166,893,813	$1,535,000	$168,428,813
Total Liabilities	$203,544,567	$1,535,000	$205,079,567
Invested in Capital Assets, Net of Related Debt	$137,155,522	$(10,259,056)	$126,896,466
Restricted Expendable Capital Projects	$11,405,925	$8,972,800	$20,378,725
Restricted Expendable Debt Service	$4,163,109	$(4,163,109)	0
Unrestricted	$91,543,434	$4,163,109	$95,706,543
Total Net Assets	$244,319,857	$(1,286,257)	$243,033,600

The affect of these entries was a reduction in net assets of .5%

Adjustments to Statement of Revenues, Expenses and Changes in Net Assets

Category	Beginning Balance	Adjustments	Adjusted Beg. Balance
Operating Expenses: Supplies and Other Services	$91,927,809	$(77,500)	$91,850,309
Operating Expenses: Depreciation	$14,675,872	$49,375	$14,725,247
Total Operating Expenses	$352,017,421	$(28,125)	$351,989,296
Operating Loss	$(127,763,027)	$28,125	$(127,734,902)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$18,890,274	$28,125	$18,918,399
Increase in Net Assets Before Cumulative Effect of an Error Correction	$19,346,188	$28,125	$19,374,313
Increase in Net Assets	$19,346,188	$28,125	$19,374,313
Cumulative Effect of Error Correction	0	$(1,314,382)	$(1,314,382)
Adjusted Net Asset-Beginning of Year	$224,973,669	$(1,314,382)	$223,659,287
Net Assets – End of Year	$244,319,857	(1,286,257)	$243,033,600

The following information is presented as additional data and is not
subject to the audit opinion expressed by the Indiana State Board of Accounts.
These reports were prepared by the management of Ivy Tech Community College.

IVY TECH COMMUNITY COLLEGE

Auxiliary Enterprise Bookstore
Comparative Statement of Net Assets
June 30, 2007 and June 30, 2006

ASSETS	**FY 2007**	**FY 2006**
Current Assets		
Cash	$13,414,223	$12,692,374
Accounts Receivable	2,695,296	2,159,984
Allowance for Bad Debt	(784,097)	(578,404)
Credit Memos	415,781	489,890
Inventory	7,522,454	6,152,923
Total Assets	23,263,657	20,916,767
LIABILITIES		
Current Liabilities		
Wages Payable	54,688	55,803
Indiana Sales Tax Payable	(2,136)	225
Accounts Payable	255,689	427,488
Total Liabilities	308,241	483,516
NET ASSETS		
Unrestricted		
Total Net Assets	$22,955,416	$20,433,251

The accompanying notes are an integral part of the financial statements.

IVY TECH COMMUNITY COLLEGE

Auxiliary Enterprise Bookstore

Comparative Statement of Revenues, Expenses and Changes in Net Assets

June 30, 2007 and June 30, 2006

	FY 2007		FY 2006	
Operating Revenues:				
Sales	$32,976,167		$27,847,042	
Cost of Goods Sold:				
Beginning Inventory	6,152,923		5,948,405	
Add:				
Purchases	30,003,326		24,373,708	
Freight-in	579,042		466,714	
Less:				
Vendor Returns	(4,347,559)		(4,157,984)	
Total Available for Sale	32,387,732		26,630,843	
Less: Ending Inventory	7,522,454		6,152,923	
Cost of Goods Sold	24,865,278	75.404%	20,477,920	73.537%
Gross Margin on Sales	8,110,889	24.596%	7,369,122	26.463%
Operating Expenses:				
Salaries and Wages	1,902,893		1,610,313	
Benefits	609,755		521,711	
Operating Overhead	103,810		147,725	
Uncollected Std Fee	882,233		1,177,996	
Capital DP Equipment	31,271		10,551	
Other Expenses	962,746		973,429	
Total Operating Expenses	4,492,708	13.624%	4,441,725	15.950%
Changes in Operating Income	3,618,181	10.972%	2,927,397	10.512%
Net Assets-beginning of the year	20,433,251		18,528,644	
Less Transfers	(1,096,016)		(1,022,789)	
Net Assets-end of the year	$22,955,416		$20,433,252	

The accompanying notes are an integral part of the financial statements.

