

# Kirkwood Community College

Financial and Compliance Report

06.30.2009

**McGladrey & Pullen**  
Certified Public Accountants

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an affiliation of separate and independent legal entities.

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## Kirkwood Community College

### Officials

June 30, 2009

Name	Title	Term Expires
<b>Board of Trustees (Before September 2008 Election)</b>		
Dr. Lois Bartelme	President	2010
Mervin Cronbaugh	Vice President	2008
Karen Gorham	Member	2008
John Hall	Member	2008
Dr. Keith Stamp (appointed)	Member	2008
Elaine Harrington	Member	2009
Kevin King	Member	2009
Paul Glenn	Member	2010
James Mollenhauer	Member	2010

### Board of Trustees (After September 2008 Election)

Dr. Lois Bartelme	President	2009
James Mollenhauer	Vice President	2009
Elaine Harrington	Member	2009
Kevin King	Member	2009
Dr. Keith Stamp	Member	2009
Paul Glenn	Member	2011
Karen Gorham	Member	2011
John Hall	Member	2011
Marcia Rogers	Member	2011

### Community College

Dr. Mick Starceвич	President
Jim Choate	Board Treasurer, V.P. and Chief Financial/Operating Officer
Sheryl Cook	Board Secretary
Susan Pregler	Director of Financial Management

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Trustees  
Kirkwood Community College  
Cedar Rapids, Iowa

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Kirkwood Community College, as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kirkwood Community College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Kirkwood Community College and its aggregate discretely presented component units, as of June 30, 2009, and the respective changes in financial position and, where applicable, the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13 of the financial statements, the College has adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

As described in Note 17 of the financial statements, the beginning net assets have been restated due to prior period errors.

In accordance with *Government Auditing Standards* we have also issued our report dated March 30, 2010 on our consideration of the Kirkwood Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 14, Postemployment Medical Benefit Plan Schedule of Funding Progress on page 42 and the Budgetary Comparison Schedule of Expenditures on pages 43 and 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kirkwood Community College basic financial statements. The schedules listed on the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
March 30, 2010

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2009

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Management of Kirkwood Community College provides this Management's Discussion and Analysis of the College's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

The financial statements of Kirkwood Community College's two foundations are discretely presented in these financial statements. Since the assets of the foundations are the exclusive property of the foundations and do not belong to the College, a discussion of these assets is not included in this Management's Discussion and Analysis.

#### Financial Highlights

##### 2009:

- College operating revenues increased 8% or \$5,603,808 in fiscal year (FY) 2009, primarily due to an increase in Workforce Investment Act grant funding. Tuition and fees represents 30% of the College's operating revenues.
- Excluding the FY 2008 Iowa New Jobs Training Program accumulated deferred interest, the College's net nonoperating revenues increased by 3% or \$1,635,975, due to an increase in state appropriations and an increase in property tax.
- College operating expenses increased 11% or \$11,976,128 due to the recognition of the OPEB (other post-employment benefits) liability with the implementation of GASB statement No. 45, as well as College infrastructure improvements and maintenance. Infrastructure costs related to new building construction and bringing some new buildings online.
- The College's net assets increased by 3% or \$2,702,632, as a result of the College's continued investment in capital assets and annual revenues exceeding expenditures.

##### 2008:

- College operating revenues increased 10% in FY 2008, primarily due to an increase in tuition and fees and an increase in the College's auxiliary enterprises. Tuition and fees represents 41% of the College's unrestricted operating fund revenue.
- The College's net nonoperating revenues increased 24% due to increased state appropriations and the recognition of the Iowa New Jobs Training Program accumulated interest.
- College operating expenses were higher in FY 2008 due to increases in salaries and benefits, as well as College infrastructure and maintenance.
- The College's net assets increased by 17% as a result of the accumulated NJTP interest and annual revenues exceeding expenditures.

#### Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the College's financial activities.
- The basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances.

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2009

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- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required supplementary information further explains and supports the financial statements with a comparison of the College's budget for the year and funding progress of the College's postemployment medical benefit programs and the supplementary information provides detailed information about the individual funds of the College.

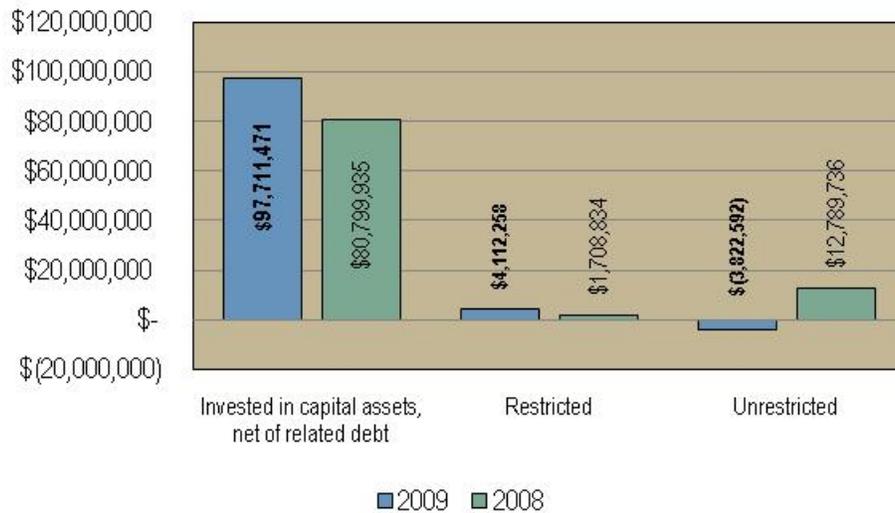
#### Reporting the College's Financial Activities

Statement of Net Assets: The statement of net assets presents the assets, liabilities and net assets of the College as a whole as of the end of the fiscal year. The statement of net assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The statement of net assets includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities and net assets (assets less liabilities). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

#### Net Assets

	June 30,		
	2009	2008	Change
Current and other assets	\$ 139,190,260	\$ 75,150,725	\$ 64,039,535
Capital assets, net of accumulated depreciation	84,498,893	103,715,119	(19,216,226)
<b>Total assets</b>	<b>223,689,153</b>	<b>178,865,844</b>	<b>44,823,309</b>
Current liabilities	52,064,175	36,141,636	15,922,539
Noncurrent liabilities	73,623,841	47,425,703	26,198,138
<b>Total liabilities</b>	<b>125,688,016</b>	<b>83,567,339</b>	<b>42,120,677</b>
Net assets:			
Invested in capital assets, net of related debt	97,711,471	80,799,935	16,911,536
Restricted	4,112,258	1,708,834	2,403,424
Unrestricted	(3,822,592)	12,789,736	(16,612,328)
<b>Total net assets</b>	<b>\$ 98,001,137</b>	<b>\$ 95,298,505</b>	<b>\$ 2,702,632</b>

### Comparison of Net Assets



Year Ended June 30, 2009: The largest portion of the College's net assets is invested in capital assets (e.g., land, building and equipment), less the related debt. Unspent bond proceeds are also classified as invested in capital assets. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets includes resources subject to external restrictions. The unrestricted portion of net assets decreased significantly due to the construction of the hotel and Jones Regional Educational Center.

Year Ended June 30, 2008: The largest portion of the College's net assets is invested in capital assets (e.g., land, building and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets includes resources subject to external restrictions. The remaining net assets are the net assets used to meet the College's obligations as they come due.

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2009

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Statement of Revenues, Expenses and Changes in Net Assets: Changes in total net assets as presented in the statement of net assets are based on the activity presented in the statement of revenues, expenses and changes in net assets. The purpose of the statement is to present the revenues received by the College, both operating and nonoperating and the expenses paid by the College, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the College.

In general, a public college, such as Kirkwood Community College, will report an operating loss since the financial reporting model classifies state appropriations and property tax as nonoperating revenues. Operating revenues are received for providing goods and services to the students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

GASB 45: Employees of state and local governments may be compensated in a variety of forms in exchange for their services. In addition to a salary, many employees earn benefits over their years of service that will not be received until after their employment with the government ends through retirement or other reason for separation. As the name suggests, *other postemployment benefits* (OPEB) are postemployment benefits *other than pensions*. OPEB generally takes the form of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees.

The process of determining how much should be set aside now in order to provide for future benefits in a defined benefit plan utilizes actuarial methods and assumptions. An actuary's estimate or "valuation" is the product of many assumptions, based on historical experience, regarding the factors that determine the level of resources that will be needed in the future to finance benefits.

The present value of future benefits is \$33,475,313. The College will amortize over 30 years and the FY 2009 liability is \$2,200,063. See Note 13 for more detail.

Kirkwood Community College

Management's Discussion and Analysis  
Year Ended June 30, 2009

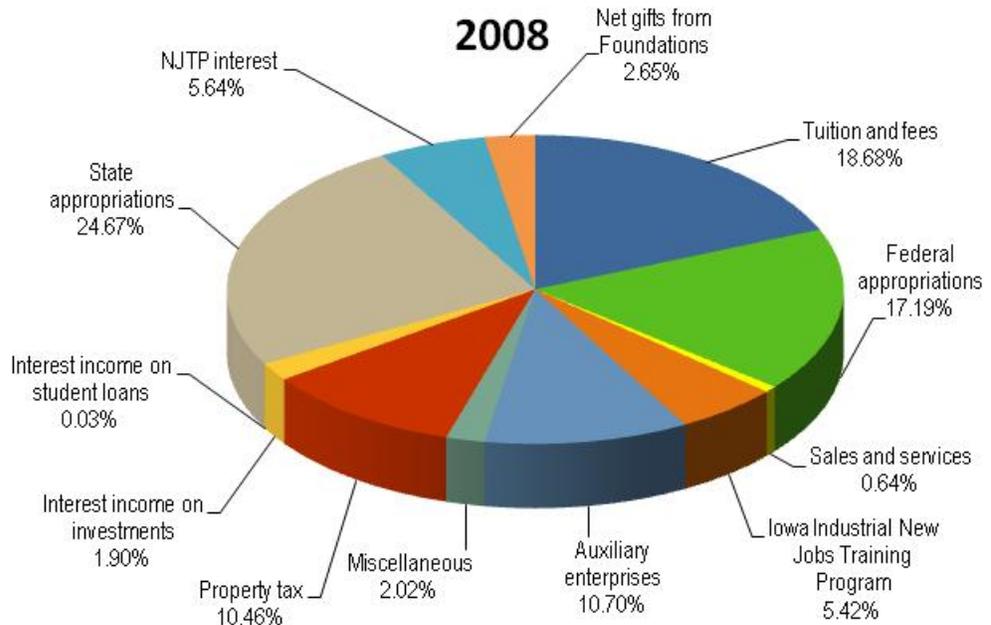
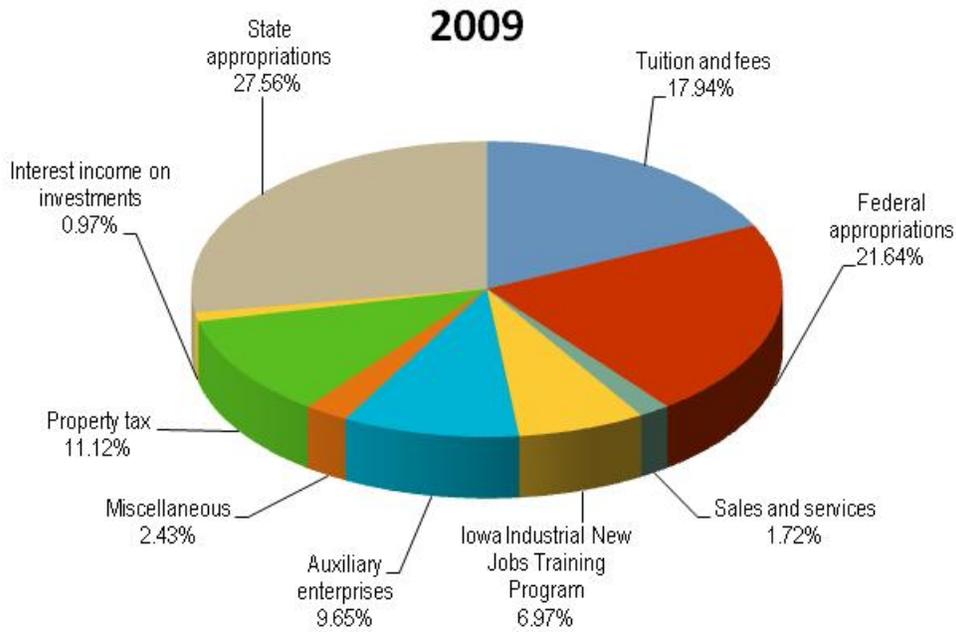
Change in Net Assets

	Year Ended June 30,		Change
	2009	2008	
Operating revenues:			
Tuition and fees	\$ 22,918,643	\$ 24,430,051	\$ (1,511,408)
Federal appropriations	27,653,493	22,489,679	5,163,814
Sales and services	2,192,719	843,694	1,349,025
Iowa Industrial New Jobs Training Program	8,904,244	7,090,463	1,813,781
Auxiliary enterprises	12,326,871	13,999,090	(1,672,219)
Miscellaneous	3,108,521	2,647,706	460,815
<b>Total operating revenues</b>	<b>77,104,491</b>	<b>71,500,683</b>	<b>5,603,808</b>
Total operating expenses	124,631,039	112,654,911	11,976,128
<b>Operating loss</b>	<b>(47,526,548)</b>	<b>(41,154,228)</b>	<b>(6,372,320)</b>
Nonoperating revenues (expenses):			
State appropriations	35,217,723	32,273,982	2,943,741
Property tax	14,213,443	13,676,607	536,836
Interest income on investments	1,236,995	2,482,671	(1,245,676)
Interest income on student loans	11,695	33,125	(21,430)
Accumulated deferred NJTP interest	-	7,374,087	(7,374,087)
Net gifts from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	3,090,848	3,466,995	(376,147)
Gain (loss) on disposal of capital assets	(399)	(646,547)	646,148
Interest expense	(3,344,954)	(2,497,457)	(847,497)
<b>Net nonoperating revenues</b>	<b>50,425,351</b>	<b>56,163,463</b>	<b>(5,738,112)</b>
Transfers to agency fund	(196,171)	-	(196,171)
<b>Increase in net assets</b>	<b>2,702,632</b>	<b>15,009,235</b>	<b>(12,306,603)</b>
Net assets:			
Beginning	95,298,505	80,289,270	15,009,235
Ending	<u>\$ 98,001,137</u>	<u>\$ 95,298,505</u>	<u>\$ 2,702,632</u>
Total revenues, operating and nonoperating	<u>\$ 130,875,195</u>	<u>\$ 130,808,150</u>	<u>\$ 67,045</u>
Total expenses, operating and nonoperating	<u>\$ 127,976,392</u>	<u>\$ 115,798,915</u>	<u>\$ 12,177,477</u>

Kirkwood Community College

Management's Discussion and Analysis  
Year Ended June 30, 2009

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## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2009

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The statement of revenues, expenses and changes in net assets reflects a positive year, with an increase in the net asset at the end of the fiscal year.

#### Total Revenue by Source

In fiscal year 2009, operating revenues increased as a result of the following factors:

- An increase in Federal appropriations, primarily Workforce Investment Act grant funds.
- An increase in the Iowa Industrial New Jobs Training Program.

In fiscal year 2008, operating revenues increased as a result of the following factors:

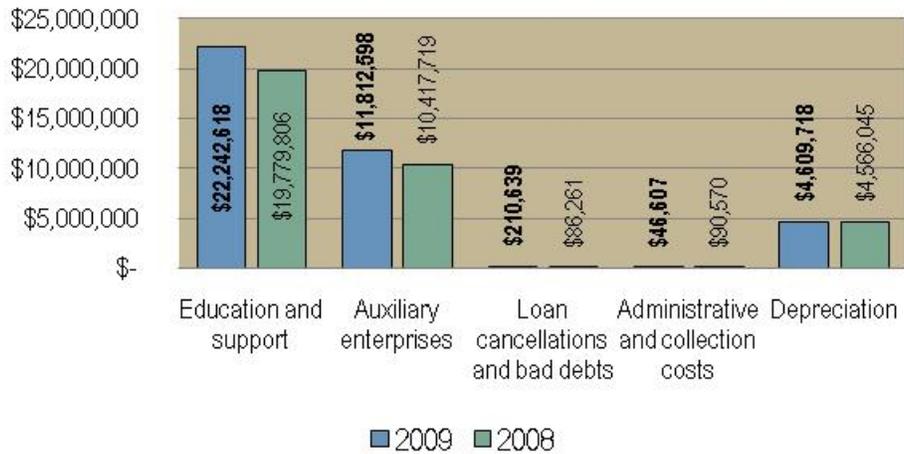
- Tuition and fees increased primarily due to a tuition rate increase from \$99/credit hour in FY 2007 to \$103/credit hour in FY 2008.
- Increased activity in the College's auxiliary fund (e.g., bookstore, food service, etc.).

In fiscal year 2008, the College also recognized \$7.4 million in accumulated deferred interest from the New Jobs Training program not needed to repay the outstanding certificated and cover short falls for project within the respective issuances. This amount was used to set up a reserve for upcoming capital projects as permitted by legal advice.

#### Operating Expenses

	Year Ended June 30,		Change
	2009	2008	
Education and support:			
Liberal arts and sciences	\$ 22,242,618	\$ 19,779,806	\$ 2,462,812
Vocational technical	22,477,674	20,928,880	1,548,794
Adult education	12,533,782	12,207,243	326,539
Cooperative services	7,663,791	6,350,176	1,313,615
Administration	7,489,468	6,370,370	1,119,098
Student services	5,083,476	4,743,500	339,976
Learning resources	3,353,531	2,539,221	814,310
Physical plant	11,928,125	12,860,372	(932,247)
General institution	15,179,012	11,714,748	3,464,264
Auxiliary enterprises	11,812,598	10,417,719	1,394,879
Loan cancellations and bad debts	210,639	86,261	124,378
Administrative and collection costs	46,607	90,570	(43,963)
Depreciation	4,609,718	4,566,045	43,673
	<u>\$ 124,631,039</u>	<u>\$ 112,654,911</u>	<u>\$ 11,976,128</u>

### Operating Expenses



### Total Expenses

In FY 2009, expenses increased as a result of the following factors:

- Salary increases for faculty and staff, coupled with the related increases in fringe benefits and the state mandated increase in IPERS and TIAA-CREF employer contribution.
- Costs associated with new building construction and facility renovation related to Kirkwood Community College's bond issue projects.
- Increase of \$2,200,063 due to the recognition of GASB 45 – other postemployment benefits. (See Note 13 for more detail).

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2009

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#### Statement of Cash Flows

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

	Year Ended June 30,		Change
	2009	2008	
Cash provided by (used in):			
Operating activities	\$ (48,383,570)	\$ (42,281,499)	\$ (6,102,071)
Noncapital financing activities	54,329,379	68,058,525	(13,729,146)
Capital and related financing activities	(8,466,996)	(29,446,523)	20,979,527
Investing activities	2,819,152	3,879,926	(1,060,774)
<b>Net increase (decrease) in cash</b>	<b>297,965</b>	<b>210,429</b>	<b>87,536</b>
Cash:			
Beginning	1,184,230	973,801	210,429
Ending	<u>\$ 1,482,195</u>	<u>\$ 1,184,230</u>	<u>\$ 297,965</u>

Cash used by operating activities includes tuition, fees, grants and contracts, net of payments to employees and to suppliers. Cash provided by non-capital financing activities includes state appropriations, local property tax received by the College and the receipt and disbursement of the Federal Direct Loan program proceeds. Cash used by capital and related financing activities represents the proceeds from debt, the principal and interest payments on debt and the purchase of capital assets. Cash provided by investing activities includes investment income received.

#### Capital Assets

As of June 30, 2009, the College had \$133,870,673 invested in capital assets, net of accumulated depreciation of \$59,281,203. Depreciation charges totaled \$4,609,718 for FY 2009. Details of capital assets are shown below:

	June 30,		Change
	2009	2008	
Land	\$ 6,157,237	\$ 6,157,237	\$ -
Construction in progress	43,214,543	26,640,292	16,574,251
Buildings	66,153,635	53,301,624	12,852,011
Other structures and improvements	14,123,960	13,724,732	399,228
Equipment and vehicles	4,221,298	3,891,234	330,064
	<u>\$ 133,870,673</u>	<u>\$ 103,715,119</u>	<u>\$ 30,155,554</u>

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2009

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The College's plant expenditures in FY 2009 include new construction and renovation as Kirkwood Community College proceeds with improving facilities following the passing of our 2005 bond issue. The College is also experiencing increased building operation costs as new construction becomes available for use. More detailed information about the College's capital assets is presented in Note 4 to the financial statements.

#### Long-Term Debt

As of June 30, 2009, the College had \$79,846,862 in long-term debt outstanding, excluding the early retirement payable, compensated absences and OPEB payable, an increase from June 30, 2008. The table below summarizes these amounts by type.

<u>Outstanding debt</u>	June 30,		Change
	2009	2008	
Certificates payable	\$ 29,095,000	\$ 26,445,000	\$ 2,650,000
Capital lease payable	966,862	-	966,862
Notes payable	5,535,000	7,815,000	(2,280,000)
Bonds payable	18,180,000	20,400,000	(2,220,000)
Certificates of participation	26,070,000	-	26,070,000
	<u>\$ 79,846,862</u>	<u>\$ 54,660,000</u>	<u>\$ 25,186,862</u>

More detailed information about the College's outstanding debt is presented in Note 5 to the financial statements.