IVY TECH COMMUNITY COLLEGE

South Bend Series E Of 1997

Schedule Of Annual Requirements For Principal And Interest
Original Issue $16,260,000

Year Ending June 30	Principal	Interest	Total	Outstanding Principal Balance
2007	$985,000.00	$408,985.00	$1,393,985.00	$7,575,000.00
2008	1,035,000.00	358,485.00	1,393,485.00	6,540,000.00
2009	1,085,000.00	305,485.00	1,390,485.00	5,455,000.00
2010	1,145,000.00	249,448.75	1,394,448.75	4,310,000.00
2011	1,200,000.00	190,284.38	1,390,284.38	3,110,000.00
2012	1,265,000.00	127,615.63	1,392,615.63	1,845,000.00
2013	1,330,000.00	61,118.75	1,391,118.75	515,000.00
2014	515,000.00	13,518.75	528,518.75	$0.00
Totals	$8,560,000.00	$1,714,941.26	$10,274,941.26	

IVY TECH COMMUNITY COLLEGE

Series G Advance Refunding Of Series D And F (Ft. Wayne, Bloomington, Lafayette Phase I)

Schedule Of Annual Requirement For Principal And Interest
Original Issue - $46,370,000

Year Ending June 30	Principal	Interest	Total	Outstanding Principal Balance
2007	$2,420,000.00	$1,645,888.00	$4,065,888.00	$33,505,000.00
2008	3,455,000.00	1,505,063.00	4,960,063.00	30,050,000.00
2009	2,715,000.00	1,350,813.00	4,065,813.00	27,335,000.00
2010	2,845,000.00	1,222,481.00	4,067,481.00	24,490,000.00
2011	2,975,000.00	1,095,088.00	4,070,088.00	21,515,000.00
2012	3,120,000.00	950,150.00	4,070,150.00	18,395,000.00
2013	3,275,000.00	790,275.00	4,065,275.00	15,120,000.00
2014	3,435,000.00	631,113.00	4,066,113.00	11,685,000.00
2015	3,600,000.00	471,025.00	4,071,025.00	8,085,000.00
2016	2,605,000.00	327,008.00	2,932,008.00	5,480,000.00
2017	2,730,000.00	200,270.00	2,930,270.00	2,750,000.00
2018	2,750,000.00	67,375.00	2,817,375.00	$0.00
Totals	$35,925,000.00	$10,256,549.00	$46,181,549.00	

Series H Richmond Phase I, Evansville, Valparaiso, Terre Haute

Schedule Of Annual Requirement For Principal And Interest
Original Issue - $47,065,000

Year Ending June 30	Principal	Interest	Total	Outstanding Principal Balance
2007	$2,250,000.00	$2,018,050.00	$4,268,050.00	$42,615,000.00
2008	2,310,000.00	1,961,050.00	4,271,050.00	40,305,000.00
2009	2,370,000.00	1,899,587.50	4,269,587.50	37,935,000.00
2010	2,450,000.00	1,820,250.00	4,270,250.00	35,485,000.00
2011	2,545,000.00	1,722,600.00	4,267,600.00	32,940,000.00
2012	2,660,000.00	1,606,850.00	4,266,850.00	30,280,000.00
2013	2,795,000.00	1,472,125.00	4,267,125.00	27,485,000.00
2014	2,940,000.00	1,328,750.00	4,268,750.00	24,545,000.00
2015	3,090,000.00	1,178,000.00	4,268,000.00	21,455,000.00
2016	3,250,000.00	1,019,500.00	4,269,500.00	18,205,000.00
2017	3,415,000.00	852,875.00	4,267,875.00	14,790,000.00
2018	3,590,000.00	677,750.00	4,267,750.00	11,200,000.00
2019	3,780,000.00	488,775.00	4,268,775.00	7,420,000.00
2020	3,985,000.00	284,943.75	4,269,943.75	3,435,000.00
2021	3,435,000.00	90,168.75	3,525,168.75	$0.00
Totals	$44,865,000.00	$18,421,275.00	$63,286,275.00	