#### Economic Factors

For FY 2009, Kirkwood Community College increased the tuition rate by 3.6%, to \$111 per credit hour, over FY 2008 to adequately fund moderate salary and fringe benefit increases as well as maintenance and technology projects. These increases place a greater financial burden on the students and their families. As the State of Iowa's economic status improves, Kirkwood Community College feels strongly the Iowa Legislature should make community colleges a high priority for funding to help hold tuition rate increases reasonable. Some of the financial challenges for the College are:

- While the College received an increase of \$1,393,055 in appropriated state general aid for FY 2009, that revenue stream has not kept pace with enrollment growth over the last 9 years.
- The College expects a decrease of \$4.461 million in state general aid in FY 2010. This will be offset somewhat by \$3.489 million in federal stimulus funding in FY 2010 only.
- Facilities at the College require constant maintenance and upkeep while some educational programs require more space to accommodate increased enrollments.
- Technology demands continue to expand and current technology quickly becomes outdated, presenting an ongoing challenge to maintain up to date technology.

The College has worked to structure its budget favorably during the year and will maintain a close watch over resources to maintain the College' ability to react to unanticipated issues.

Kirkwood Community College

Management's Discussion and Analysis  
Year Ended June 30, 2009

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**Contacting the College's financial management**

This financial report is designed to provide our customers, taxpayers in the community college district and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Kirkwood Community College, 6301 Kirkwood Blvd SW, Cedar Rapids, IA 52404.

Kirkwood Community College

Statement of Net Assets  
June 30, 2009

	Primary Government	Component Units
<b>Assets</b>		
Current Assets:		
Cash and investments	\$ 28,588,751	\$ 1,896,817
Investments, restricted	14,094,691	-
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$ 509,510	7,458,499	30,438
Property taxes, succeeding year	14,200,693	-
Pledges	-	241,948
Student loans	215,202	-
Due from component units	1,278,639	-
Due from other governments	11,812,609	-
Inventories	1,958,665	-
Prepaid expenses	166,737	16,200
<b>Total current assets</b>	<b>79,774,486</b>	<b>2,185,403</b>
Noncurrent Assets:		
Receivables:		
Pledges, net of allowance for doubtful pledges of \$11,000 and present value discount of \$48,000	-	286,724
Iowa Industrial New Jobs Training Program	8,204,763	-
Student loans, net of allowance for uncollectible loans of \$276,016	1,481,461	-
Investments, unrestricted	-	13,576,475
Other	-	20,000
Bond issuance costs	357,770	-
Capital assets, nondepreciable	49,371,780	71,318
Capital assets, depreciable, net	84,498,893	6,411
<b>Total noncurrent assets</b>	<b>143,914,667</b>	<b>13,960,928</b>
<b>Total assets</b>	<b>\$ 223,689,153</b>	<b>\$ 16,146,331</b>

See Notes to Basic Financial Statements.

<b>Liabilities and Net Assets</b>	Primary Government	Component Units
<b>Liabilities:</b>		
Current Liabilities:		
Checks in excess of bank balance	\$ 2,317,066	\$ -
Accounts payable	10,981,096	120,629
Salaries and benefits payable	3,070,061	-
Due to primary government	-	860,919
Annuities payable	-	32,700
Interest payable	1,077,541	-
Deferred revenue:		
Succeeding year property tax	14,200,693	-
Other	7,810,377	24,364
Early retirement payable	801,592	-
Compensated absences	1,856,170	-
Current portion certificates payable	4,285,000	-
Current portion notes payable	2,375,000	-
Current portion capital lease payable	195,070	-
Current portion bonds payable	2,310,000	-
Deposits held in custody for others	784,509	-
<b>Total current liabilities</b>	<b>52,064,175</b>	<b>1,038,612</b>
Noncurrent liabilities:		
Annuities payable	-	156,500
OPEB payable	2,200,063	-
Certificates payable	24,810,000	-
Notes payable	3,160,000	-
Leasehold payable	771,792	-
Bonds payable	15,870,000	-
Certificates of participation	26,070,000	-
Bond premium	13,354	-
Bond discount	(348,066)	-
U.S. government grants refundable	1,076,698	-
<b>Total noncurrent liabilities</b>	<b>73,623,841</b>	<b>156,500</b>
	<b>125,688,016</b>	<b>1,195,112</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	97,711,471	77,729
Restricted:		
Nonexpendable:		
Scholarships	-	8,999,805
Area of greatest need	-	1,155,777
Other endowment	-	975,222
Expendable:		
Scholarships	-	1,643,003
Cash reserve	621,989	-
Loans	351,867	-
Instructional department uses	-	794,608
Capital projects	-	218,675
Other	3,138,402	-
Unrestricted:		
Unrestricted	(3,822,592)	522,979
Unrestricted, board designated	-	563,421
<b>Total net assets</b>	<b>98,001,137</b>	<b>14,951,219</b>
<b>Total liabilities and net assets</b>	<b>\$ 223,689,153</b>	<b>\$ 16,146,331</b>

Kirkwood Community College

Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2009

	Primary Government	Component Units
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$17,021,516	\$ 22,918,643	\$ -
Federal appropriations	27,653,493	-
Sales and services	2,192,719	-
Iowa Industrial New Jobs Training Program	8,904,244	-
Auxiliary enterprises	12,326,871	-
Contributions	-	1,729,344
Rental income and facility management	-	604,814
Royalties and commission	-	127,223
Miscellaneous	3,108,521	80,113
<b>Total operating revenues</b>	<b>77,104,491</b>	<b>2,541,494</b>
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	22,242,618	-
Vocational technical	22,477,674	-
Adult education	12,533,782	-
Cooperative services	7,663,791	-
Administration	7,489,468	-
Student services	5,083,476	-
Learning resources	3,353,531	-
Physical plant	11,928,125	-
General institution	15,179,012	-
Auxiliary enterprises	11,812,598	-
Loan cancellations and bad debts	210,639	-
Administrative and collection costs	46,607	-
Distributions to Kirkwood Community College	-	3,932,274
Facility operations	-	265,421
Program services	-	208,828
Management and general	-	222,776
Fundraising	-	53,824
Depreciation	4,609,718	534
<b>Total operating expenses</b>	<b>124,631,039</b>	<b>4,683,657</b>
<b>Operating (loss)</b>	<b>\$ (47,526,548)</b>	<b>\$ (2,142,163)</b>

	Primary Government	Component Units
Nonoperating revenues (expenses):		
State appropriations	\$ 35,217,723	\$ -
Property tax	14,213,443	-
Investment income	1,236,995	(2,315,780)
Actuarial adjustment of annuities payable	-	(23,708)
Interest income on student loans	11,695	-
Gifts and expense reimbursements from component units	3,932,274	-
Contributions and rent from Kirkwood Community College	-	841,426
Contributions and rent to component units	(841,426)	-
Loss on disposal of plant assets	(399)	-
Contributions to other non-profit entities	-	(65,400)
Interest expense	(3,344,954)	-
<b>Net nonoperating revenues (expenses)</b>	<b>50,425,351</b>	<b>(1,563,462)</b>
Transfers to agency fund	(196,171)	-
<b>Income before additions to permanent endowments</b>	<b>2,702,632</b>	<b>(3,705,625)</b>
Additions to permanent endowments	-	599,058
<b>Change in net assets</b>	<b>2,702,632</b>	<b>(3,106,567)</b>
Net assets:		
Beginning, as restated	95,298,505	18,057,786
Ending	<u>\$ 98,001,137</u>	<u>\$ 14,951,219</u>

See Notes to Basic Financial Statements.

Kirkwood Community College

Statement of Cash Flows  
Year Ended June 30, 2009

	Primary Government
<b>Cash Flows from Operating Activities:</b>	
Tuition and fees	\$ 25,819,384
Federal appropriations	22,018,373
Iowa Industrial New Jobs Training Program	5,194,484
Payments to employees for salaries and benefits	(70,171,300)
Payments to suppliers for goods and services	(36,298,232)
Payments to sub recipients	(10,209,698)
Loans issued to students net of collections	(342,227)
Auxiliary enterprise receipts	12,326,871
Other receipts/payments	3,278,775
<b>Net cash (used in) operating activities</b>	<b>(48,383,570)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>	
State appropriations	35,217,723
Property tax	14,213,443
Federal direct lending receipts	41,762,764
Federal direct lending disbursements	(41,762,764)
Contributions and rent to Kirkwood Community College Foundation and Kirkwood Facilities Foundation	(841,426)
Gifts and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	3,932,274
Interest income on student loans	11,695
Proceeds from certificates payable	7,755,000
Principal paid on certificates payable	(5,105,000)
Transfers to agency fund	(196,171)
Agency receipts	53,954,229
Agency disbursements	(53,952,028)
Checks in excess of bank balance	(660,360)
<b>Net cash provided by noncapital financing activities</b>	<b>54,329,379</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of capital assets	(28,565,689)
Interest capitalized	(126,027)
Disposal of capital assets	53,089
Loss on disposal of capital assets	399
Debt issued	27,080,614
Principal paid on debt	(4,543,752)
Interest paid on debt	(2,365,630)
<b>Net cash (used in) capital and related financing activities</b>	<b>(8,466,996)</b>
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	1,236,995
Sales of investments net of purchases	1,582,157
<b>Net cash provided by investing activities</b>	<b>2,819,152</b>
<b>Increase in cash and cash equivalents</b>	<b>297,965</b>
<b>Cash and cash equivalents:</b>	
Beginning	1,184,230
Ending	<b>\$ 1,482,195</b>

	Primary Government
<b>Reconciliation of Operating Loss to Net Cash (Used In)</b>	
Operating Activities:	
Operating loss	\$ (47,526,548)
Adjustments to reconcile operating loss to net cash (used in) operating activities:	
Depreciation	4,609,718
Amortization	(449,864)
Changes in assets and liabilities:	
(Increase) in accounts receivable	(2,022,465)
(Increase) in student loans	(85,976)
(Increase) in NJTP receivable	(3,709,760)
(Increase) in due from other governments	(5,635,120)
Decrease in inventories	38,647
(Increase) in prepaid expenses	(69,808)
Increase in accounts payable	423,945
Increase in salaries payable	757,079
Increase in deferred revenue	2,900,741
(Decrease) in compensated absences	(179,781)
Increase in early retirement payable	348,224
Increase in OPEB payable	2,200,063
Increase in deposits	16,340
Increase in refundable advances on student loans	995
<b>Total adjustments</b>	<b>(857,022)</b>
<b>Net cash (used in) operating activities</b>	<b>\$ (48,383,570)</b>
Noncash, capital and related financing activities, accounts payable for the acquisition of capital assets	\$ 6,127,044

See Notes to Basic Financial Statements.

Kirkwood Community College

Statement of Net Assets  
Discretely Presented Component Units  
June 30, 2009

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Total
<b>Assets</b>			
Current Assets:			
Cash and investments	\$ 1,314,283	\$ 582,534	\$ 1,896,817
Receivables:			
Accounts	30,438	-	30,438
Pledges	-	241,948	241,948
Prepaid expenses	16,200	-	16,200
<b>Total current assets</b>	<u>1,360,921</u>	<u>824,482</u>	<u>2,185,403</u>
Noncurrent assets:			
Pledges, net of allowance for doubtful pledges of \$11,000 and present value discount of \$48,000	-	286,724	286,724
Investments	-	13,576,475	13,576,475
Other	-	20,000	20,000
Capital assets, nondepreciable	71,318	-	71,318
Capital assets, depreciable, net	6,411	-	6,411
<b>Total noncurrent assets</b>	<u>77,729</u>	<u>13,883,199</u>	<u>13,960,928</u>
<b>Total assets</b>	<u>1,438,650</u>	<u>14,707,681</u>	<u>16,146,331</u>
<b>Liabilities and Net Assets</b>			
Current Liabilities:			
Accounts payable	103,281	17,348	120,629
Due to Kirkwood Community College	824,740	36,179	860,919
Deferred revenue	24,364	-	24,364
Annuities payable	-	32,700	32,700
<b>Total current liabilities</b>	<u>952,385</u>	<u>86,227</u>	<u>1,038,612</u>
Noncurrent liabilities, annuities payable	-	156,500	156,500
<b>Total liabilities</b>	<u>952,385</u>	<u>242,727</u>	<u>1,195,112</u>
Net Assets:			
Invested in capital assets, net of related debt	77,729	-	77,729
Restricted:			
Nonexpendable:			
Scholarships	-	8,999,805	8,999,805
Area of greatest need	-	1,155,777	1,155,777
Other endowment	-	975,222	975,222
Expendable:			
Scholarships	-	1,643,003	1,643,003
Instructional department uses	-	794,608	794,608
Capital projects	-	218,675	218,675
Unrestricted:			
Unrestricted	408,536	114,443	522,979
Unrestricted, board designated	-	563,421	563,421
	<u>\$ 486,265</u>	<u>\$ 14,464,954</u>	<u>\$ 14,951,219</u>

See Notes to Basic Financial Statements.

## Kirkwood Community College

### Statement of Revenues, Expenses and Changes in Net Assets Discretely Presented Component Units Year Ended June 30, 2009

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Total
Operating revenues:			
Contributions and pledges, net of decrease in allowance for doubtful pledges of \$11,000	\$ -	\$ 1,729,344	\$ 1,729,344
Rental income and facility management	604,814	-	604,814
Royalties and commissions	127,223	-	127,223
Miscellaneous	11,927	68,186	80,113
<b>Total operating revenues</b>	<b>743,964</b>	<b>1,797,530</b>	<b>2,541,494</b>
Operating expenses:			
Distributions to Kirkwood Community College	835,043	3,097,231	3,932,274
Facility operations	265,421	-	265,421
Programs	-	208,828	208,828
Management and general	90,626	132,150	222,776
Fund raising	-	53,824	53,824
Depreciation	534	-	534
<b>Total operating expenses</b>	<b>1,191,624</b>	<b>3,492,033</b>	<b>4,683,657</b>
<b>Operating income</b>	<b>(447,660)</b>	<b>(1,694,503)</b>	<b>(2,142,163)</b>
Nonoperating revenues (expenses):			
Investment income, net of depreciation of fair value of investments of \$2,687,896	5,880	(2,321,660)	(2,315,780)
Actuarial adjustments to annuities payable	-	(23,708)	(23,708)
Contributions and rent from Kirkwood Community College	98,588	742,838	841,426
Contributions to other nonprofit entities	(65,400)	-	(65,400)
<b>Net nonoperating revenues (expenses)</b>	<b>39,068</b>	<b>(1,602,530)</b>	<b>(1,563,462)</b>
<b>Income before additions to permanent endowments</b>	<b>(408,592)</b>	<b>(3,297,033)</b>	<b>(3,705,625)</b>
Additions to permanent endowments	-	599,058	599,058
<b>Change in net assets</b>	<b>(408,592)</b>	<b>(2,697,975)</b>	<b>(3,106,567)</b>
Net assets:			
Beginning, as restated	894,857	17,162,929	18,057,786
Ending	\$ 486,265	\$ 14,464,954	\$ 14,951,219

See Notes to Basic Financial Statements.

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### **Note 1. Financial Report Entity, Discrete Component Units and Significant Accounting Policies**

Kirkwood Community College (College) is a publicly supported school established and operated by Merged Area X under the provisions of Chapter 260C of the Code of Iowa. Kirkwood Community College offers programs of adult and continuing education, lifelong learning, community education and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling requirements for a baccalaureate degree but confers no more than an associate degree. Kirkwood Community College also offers up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. Kirkwood Community College maintains campuses in Belle Plaine, Cedar Rapids, Iowa City, Marion, Monticello, Tipton, Vinton, Washington and Williamsburg, Iowa, and has its administrative offices in Cedar Rapids, Iowa. Kirkwood Community College is governed by a Board of Trustees whose members are elected from each director district within Merged Area X.

#### **Financial reporting entity:**

Accounting principles generally accepted in the United States of America require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, the GASB issued Statement No. 39, which sets forth additional criteria to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. These criteria include 1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the College, its component units or its constituents; 2) the College being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the College and 3) the economic resources received or held by an individual organization that the College is entitled to, or has the ability to otherwise access, are significant to the College.

These financial statements present Kirkwood Community College (the primary government) and its discretely presented component units. The discretely presented component units discussed below are included in the College's reporting entity because of the significance of their operational or financial relationships with the College. Certain disclosures about the component units are not included because the component units have been audited separately for the year ended June 30, 2009 and reports have been issued under separate cover. The audited financial statements are available at the College offices.

#### **Discrete component units:**

Kirkwood Facilities Foundation is a legally separate not-for-profit foundation. The Facilities Foundation was established for the purpose of maintaining, developing and extending its facilities and services for the benefit of Kirkwood Community College. The Facilities Foundation is governed by a Board of Directors who is elected by the existing Foundation board members from a listing of nominees from the Board of Trustees of the College. Although the College does not control the timing or amount of receipts from the Facilities Foundation, the majority of the resources held by the Facilities Foundation are used for the benefit of Kirkwood Community College and its students.

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### Note 1. Financial Report Entity, Discrete Component Units and Significant Accounting Policies (Continued)

Kirkwood Community College Foundation is a legally separate, tax-exempt foundation. The Foundation was established for the purpose of maintaining, developing and extending its facilities and services for the benefit of Kirkwood Community College. The Foundation is organized and operates exclusively for charitable, scientific and education purposes to provide broader educational service opportunities to the College's students, staff, faculty and residents of the geographic area it services. The Foundation is governed by a Board of Directors who is elected by the existing Foundation board members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the resources held by the Foundation are used for the benefit of Kirkwood Community College and its students.

#### Significant accounting policies:

Financial statement presentation: The basic financial statements (i.e., the statements of net assets, revenues, expenses and changes in net assets and cash flows) report information on all of the activities of the College. For the most part, the effect of interfund activity has been removed from these statements.

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

Accounting standards: The College is applying all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as following all Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinion and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB Pronouncements. The College has elected not to follow FASB guidance issued subsequent to November 30, 1989.

Cash and investments: Cash and cash equivalents include deposits held at banks and all highly liquid instruments purchased with an original maturity of three months or less. Investments are reported at fair value.

Property taxes: Property tax receivable is recognized on the levy or lien date, which is the date the tax request is certified by the Board of Trustees to the appropriate County Auditors. The succeeding year property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Kirkwood Community College

Notes to Basic Financial Statements

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**Note 1. Financial Report Entity, Discrete Component Units and Significant Accounting Policies  
(Continued)**

Iowa Industrial New Jobs Training Program (NJTP) Receivable: This receivable represents the total amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2009, plus interest incurred on NJTP certificates, less revenues received to date.

Due from other governments: This represents state aid, grants and reimbursements due from other governmental agencies.

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

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

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. Interest costs of \$126,027 were capitalized for the year ended June 30, 2009.

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

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

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

	<u>Years</u>
Buildings and improvements	30
Equipment	5 or 10
Vehicles	5

The College does not capitalize or depreciate their library book collection. This collection is unencumbered, held for public education, protected, cared for and preserved and the proceeds from the sale of library books, if any, is not material to the College.

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

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### Note 1. Financial Report Entity, Discrete Component Units and Significant Accounting Policies (Continued)

Deferred revenue: Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose restriction. Deferred revenue relates primarily to property taxes and to the Iowa NJTP program as the receipt of administrative fees amortized over the ten-year life of each project.

Compensated absences: College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect as of June 30, 2009.

U.S. government grants refundable: U.S. government grants refundable under the Perkins Loan Program are distributable to the federal government upon liquidation of the funds and thus are reflected as a liability on the statement of net assets.

Bond premiums, discounts and issuance costs: Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Net assets: Net assets are classified according to restrictions or availability of assets for satisfaction of College obligations. Invested in capital assets, net of related debt represents the net value of capital assets less the debt incurred to acquire or construct the assets. Unspent bond proceeds of \$14,094,691 are not included in this category until used for capital asset purposes. Restricted net assets represent the amounts segregated for specific purposes as allowed by the Code of Iowa, bond covenants, donors or outside agencies and amounts where there are limitations imposed on their use through enabling legislation. Restricted net assets include both expendable and nonexpendable funds. Expendable funds may be used by the College for their designated purpose. Unexpendable funds may not be used. All remaining net assets are unrestricted for legal purposes, but may be designated for specific purposes. The College first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Auxiliary enterprise revenues and expenses: Auxiliary enterprise revenues and expenses primarily represent revenues generated and expenses associated with by the farm lab, bookstore, day care center, equestrian center and other miscellaneous auxiliary enterprises.

Summer session: The College operates summer sessions during May, June and July. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the load study distributions supplied by the College Registrar.

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

Operating and nonoperating activities: Operating activities, as reported in the statement of revenues, expenses and changes in net assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nonoperating activities include state appropriations, property taxes and interest earnings.

Kirkwood Community College

Notes to Basic Financial Statements

**Note 1. Financial Report Entity, Discrete Component Units and Significant Accounting Policies (Continued)**

Use of estimates: 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Scholarship allowances and student aid: Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University of Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

**Note 2. Cash and Investments**

As of June 30, 2009, the College's cash and investments consist of the following:

	Unrestricted	Restricted	Total
Cash	\$ 1,482,195	\$ -	\$ 1,482,195
Certificates of deposit	-	14,012,437	14,012,437
Investments	27,106,556	82,254	27,188,810
	<u>\$ 28,588,751</u>	<u>\$ 14,094,691</u>	<u>\$ 42,683,442</u>

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the College's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the College.