IVY TECH COMMUNITY COLLEGE

Series I Evansville, Valparaiso, Madison, and Portage

Schedule of Annual Requirements for Principal and Interest
Original Issue - $39,650,000

Year Ending June 30	Principal	Interest	Total	Outstanding Principal Balance
2007	$1,220,000.00	$1,640,220.00	$2,860,220.00	$38,430,000.00
2008	1,610,000.00	1,600,820.00	3,210,820.00	36,820,000.00
2009	1,590,000.00	1,552,820.00	3,142,820.00	35,230,000.00
2010	1,655,000.00	1,487,595.00	3,142,595.00	33,575,000.00
2011	1,740,000.00	1,402,720.00	3,142,720.00	31,835,000.00
2012	1,820,000.00	1,327,370.00	3,147,370.00	30,015,000.00
2013	1,885,000.00	1,257,820.00	3,142,820.00	28,130,000.00
2014	1,965,000.00	1,180,820.00	3,145,820.00	26,165,000.00
2015	2,055,000.00	1,090,145.00	3,145,145.00	24,110,000.00
2016	2,160,000.00	984,770.00	3,144,770.00	21,950,000.00
2017	2,260,000.00	883,875.00	3,143,875.00	19,690,000.00
2018	2,355,000.00	788,113.75	3,143,113.75	17,335,000.00
2019	2,455,000.00	691,375.00	3,146,375.00	14,880,000.00
2020	2,555,000.00	592,402.50	3,147,402.50	12,325,000.00
2021	2,660,000.00	486,722.50	3,146,772.50	9,665,000.00
2022	0.00	432,242.50	432,242.50	9,665,000.00
2023	0.00	432,242.50	432,242.50	9,665,000.00
2024	0.00	432,242.50	432,242.50	9,665,000.00
2025	2,760,000.00	371,522.50	3,131,522.50	6,905,000.00
2026	3,375,000.00	235,708.75	3,610,708.75	3,530,000.00
2027	3,530,000.00	80,307.50	3,610,307.50	$ 0.00
	$39,650,000.00	$18,951,905.00	$58,601,905.00	

Series J Richmond and Marion

Schedule of Annual Requirements for Principal and Interest
Original Issue - $9,245,000

Year Ending June 30	Principal	Interest	Total	Outstanding Principal Balance
2007	$0.00	$462,250.00	$462,250.00	$9,245,000.00
2008	0.00	462,250.00	462,250.00	9,245,000.00
2009	0.00	462,250.00	462,250.00	9,245,000.00
2010	0.00	462,250.00	462,250.00	9,245,000.00
2011	0.00	462,250.00	462,250.00	9,245,000.00
2012	0.00	462,250.00	462,250.00	9,245,000.00
2013	0.00	462,250.00	462,250.00	9,245,000.00
2014	0.00	462,250.00	462,250.00	9,245,000.00
2015	0.00	462,250.00	462,250.00	9,245,000.00
2016	0.00	462,250.00	462,250.00	9,245,000.00
2017	0.00	462,250.00	462,250.00	9,245,000.00
2018	0.00	462,250.00	462,250.00	9,245,000.00
2019	0.00	462,250.00	462,250.00	9,245,000.00
2020	0.00	462,250.00	462,250.00	9,245,000.00
2021	0.00	462,250.00	462,250.00	9,245,000.00
2022	2,780,000.00	392,750.00	3,172,750.00	6,465,000.00
2023	2,925,000.00	250,125.00	3,175,125.00	3,540,000.00
2024	3,075,000.00	100,125.00	3,175,125.00	465,000.00
2025	465,000.00	11,625.00	476,625.00	$0.00
	$9,245,000.00	$7,688,375.00	$16,933,375.00	