Investment Type	Fair Value	Maturity Dates (Months)			
		Less than 1	1 to 5	6 to 10	10 +
Iowa Schools Joint Investment Trust	\$ 16,895,499	\$ 16,895,499	\$ -	\$ -	\$ -
Repurchase Agreement	620,009	620,009	-	-	-
SLUGS	9,591,048	3,503,699	6,087,349	-	-
Money Market Mutual Fund	82,254	82,254	-	-	-
	<u>\$ 27,188,810</u>	<u>\$ 21,101,461</u>	<u>\$ 6,087,349</u>	<u>\$ -</u>	<u>\$ -</u>

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### Note 2. Cash and Investments (Continued)

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The College is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts. However, the College's investment policy additionally limits investments in commercial paper to obligations that mature within 270 days and that is rated within the two highest classifications, as established by at least one of the standard rating services, with no more than 5% at the time of purchase placed in the second highest classification. At the time of purchase not more than 10% of the investment portfolio can be in prime bankers' acceptances and commercial paper and no more than 5% of the investment portfolio can be invested in the securities of a single issuer.

As of June 30, 2009, the College's investments were rated as follows:

Investment Type	Moody Investor Services
Iowa Schools Joint Investment Trust	Aaa
Repurchase Agreement	Not rated
SLUGS	Not rated
Money Market Mutual Fund	Not rated

Concentration of credit risk: The College's general investment policy is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The College's investment policy seeks to provide safety of the principal, maintain the necessary liquidity to match expected liabilities and obtain a reasonable rate of return. The policy allows for investment of up to 100% in interest-bearing savings, money market and checking accounts, certificates of deposit, repurchase agreements, money market mutual funds, bonds, notes, certificates of indebtedness, treasury bills or other securities issued by the United States of America, its agencies and allowable instrumentalities; up to 10% in prime bankers' acceptances; and up to 10% in commercial paper. The policy does not allow the College to invest in reverse repurchase agreements, futures or options. The College did not have any investments in any one issuer that represents 5% or more of total College investments. External investment pools, money market mutual funds and U.S. Treasury funds are excluded from this consideration.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. It is the College's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. As of June 30, 2009, the carrying amount of the College's deposits, excluding \$20,579 of petty cash, totaled \$15,474,053 with a bank balance of \$15,474,053. The College's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Kirkwood Community College

Notes to Basic Financial Statements

**Note 2. Cash and Investments (Continued)**

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction the College will not be able to recover the value of its investments or collateral securities that are in the possession of another party. As of June 30, 2009 the College had \$702,263 in investments, excluding the Iowa Schools Joint Investment Trust, that are uninsured. The College invests in the Iowa Schools Joint Investment Trust, which is not subject to custodial credit risk categorization. The balance as of June 30, 2009 was \$16,895,499. The Trust is a Rule 2a7 type pool.

Discretely presented component units: As of June 30, 2009, the College's Foundations' cash balances and investments were as follows:

	<u>Fair Value</u>
Checking	\$ 582,534
Demand deposits	1,314,283
Money market funds	71,388
Certificates of deposit	48,061
Mutual funds, fixed income	5,946,163
Mutual funds, equity	7,349,469
Cash surrender value of life insurance	161,394
	<u>\$ 15,473,292</u>

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Foundations' investment policies do not limit investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

The only investments subject to interest rate risk are the certificates of deposit.

Investment type:	<u>Maturities</u>	<u>Fair Value</u>
Checking	N/A	\$ 582,534
Demand deposits	N/A	1,314,283
Money market funds	N/A	71,388
Mutual funds, fixed income	N/A	5,946,163
Mutual funds, equity	N/A	7,349,469
Cash surrender value of life insurance	N/A	161,394
Certificate of deposit- People's Bank	7/23/2009	30,061
Certificate of deposit- Goldman Sachs Bank	9/24/2009	18,000
		<u>\$ 15,473,292</u>

Kirkwood Community College

Notes to Basic Financial Statements

**Note 2. Cash and Investments (Continued)**

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investments held by the Foundations are not rated.

Concentration of credit risk: The Foundations' investment policies apply the prudent-person rule. Investments shall be made utilizing the judgment and care, under the circumstances then present, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investments, considering probable safety of their capital as well as the probable income to be derived. Investments in any one issuer that represent 5% or more of total Foundations investments are as follows:

Issuer	Investment Type	Reported Amount
PIMCO Moderate Duration Fund	Fixed Income Fund	\$ 5,945,335
American Euro Pacific Growth Fund #16	Equity Fund	1,132,038
Artisan Mid Cap Value Fund CI Inv	Equity Fund	718,274
Dodge and Cox Stock Fund	Equity Fund	1,297,551
Harbor Capital Appreciation Fund #12	Equity Fund	1,398,407
Rainier Core Equity Port Inst	Equity Fund	1,311,512
Thomburg Intl Value Fund I	Equity Fund	932,193
		<u>\$ 12,735,310</u>

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an Organization will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2009, the carrying amount of the Foundations' deposits totaled \$1,944,878 with a bank balance of \$1,911,851 and \$1,071,801 of the bank balances were uninsured and uncollateralized.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, an organization will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2009:

	Balance	Amount Covered by Insurance	Uninsured Uncollateralized
US Bank	\$ 13,365,722	\$ 500,000	\$ 12,865,722
Wells Fargo	49,359	49,359	-

Kirkwood Community College

Notes to Basic Financial Statements

**Note 3. Inventories**

The College's inventories as of June 30, 2009 consisted of the following:

Supplies and materials	\$ 374,006
Agricultural enterprises	195,775
Merchandise held for resale	1,388,884
	<u>\$ 1,958,665</u>

**Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	June 30, 2008 as Restated	Additions	Deletions and Transfers	June 30, 2009 Balance
Capital assets not being depreciated:				
Land	\$ 6,157,237	\$ -	\$ -	\$ 6,157,237
Construction in progress	26,640,292	33,034,490	16,460,239	43,214,543
<b>Total capital assets not being depreciated</b>	<u>32,797,529</u>	<u>33,034,490</u>	<u>16,460,239</u>	<u>49,371,780</u>
Capital assets being depreciated:				
Buildings	93,177,225	15,817,307	-	108,994,532
Improvements other than buildings	18,954,940	857,422	-	19,812,362
Equipment and vehicles	13,478,146	1,569,780	74,724	14,973,202
<b>Total capital assets being depreciated</b>	<u>125,610,311</u>	<u>18,244,509</u>	<u>74,724</u>	<u>143,780,096</u>
Less accumulated depreciation for:				
Buildings	39,875,601	2,965,296	-	42,840,897
Improvements other than buildings	5,230,208	458,194	-	5,688,402
Equipment and vehicles	9,586,912	1,186,228	21,236	10,751,904
<b>Total accumulated depreciation</b>	<u>54,692,721</u>	<u>4,609,718</u>	<u>21,236</u>	<u>59,281,203</u>
Total capital assets, being depreciated, net	<u>70,917,590</u>	<u>13,634,791</u>	<u>53,488</u>	<u>84,498,893</u>
<b>Capital assets, net</b>	<u>\$ 103,715,119</u>	<u>\$ 46,669,281</u>	<u>\$ 16,513,727</u>	<u>\$ 133,870,673</u>

Kirkwood Community College

Notes to Basic Financial Statements

**Note 5. Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	June 30, 2008	Additions	Reductions	June 30, 2009	Amounts Due Within 1 Year
Early retirement payable (Note 12)	\$ 453,368	\$ 801,592	\$ 453,368	\$ 801,592	\$ 801,592
Compensated absences	2,035,951	1,856,170	2,035,951	1,856,170	1,856,170
OPEB payable (Note 13)	-	2,522,248	322,185	2,200,063	-
Certificates payable	26,445,000	7,755,000	5,105,000	29,095,000	4,285,000
Capital lease payable	-	1,010,614	43,752	966,862	195,070
Capital loan notes	7,815,000	-	2,280,000	5,535,000	2,375,000
Bonds payable	20,400,000	-	2,220,000	18,180,000	2,310,000
Certificates of participation	-	26,070,000	-	26,070,000	-
<b>Total</b>	<b>\$ 57,149,319</b>	<b>\$ 40,015,624</b>	<b>\$ 12,460,256</b>	<b>\$ 84,704,687</b>	<b>\$ 11,822,832</b>

**Certificates payable:**

In accordance with agreements dated between December 1, 2001 and November 1, 2008, the College issued certificates totaling \$53,705,000 with interest rates ranging from 3.5% to 6.0% per annum. The debt was issued to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). The NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

Year ending June 30:	Principal	Interest	Total
2010	\$ 4,285,000	\$ 1,393,214	\$ 5,678,214
2011	4,040,000	1,196,106	5,236,106
2012	4,265,000	1,014,024	5,279,024
2013	3,665,000	818,919	4,483,919
2014	3,475,000	646,715	4,121,715
2015-2018	9,365,000	1,044,711	10,409,711
<b>Total</b>	<b>\$ 29,095,000</b>	<b>\$ 6,113,689</b>	<b>\$ 35,208,689</b>

Kirkwood Community College

Notes to Basic Financial Statements

**Note 5. Changes in Long-Term Liabilities (Continued)**

**Capital lease payable:**

The College has leased various copiers for use throughout the campus under two capital lease agreements. The interest rates on these leases are 6.64% and 8.68% compounded monthly. The net book value of the copiers was \$759,348 as of June 30, 2009. Details of the College's June 30, 2009 capital lease indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2010	\$ 195,070	\$ 58,041	\$ 253,111
2011	227,391	48,732	276,123
2012	243,685	32,438	276,123
2013	261,159	14,964	276,123
2014	39,557	2,037	41,594
	<u>\$ 966,862</u>	<u>\$ 156,212</u>	<u>\$ 1,123,074</u>

**Capital loan notes payable:**

The College has issued capital loan notes for the purchase and construction of College properties as allowed by Section 260C.19 of the Code of Iowa. Interest rates range from 2.8% to 5.0% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2012. Collateral on the capital loan notes payable is the underlying capital assets that the proceeds were used for. Details of the College's June 30, 2009 notes payable indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2010	\$ 2,375,000	\$ 210,618	\$ 2,585,618
2011	2,470,000	113,302	2,583,302
2012	690,000	10,695	700,695
	<u>\$ 5,535,000</u>	<u>\$ 334,615</u>	<u>\$ 5,869,615</u>

Kirkwood Community College

Notes to Basic Financial Statements

**Note 5. Changes in Long-Term Liabilities (Continued)**

**General obligation school bonds payable:**

The College has issued bonds for the construction and expansion of College facilities to accommodate anticipated enrollment growth. Interest rates range from 3.7% to 3.75% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2016. Collateral on the general obligation bonds payable is the underlying capital assets that the proceeds were used for. Details of the College's June 30, 2009 bonds payable indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2010	\$ 2,310,000	\$ 674,910	\$ 2,984,910
2011	2,405,000	589,440	2,994,440
2012	2,500,000	500,455	3,000,455
2013	2,600,000	407,955	3,007,955
2014	2,565,000	311,755	2,876,755
2015-2016	5,800,000	325,600	6,125,600
	<u>\$ 18,180,000</u>	<u>\$ 2,810,115</u>	<u>\$ 20,990,115</u>