Series K Valparaiso Phase II, Marion Construction and Madison Construction

Schedule of Annual Requirements for Principal and Interest
Original Issue - $60,670,000

Year Ending June 30	Principal	Interest	Total	Outstanding Principal Balance
2007	$0.00	$1,276,617.38	$1,276,617.38	$60,670,000.00
2008	1,910,000.00	2,798,727.50	4,708,727.50	58,760,000.00
2009	1,985,000.00	2,720,827.50	4,705,827.50	56,775,000.00
2010	2,075,000.00	2,634,440.00	4,709,440.00	54,700,000.00
2011	2,170,000.00	2,538,927.50	4,708,927.50	52,530,000.00
2012	2,270,000.00	2,439,027.50	4,709,027.50	50,260,000.00
2013	2,370,000.00	2,334,627.50	4,704,627.50	47,890,000.00
2014	2,480,000.00	2,225,502.50	4,705,502.50	45,410,000.00
2015	2,590,000.00	2,117,902.50	4,707,902.50	42,820,000.00
2016	2,695,000.00	2,012,202.50	4,707,202.50	40,125,000.00
2017	2,820,000.00	1,887,802.50	4,707,802.50	37,305,000.00
2018	2,965,000.00	1,743,177.50	4,708,177.50	34,340,000.00
2019	3,115,000.00	1,591,177.50	4,706,177.50	31,225,000.00
2020	3,275,000.00	1,431,427.50	4,706,427.50	27,950,000.00
2021	3,435,000.00	1,270,982.50	4,705,982.50	24,515,000.00
2022	3,600,000.00	1,107,812.50	4,707,812.50	20,915,000.00
2023	3,780,000.00	928,712.50	4,708,712.50	17,135,000.00
2024	3,970,000.00	737,462.50	4,707,462.50	13,165,000.00
2025	4,170,000.00	536,462.50	4,706,462.50	8,995,000.00
2026	4,390,000.00	319,718.75	4,709,718.75	4,605,000.00
2027	4,605,000.00	103,612.50	4,708,612.50	$0.00
	$60,670,000.00	$34,757,151.13	$95,427,151.13	

Series E of 1997, Advanced Refunding Series G of 2002, Series H of 2003,Series I and Series J of 2005, Series K of 2007. (1)

Schedule of Annual Requirements for Principal and Interest

Year Ending June 30	Principal	Interest	Total	Outstanding Principal Balance
2007	6,875,000.00	7,452,010.38	14,327,010.38	192,040,000.00
2008	10,320,000.00	8,686,395.50	19,006,395.50	181,720,000.00
2009	9,745,000.00	8,291,783.00	18,036,783.00	171,975,000.00
2010	10,170,000.00	7,876,464.75	18,046,464.75	161,805,000.00
2011	10,630,000.00	7,411,869.88	18,041,869.88	151,175,000.00
2012	11,135,000.00	6,913,263.13	18,048,263.13	140,040,000.00
2013	11,655,000.00	6,378,216.25	18,033,216.25	128,385,000.00
2014	11,335,000.00	5,841,954.25	17,176,954.25	117,050,000.00
2015	11,335,000.00	5,319,322.50	16,654,322.50	105,715,000.00
2016	10,710,000.00	4,805,730.50	15,515,730.50	95,005,000.00
2017	11,225,000.00	4,287,072.50	15,512,072.50	83,780,000.00
2018	11,660,000.00	3,738,666.25	15,398,666.25	72,120,000.00
2019	9,350,000.00	3,233,577.50	12,583,577.50	62,770,000.00
2020	9,815,000.00	2,771,023.75	12,586,023.75	52,955,000.00
2021	9,530,000.00	2,310,173.75	11,840,173.75	43,425,000.00
2022	6,380,000.00	1,932,805.00	8,312,805.00	37,045,000.00
2023	6,705,000.00	1,611,080.00	8,316,080.00	30,340,000.00
2024	7,045,000.00	1,269,830.00	8,314,830.00	23,295,000.00
2025	7,395,000.00	919,610.00	8,314,610.00	15,900,000.00
2026	7,765,000.00	555,427.50	8,320,427.50	8,135,000.00
2027	8,135,000.00	183,920.00	8,318,920.00	0.00
Totals	$198,915,000.00	$91,790,196.39	$290,705,196.39	