**Certificates of participation:**

The College has issued certificates of participation for the construction and expansion of College facilities to accommodate anticipated enrollment growth and expand the lodging management, restaurant management and culinary arts programs. Interest rates range from 5% to 5.13% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2029. Collateral on the certificates of participation is the underlying capital assets that the proceeds were used for. Details of the College's June 30, 2009 certificates of participation are as follows:

	Principal	Interest	Total
Year ending June 30:			
2010	\$ -	\$ 1,615,533	\$ 1,615,533
2011	-	1,301,838	1,301,838
2012	6,295,000	1,150,088	7,445,088
2013	235,000	993,838	1,228,838
2014	240,000	984,637	1,224,637
2015-2019	1,365,000	4,770,831	6,135,831
2020-2024	1,705,000	4,424,375	6,129,375
2025-2029	16,230,000	3,596,375	19,826,375
	<u>\$ 26,070,000</u>	<u>\$ 18,837,515</u>	<u>\$ 44,907,515</u>

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### Note 6. Operating Leases

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2010 and 2020 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects the leases will be renewed or replaced by other leases. The following is a schedule by year of future minimum rental payments required under operating leases which have initial non-cancelable lease terms in excess of one year as of June 30, 2009:

Year ending June 30:	
2010	\$ 402,081
2011	333,784
2012	230,521
2013	170,693
2014	144,274
2015-2019	212,466
2020	46,393
	<u>\$ 1,540,212</u>

Rents for the year ended June 30, 2009 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$254,411.

#### Note 7. Iowa Public Employees Retirement System (IPERS)

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

Plan members are required to contribute 4.10% of their annual covered salary and the College is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$1,002,470, \$895,709 and \$828,012, respectively, equal to the required contributions for each year.

#### Note 8. Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF)

The College contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 4.10% and the College is required to contribute 6.35%. The College's and employee's required and actual contributions to TIAA-CREF for the year ended June 30, 2009 were \$1,907,384 and \$1,231,539, respectively.

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### Note 9. Risk Pool

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

The College's contributions to the risk-sharing pool are based upon the annual assessment. The College's total contributions to IMPACC for the year ended June 30, 2009 were \$1,448,406.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self-insured retention of \$200,000 per property/liability, \$100,000 for error/omissions and \$200,000 for workers' compensation. The policy limit per occurrence is \$800,000 for property/liability, \$900,000 for errors/omissions and \$150,000 for workers' compensation. Excess insurance for workers' compensation is for statutory limits. Excess for all other lines is \$10,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention of up to \$50,000,000 for boiler and machinery, \$1,000,000 for crime, \$2,000,000 for crime related to IMPACC and up to \$250,000,000 for other property. Stop gap loss protection is provided above the member's loss fund.

In the event any claim or series of claims exceed the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The College does not report a liability for losses in excess of reinsurance unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2009, no liability has been recorded by the College. Settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

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

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

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### **Note 10. Metro Interagency Insurance Program**

The College is a member of a joint venture with five other local government units. The joint venture, the Metro Interagency Insurance Program (MIIP), was incorporated in 1990 under a joint powers agreement in accordance with Chapter 28E of the Code of Iowa. The program provides services necessary and appropriate for the establishment, operation and maintenance of an insurance program for employee health and medical claims. MIIP is not intended to function as an insurance company for the participants. Rather, it is a means of combining the administration of claims and of obtaining lower insurance rates. Although premiums billed to the participants are determined on an actuarial basis, ultimate liability for claims remains with the respective participant, and accordingly, the insurance risks are not transferred to MIIP. In the event that a member withdraws from MIIP, the withdrawn member continues to be responsible for its share of cost arising from events occurring while it was a participating member. If the withdrawn member at any time has a negative equity balance, the withdrawn member is immediately liable and obligated to MIIP for that amount. The College does not report a liability for loss in excess of the contribution amount unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2009, no liability has been recorded by the College. The College's contribution to the program for the year ended June 30, 2009 was \$5,630,658. MIIP issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Metro Interagency Insurance Program, 1120 33<sup>rd</sup> Avenue SW, Cedar Rapids, Iowa 52404.

#### **Note 11. New Jobs Training Programs**

Kirkwood Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area X in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the case of default, from standby property taxes. Since inception, the Community College has administered 376 projects, with 77 currently receiving project funding. The remaining 299 projects have been completed, of which 43 are in the repayment process and 256 have been fully repaid.

#### **Note 12. Early Retirement and Contingent Liability**

Full-time certified staff who are at least 55 years of age with 10 or more years of consecutive service with Kirkwood Community College are eligible for early retirement remuneration. Retirement will begin at the end of the employee's contract. A staff member who accepts early retirement will receive cash benefits on the date of termination and January 15 of the following calendar year.

An employee approved for participation in the program would have received an early retirement incentive cash severance amount of 5% per each year of service, not to exceed 100% of base salary. The severance will be paid 50% on retirement and 50% the following January 15<sup>th</sup>.

The liability as of June 30, 2009 for the 17 employees who have elected early retirement during fiscal year 2009 was \$801,592. Early retirement is funded on a pay-as-you-go basis through property tax levies. The College's early retirement cost for the year ended June 30, 2009 was \$1,260,015.

As of June 30, 2009, the potential liability, if all eligible employees accepted early retirement, is approximately \$13,399,841.

Kirkwood Community College

Notes to Basic Financial Statements

**Note 13. Postemployment Medical Benefit Plan**

Plan description: The College sponsors a single-employer other postemployment benefit plan that provides medical benefits to all active (718) and retired employees (84) and their eligible dependents (16). All full-time or regular part-time administrator, faculty, professional service or support staff employees are eligible to participate in the plan. The employee must have terminated service with the College through voluntary early retirement after the age of 55 and have worked for the College for the most recent 10 consecutive years of service.

Medical benefit: The medical benefit is a self-funded medical plan administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical benefit as active employees which results in an implicit subsidy and OPEB liability.

Funding policy: The College establishes and amends contribution requirements. The College pays the single retiree premium until age 65; eligible spouses and dependents are required to contribute 100% of the premium.

The current funding policy of the College is to fund benefits on a pay-as-you-go basis. This arrangement does not qualify as other postemployment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting.

Annual OPEB Cost and Net OPEB Obligation: The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the College's annual OPEB obligation:

Annual required contribution	\$ 2,522,248
Contributions and payments made	<u>322,185</u>
Increase in net OPEB obligation	2,200,063
Net OPEB obligation - July 1, 2008	<u>-</u>
Net OPEB obligation - June 30, 2009	<u><u>\$ 2,200,063</u></u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 follows. This is the transition year of GASB Statement No. 45.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 2,522,248	12.77%	\$ 2,200,063

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### **Note 13. Postemployment Medical Benefit Plan (Continued)**

Funded status and funding progress: As of June 30, 2008, the most recent actuarial valuation date, the plan was 0% funded. The College's actuarial accrued liability for benefits was \$33,475,313 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$33,475,313.

Actuarial estimates of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the frozen entry age actuarial cost method was used. The actuarial assumptions included a 5% discount rate and an annual health care cost trend rate of 6%. The UAAL is being amortized as a level dollar amount. The amortization of UAAL is done over a period of 30 years.

#### **Note 14. Related Party Transactions**

The Kirkwood Community College Foundation and the Kirkwood Facilities Foundation provide services for the benefit of the College. In return, the College has provided the Foundation with certain staff, facilities and insurance coverage for its operations without charge. The College received contributions from the Foundations for facilities additions and equipment, scholarships and various amounts for programs conducted by the College, reimbursement for custodial services, and pledged funds for capital improvement projects, totaling \$3,932,274 for the year ended June 30, 2009. The College has recorded a receivable from the Foundation of \$1,278,639 as of June 30, 2009. This amount differs from the Foundations' due to primary government payable of \$860,919 due to payments in transit at year-end.

The Foundations received contributions of \$841,426 from Kirkwood Community College during the year ended June 30, 2009.

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### Note 15. New and Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several Statements that became effective and were implemented by the College in the current year.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, of applicable required supplementary information in the financial reports. (See Note 13.)

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the College to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. The College's financial statements were not affected by the adoption of GASB Statement No. 49.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement established consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The College's financial statements were not affected by the adoption of GASB Statement No. 52.

The GASB has issued several Statements not yet implemented by the College. The Statements which might impact the College are as follows:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the College beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the College beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

The College's management has not yet determined the effect these Statements will have on the College's financial statements.

## Kirkwood Community College

### Notes to Basic Financial Statements

#### Note 16. Commitments, Contingencies and Subsequent Events

As of June 30, 2009, the College had construction commitments of approximately \$12,000,000 to complete the hotel and approximately \$1,000,000 to complete the Jones Regional Education Center.

On December 1, 2009, the College issued \$10,000,000 of Kirkwood Hotel Capital Loan Notes at an interest rate ranging from 3% to 4%. The College also issued \$5,000,000 of Capital Loan Notes for other campus capital project use, at an interest rate ranging from 3% to 4%. \$4,940,000 of General Obligation Refunding Capital Loan Notes were issued at an interest rate ranging from 2% to 2.5%.

Also on December 1, 2009, the College issued \$2,075,000 of Industrial New Jobs Training Certificates at an interest rate ranging from 3% to 3.4%, and \$1,010,000 of taxable Industrial New Jobs Training Certificates at an interest rate ranging from 2.75% to 4.65%.

#### Note 17. Restatement

The College restated net assets for several items that required adjustment to previous years. These adjustments included student financial aid revenue and receivables, tuition revenue and receivables, capitalized interest and expense, accumulated depreciation and depreciation expense, contributed land and revenue, bond issuance and discount assets and expense, and bond premium liability and revenue.

The College corrected these errors effective July 1, 2008 as follows:

	Current Unrestricted	Current Restricted	Loan Funds	Plant Funds	Adjustments	Total
Net assets, beginning balance, as previously reported	\$ (2,602,786)	\$ (1,099,358)	\$ (568,326)	\$ (144,531,838)	\$ 55,264,533	\$ (93,537,775)
Restatement items:						
Revenue recognition, grants	81,082	(41,150)	-	-	-	39,932
Revenue recognition, tuition	578,455	-	-	-	-	578,455
Capitalized interest on construction projects	-	-	-	(70,659)	-	(70,659)
Depreciation	-	-	-	-	(571,812)	(571,812)
Contributed assets	-	-	-	(1,553,999)	-	(1,553,999)
Bond issuance and discount	-	(153,754)	-	(47,300)	-	(201,054)
Bond premium	-	3,937	-	14,470	-	18,407
	659,537	(190,967)	-	(1,657,488)	(571,812)	(1,760,730)
Net assets, beginning balance, as restated	\$ (1,943,249)	\$ (1,290,325)	\$ (568,326)	\$ (146,189,326)	\$ 54,692,721	\$ (95,298,505)

The Kirkwood Facilities Foundation restated their capital assets effective July 1, 2008 for an error in previous years. The restatement decreased capital assets by \$1,950,309 and decreased net assets by \$1,950,309.

Kirkwood Community College

Required Supplementary Information  
Postemployment Medical Benefit Plan  
Schedule of Funding Progress  
Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio
July 1, 2008	\$ -	\$ 33,475,313	\$ (33,475,313)	- %

Note: Fiscal year 2009 is the transition year for GASB Statement No. 45.

The information presented in the required supplementary information schedule was determined as part of the actuarial valuation as of July 1, 2008. Additional information follows:

- a. The cost method used to determine the ARC is the frozen entry age actuarial cost method.
- b. There are no plan assets.
- c. Economic assumptions are as follows: healthcare cost trend rates of 6%; discount rate of 5%.
- d. The amortization method is level dollar.

Kirkwood Community College

Required Supplementary Information  
 Budgetary Comparison Schedule of Expenditures  
 Year Ended June 30, 2009

Funds/Levy	Original Budget	Actual	Variance Between Actual and Amended Budget
Unrestricted	\$ 78,766,500	\$ 76,122,568	\$ 2,643,932
Restricted	28,888,000	22,918,282	5,969,718
Unemployment	60,000	34,635	25,365
Tort liability	293,000	288,809	4,191
Insurance	1,040,000	1,868,046	(828,046)
Early retirement	790,000	1,260,015	(470,015)
Equipment replacement	1,476,354	1,505,157	(28,803)
<b>Total restricted</b>	32,547,354	27,874,944	4,672,410
Plant	43,975,674	42,066,896	1,908,778
	\$ 155,289,528	\$ 146,064,408	\$ 9,225,120

See Note to Required Supplementary Information.

## Kirkwood Community College

### Note to Required Supplementary Information

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

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

For the year ended June 30, 2009, the College's total expenditures did not exceed the total amount budgeted.

A reconciliation of the budgetary comparison schedule of expenditures to generally accepted accounting principles of the United States of America (GAAP) is as follows:

Budgetary schedule of expenditures	\$ 146,064,408
Adjustment for GAAP	<u>(51,795,546)</u>
<b>Total GAAP expenditures</b>	<b><u><u>\$ 94,268,862</u></u></b>

Kirkwood Community College

Schedule of Net Assets

All Funds

June 30, 2009

	Current Funds	
	Unrestricted	Restricted
<b>Assets</b>		
Current Assets:		
Cash and pooled investments	\$ 4,767,595	\$ 23,821,156
Restricted pooled investments	14,094,691	-
Receivables:		
Accounts	7,458,499	-
Succeeding year property tax	6,241,177	4,593,320
Student loans	215,202	-
Due from other funds	37,937,430	559,305
Due from Kirkwood Community College Foundation	453,899	-
Due from Kirkwood Facilities Foundation	74,740	-
Due from other governments	11,812,609	-
Inventories	1,958,665	-
Prepaid expenses	163,934	-
<b>Total current assets</b>	<b>85,178,441</b>	<b>28,973,781</b>
Noncurrent Assets:		
Receivables:		
Iowa Industrial New Jobs Training Program	-	8,204,763
Student loans	1,481,461	-
Bond issuance costs	-	178,664
Capital assets, net of accumulated depreciation	-	-
<b>Total noncurrent assets</b>	<b>1,481,461</b>	<b>8,383,427</b>
<b>Total assets</b>	<b>\$ 86,659,902</b>	<b>\$ 37,357,208</b>

See Note to Other Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ 28,588,751
-	-	-	-	14,094,691
-	-	-	-	7,458,499
-	3,366,196	-	-	14,200,693
-	-	-	-	215,202
1,427,570	-	775,442	(40,699,747)	-
-	-	-	-	453,899
-	750,000	-	-	824,740
-	-	-	-	11,812,609
-	-	-	-	1,958,665
-	-	2,803	-	166,737
1,427,570	4,116,196	778,245	(40,699,747)	79,774,486
-	-	-	-	8,204,763
-	-	-	-	1,481,461
-	179,106	-	-	357,770
-	193,151,876	-	(59,281,203)	133,870,673
-	193,330,982	-	(59,281,203)	143,914,667
\$ 1,427,570	\$ 197,447,178	\$ 778,245	\$ (99,980,950)	\$ 223,689,153

Kirkwood Community College

Schedule of Net Assets (Continued)

All Funds

June 30, 2009

Liabilities and Net Assets	Current Funds	
	Unrestricted	Restricted
Liabilities:		
Current Liabilities:		
Checks in excess of bank balance	\$ 2,317,066	\$ -
Accounts payable	10,976,430	-
Salaries and benefits payable	3,070,061	-
Due to other funds	-	-
Interest payable	961,440	116,101
Deferred revenue:		
Succeeding year property tax	6,241,177	4,593,320
Other	5,980,017	1,824,950
Early retirement payable	801,592	-
Compensated absences	1,856,170	-
Certificates payable	-	4,285,000
Notes payable	2,375,000	-
Leasehold payable	195,070	-
Bonds payable	2,310,000	-
Deposits held in custody for others	16,340	-
<b>Total current liabilities</b>	<b>37,100,363</b>	<b>10,819,371</b>
Noncurrent liabilities:		
OPEB payable	-	2,200,063
Certificates payable	-	24,810,000
Notes payable	3,160,000	-
Leasehold payable	771,792	-
Bonds payable	15,870,000	-
Certificates of participation	26,070,000	-
Bond premium	-	3,095
Bond discount	-	(18,946)
U.S. government grants refundable	995	-
<b>Total noncurrent liabilities</b>	<b>45,872,787</b>	<b>26,994,212</b>
<b>Total liabilities</b>	<b>82,973,150</b>	<b>37,813,583</b>
Net Assets:		
Invested in capital assets, net of related debt	(36,657,171)	-
Restricted:		
Expendable:		
Cash reserve	-	621,989
Loans	-	-
Other	-	2,388,402
Unrestricted	40,343,923	(3,466,768)
<b>Total net assets</b>	<b>3,686,752</b>	<b>(456,377)</b>
<b>Total liabilities and net assets</b>	<b>\$ 86,659,902</b>	<b>\$ 37,357,206</b>

See Note to Other Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ 2,317,066
-	-	4,666	-	10,981,096
-	-	-	-	3,070,061
-	40,699,747	-	(40,699,747)	-
-	-	-	-	1,077,541
-	3,366,196	-	-	14,200,693
-	-	5,410	-	7,810,377
-	-	-	-	801,592
-	-	-	-	1,856,170
-	-	-	-	4,285,000
-	-	-	-	2,375,000
-	-	-	-	195,070
-	-	-	-	2,310,000
-	-	768,169	-	784,509
-	44,065,943	778,245	(40,699,747)	52,064,175
-	-	-	-	2,200,063
-	-	-	-	24,810,000
-	-	-	-	3,160,000
-	-	-	-	771,792
-	-	-	-	15,870,000
-	-	-	-	26,070,000
-	10,259	-	-	13,354
-	(329,120)	-	-	(348,066)
1,075,703	-	-	-	1,076,698
1,075,703	(318,861)	-	-	73,623,841
1,075,703	43,747,082	778,245	(40,699,747)	125,688,016
-	193,649,845	-	(59,281,203)	97,711,471
-	-	-	-	621,989
351,867	-	-	-	351,867
-	750,000	-	-	3,138,402
-	(40,699,747)	-	-	(3,822,592)
351,867	153,700,098	-	(59,281,203)	98,001,137
\$ 1,427,570	\$ 197,447,180	\$ 778,245	\$ (99,980,950)	\$ 223,689,153

Kirkwood Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances/Net Assets

All Funds

Year Ended June 30, 2009

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>Revenues:</b>			
General:			
State appropriations	\$ 28,164,603	\$ 5,219,790	\$ -
Tuition and fees	39,881,827	58,332	-
Property tax	3,319,244	4,602,079	-
Federal appropriations	2,258,737	25,394,756	-
Sales and services	1,077,884	1,113,755	-
Interest on investments	26,682	701,444	-
Interest on student loans	-	-	11,695
Iowa Industrial New Jobs Training Program	-	8,904,244	-
Increase in plant investment due to plant expenditures, including \$1,850,093 in current fund expenditures	-	-	-
Increase in plant investment due to retirement of debt	-	-	-
Miscellaneous	2,966,986	3,099,604	29,092
	<u>77,695,963</u>	<u>49,094,004</u>	<u>40,787</u>
Auxiliary enterprises:			
Tuition and fees	38,318	-	-
Federal appropriations	24,906	-	-
Sales and services	12,017,789	-	-
Interest on investments	59,077	-	-
Miscellaneous	186,781	-	-
	<u>12,326,871</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>			
Education and support:			
Liberal arts and sciences	21,264,698	618,727	-
Vocational technical	18,901,685	3,667,942	-
Adult education	8,872,157	3,692,073	-
Cooperative services	544,728	7,103,822	-
Administration	3,860,958	3,512,874	-
Student services	4,170,127	879,179	-
Learning resources	3,253,721	463,040	-
Physical plant	9,673,772	-	-
General institution	5,580,722	9,662,710	-
<b>Total education and support</b>	<u>76,122,568</u>	<u>29,600,367</u>	<u>-</u>
Auxiliary enterprises	11,817,598	-	-
Scholarships and grants	-	17,021,516	-
Loan cancellations and bad debts	-	-	210,639
Administrative and collection costs	-	-	46,607
Plant asset acquisitions	-	-	-
Retirement of indebtedness	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	1,452,386	-
Contributions and rent to component units	-	-	-
Loss on disposal of capital assets	-	-	-
Depreciation	-	-	-
<b>Total expenditures</b>	<u>87,940,166</u>	<u>48,074,269</u>	<u>257,246</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>2,082,668</u>	<u>1,019,735</u>	<u>(216,459)</u>
<b>Transfers:</b>			
Mandatory transfers	-	-	-
Nonmandatory transfers	(339,165)	(566,374)	-
	<u>(339,165)</u>	<u>(566,374)</u>	<u>-</u>
<b>Change in fund balances/net assets</b>	<u>1,743,503</u>	<u>453,361</u>	<u>(216,459)</u>
<b>Fund balances/net assets:</b>			
Beginning, as restated	1,943,249	1,290,325	568,326
Ending	<u>\$ 3,686,752</u>	<u>\$ 1,743,686</u>	<u>\$ 351,867</u>

See Note to Other Supplementary Information.