(1) Series E Bonds Principal Debt of $7,575,000.00.
Advanced Refunding Series G Bonds Principal Debt of $33,505,000.00
Series H Bonds Principal Debt of $42,615,000.00.
Series I Bonds Principal Debt of $38,430,000.00
Series J Bonds Principal Debt of $9,245,000.00.
Series K Bonds Principal Debt of $60,670,000.00.

Schedule Of Future Minimum Payments On Operating Leases

June 30, 2007

	2007-08	2008-09	2009-10	2010-11	2012 and Beyond
Facilities	$4,469,752	$2,715,410	$1,406,127	$1,290,299	$2,344,000
Office furniture and Equipment	302,021	184,342	93,936	38,930	8,502
Total	$4,771,773	$2,899,752	$1,500,063	$1,329,229	$ 2,352,502

Schedule Of Student Financial Aid Expenditures
For Year Ended June 30, 2007

With Comparative Figures At June 30, 2006

	Current Unrestricted	Current Restricted	06/30/07 Total	06/30/06 Total
Workstudy (1)	$426,899	$1,262,383	$1,689,282	$1,751,626
Scholarship/Fellowship(2)	-	67,684,663	67,684,663	62,576,982
Grants (3)	619,909	12,316,162	12,936,071	11,298,164
Fee Remissions	3,674,426	-	3,674,426	3,488,686
Administrative Allowance (4)	368,678	-	368,678	348,117
Total Financial Aid Expenses	$5,089,912	$81,263,208	$86,353,120	$79,463,575

(1) The $426,899 is comprised of the institutional share of both the Federal and State College Workstudy Programs in the amount of $418,311 and $8,588 respectfully. The prior year institutional share for the Federal and State Programs were $429,638 and $7,414 respectfully.

(2) The amount of $67,684,663 includes $65,516,445 of Pell Grants as compared to $60,729,774 for the prior year. The College has no choice in determining the recipients for the Pell Grant Program.

(3) The $619,909 represents the College share of the Supplemental Educational Opportunity Grant (SEOG Match).

(4) Administrative allowance is made up of $77,952 Federal Work-Study, $175,115 Pell, and $115,611 Federal Supplemental Educational Opportunity Grant (FSEOG).

IVY TECH COMMUNITY COLLEGE

Five Year Trend in Student Enrollment

	--------------------------------Actual-------------------------------				
	2002-03	**2003-04**	**2004-05**	**2005-06**	**2006-07**
Credit Student - Full Time	24,310	24,715	32,007	33,012	35,804
Part Time	73,165	77,557	73,756	72,436	75,339
Total	97,475	102,272	105,763	105,448	111,143
FTE	37,787	40,913	42,426	43,088	45,857
Non-Credit Students	18,702	21,250	23,424	20,275	20,630

Credit Students

The above information reports students on an "unduplicated" basis for Full Time, Part Time, and the Total categories. FTE reports these students on a "full-time equivalent" basis. For purposes of student count, the above full time data includes individuals who enrolled in 12 or more credit hours for a single term, or 24 or more credit hours for two or more terms.

Non-Credit Students

The above information for non-credit students represents total unduplicated non-credit registrations during the fiscal year. This includes custom training courses as well as open enrollment in both professional development and personal enrichment courses.

IVY TECH
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