Unexpended	Plant Funds		Adjustments	Subtotal	Restricted	Total
	Retirement of Indebtedness	Investment in Plant			Other Postemployment Benefits	
\$ 1,833,330	\$ -	\$ -	\$ -	\$ 35,217,723	\$ -	\$ 35,217,723
			(17,021,516)	22,918,643	-	22,918,643
3,317,454	2,974,666	-	-	14,213,443	-	14,213,443
			-	27,653,493	-	27,653,493
1,080			-	2,192,719	-	2,192,719
508,869			-	1,236,995	-	1,236,995
			-	11,695	-	11,695
			-	8,904,244	-	8,904,244
			-	-	-	-
		34,818,760	(34,818,760)	-	-	-
		4,543,752	(4,543,752)	-	-	-
945,113			-	7,040,795	-	7,040,795
6,605,846	2,974,666	39,362,512	(56,384,028)	119,389,750	-	119,389,750
-	-	-	-	38,318	-	38,318
-	-	-	-	24,906	-	24,906
-	-	-	-	12,017,789	-	12,017,789
-	-	-	-	59,077	-	59,077
-	-	-	-	186,781	-	186,781
-	-	-	-	12,326,871	-	12,326,871
-	-	-	(240,808)	21,642,617	600,001	22,242,618
-	-	-	(678,791)	21,890,836	586,838	22,477,674
-	-	-	(268,196)	12,296,034	237,748	12,533,782
-	-	-	(6,021)	7,642,529	21,262	7,663,791
-	-	-	(42,677)	7,331,155	158,313	7,489,468
-	-	-	(109,317)	4,939,989	143,487	5,083,476
-	-	-	(429,861)	3,286,900	66,631	3,353,531
2,661,909	-	-	(529,662)	11,806,019	122,106	11,928,125
	-	-	(328,097)	14,915,335	263,677	15,179,012
2,661,909	-	-	(2,633,430)	105,751,414	2,200,063	107,951,477
-	-	-	(5,000)	11,812,598	-	11,812,598
-	-	-	(17,021,516)	-	-	-
-	-	-	-	210,639	-	210,639
-	-	-	-	46,607	-	46,607
32,968,667	-	-	(32,968,667)	-	-	-
-	4,543,752	-	(4,543,752)	-	-	-
-	-	74,724	(74,724)	-	-	-
-	1,892,568	-	-	3,344,954	-	3,344,954
-	-	-	841,426	841,426	-	841,426
-	-	-	399	399	-	399
-	-	-	4,609,718	4,609,718	-	4,609,718
35,630,576	6,436,320	74,724	(51,795,546)	126,617,755	2,200,063	128,817,818
(29,024,730)	(3,461,654)	39,287,788	(4,588,482)	5,098,866	(2,200,063)	2,898,803
(3,461,654)	3,461,654	-	-	-	-	-
784,805	-	(75,437)	-	(196,171)	-	(196,171)
(2,676,849)	3,461,654	(75,437)	-	(196,171)	-	(196,171)
(31,701,579)	-	39,212,351	(4,588,482)	4,902,695	(2,200,063)	2,702,632
10,729,500	-	135,459,826	(54,692,721)	95,298,505	-	95,298,505
\$ (20,972,079)	\$ -	\$ 174,672,177	\$ (59,281,203)	\$ 100,201,200	\$ (2,200,063)	\$ 98,001,137

Kirkwood Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Education and Support  
 Year Ended June 30, 2009

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
<b>Revenues:</b>				
State appropriations	\$ 11,673,209	\$ 10,598,579	\$ 5,498,012	\$ -
Tuition and fees	20,978,528	10,752,811	7,289,583	858,185
Property tax	-	-	-	-
Federal appropriations	10,095	965,340	358,853	-
Sales and services	294,250	19,169	77,805	-
Interest on investments	-	-	-	-
Miscellaneous	79,262	972,437	125,628	5,463
	33,035,344	23,308,336	13,349,881	863,648
Allocation of support services	2,979,192	2,795,396	1,364,166	-
<b>Total revenues</b>	<b>36,014,536</b>	<b>26,103,732</b>	<b>14,714,047</b>	<b>863,648</b>
<b>Expenditures:</b>				
Salaries and benefits	20,099,511	17,868,283	6,075,317	451,997
Services	169,285	243,650	1,828,220	23,790
Materials and supplies	462,296	552,136	762,888	56,322
Travel	473,853	248,425	131,223	12,619
Plant asset acquisitions	5,422	-	64,910	-
Miscellaneous	54,331	(10,809)	9,599	-
	21,264,698	18,901,685	8,872,157	544,728
Allocation of support services	11,075,555	10,392,268	5,071,477	-
<b>Total expenditures</b>	<b>32,340,253</b>	<b>29,293,953</b>	<b>13,943,634</b>	<b>544,728</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,674,283</b>	<b>(3,190,221)</b>	<b>770,413</b>	<b>318,920</b>
Transfers, nonmandatory transfers	-	-	299,507	-
<b>Change in fund balances/ net assets</b>	<b>\$ 3,674,283</b>	<b>\$ (3,190,221)</b>	<b>\$ 1,069,920</b>	<b>\$ 318,920</b>

Fund balances/net assets:  
 Beginning, as restated  
 Ending

See Note to Other Supplementary Information.

		Support				
General Administration	Student Services	Learning Resources	Physical Plant	General Institution	Education and Support Total	
\$ 32,397	\$ 59,102	\$ 2,267	\$ 301,037	\$ -	\$ 28,164,603	
-	2,720	-	-	-	39,881,827	
3,319,244	-	-	-	-	3,319,244	
581,081	334,988	8,380	-	-	2,258,737	
12,049	22,872	14,848	599,955	36,936	1,077,884	
26,682	-	-	-	-	26,682	
292,664	66,858	148,923	1,273,204	2,547	2,966,986	
4,264,117	486,540	174,418	2,174,196	39,483	77,695,963	
(4,264,117)	(486,540)	(174,418)	(2,174,196)	(39,483)	-	
-	-	-	-	-	77,695,963	
1,945,675	3,577,146	1,903,857	3,171,725	2,774,086	57,867,597	
1,212,623	176,194	76,027	5,113,073	2,109,789	10,952,651	
180,800	224,563	928,099	930,630	297,789	4,395,523	
128,982	46,339	7,485	9,896	102,591	1,161,413	
-	59,254	338,253	448,145	228,219	1,144,203	
392,878	86,631	-	303	68,248	601,181	
3,860,958	4,170,127	3,253,721	9,673,772	5,580,722	76,122,568	
(3,860,958)	(4,170,127)	(3,253,721)	(9,673,772)	(5,580,722)	-	
-	-	-	-	-	76,122,568	
-	-	-	-	-	1,573,395	
(82,488)	(641,535)	-	-	-	(424,516)	
\$ (82,488)	\$ (641,535)	\$ -	\$ -	\$ -	1,148,879	
					2,357,338	
					\$ 3,506,217	

Kirkwood Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Auxiliary Enterprises  
 Year Ended June 30, 2009

	Farm Lab	Bookstore	Day Care Center
<b>Revenues:</b>			
Tuition and fees	\$ -	\$ -	\$ -
Federal appropriations	-	-	24,906
Sales and services	422,821	8,135,978	530,338
Interest on investments	-	2,242	-
Miscellaneous	321	-	-
<b>Total revenues</b>	<b>423,142</b>	<b>8,138,220</b>	<b>555,244</b>
<b>Expenditures:</b>			
Salaries and benefits	14,774	686,589	707,848
Services	92,530	251,591	48,229
Materials and supplies	353,643	31,921	10,320
Travel	84	8,244	3,422
Plant asset acquisitions	-	-	-
Cost of goods sold	53,392	5,953,889	-
Miscellaneous	-	-	-
<b>Total expenditures</b>	<b>514,423</b>	<b>6,932,234</b>	<b>769,819</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(91,281)</b>	<b>1,205,986</b>	<b>(214,575)</b>
Transfers, nonmandatory transfers	-	(373,754)	50,000
<b>Change in fund balances/net assets</b>	<b>(91,281)</b>	<b>832,232</b>	<b>(164,575)</b>
<b>Fund balances/net assets:</b>			
Beginning	28,168	(887,673)	(82,995)
Ending	\$ (63,113)	\$ (55,441)	\$ (247,570)

See Note to Other Supplementary Information.

Other Vocational	Equestrian Center	Food Services	The Class Act	Workplace Development	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,318	\$ 38,318
-	-	-	-	-	-	24,906
539,233	254,072	598,092	143,214	523,979	870,062	12,017,789
-	-	-	-	56,835	-	59,077
-	50,000	-	-	-	136,460	186,781
<u>539,233</u>	<u>304,072</u>	<u>598,092</u>	<u>143,214</u>	<u>580,814</u>	<u>1,044,840</u>	<u>12,326,871</u>
377	179,928	318,855	30,307	-	665,216	2,603,894
24,811	10,756	2,101	15,887	-	610,522	1,056,427
73,482	12,215	34,875	19,142	-	208,621	744,219
2,282	2,167	1,641	-	-	176,270	194,110
-	-	-	-	-	5,000	5,000
-	46,725	304,139	122,404	-	148,579	6,629,128
498,865	-	-	-	-	85,955	584,820
<u>599,817</u>	<u>251,791</u>	<u>661,611</u>	<u>187,740</u>	<u>-</u>	<u>1,900,163</u>	<u>11,817,598</u>
(60,584)	52,281	(63,519)	(44,526)	580,814	(855,323)	509,273
16,670	-	(9,000)	-	(56,835)	458,270	85,351
(43,914)	52,281	(72,519)	(44,526)	523,979	(397,053)	594,624
(162,143)	46,628	102,563	(130,599)	-	671,962	(414,089)
<u>\$ (206,057)</u>	<u>\$ 98,909</u>	<u>\$ 30,044</u>	<u>\$ (175,125)</u>	<u>\$ 523,979</u>	<u>\$ 274,909</u>	<u>\$ 180,535</u>

Kirkwood Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances

Restricted Funds

Year Ended June 30, 2009

	Scholarships and Grants	Iowa Industrial New Jobs Training Program	Workforce Investment Act	Heritage Agency on Aging	Other Federal
<b>Revenues:</b>					
State appropriations	\$ 1,057,227	\$ -	\$ 44,344	\$ 926,803	\$ 62,842
Tuition and fees	-	-	-	-	-
Property tax	-	-	-	-	-
Federal appropriations	13,824,592	-	5,182,926	2,794,113	3,565,869
Sales and services	8,944	-	-	935,123	-
Interest on investments	-	696,291	-	1,695	-
Iowa Industrial New Jobs Training Program	-	8,904,244	-	-	-
Miscellaneous	2,131,467	(40,709)	(5,250)	43,384	24,500
<b>Total revenues</b>	<b>17,022,230</b>	<b>9,559,826</b>	<b>5,222,020</b>	<b>4,701,118</b>	<b>3,653,211</b>
<b>Expenditures:</b>					
Salaries and benefits	-	-	3,884,813	1,149,088	1,431,028
Services	-	5,481,571	802,167	3,327,722	1,489,308
Materials and supplies	-	-	178,609	78,907	96,269
Travel	-	-	46,486	48,846	425,731
Plant asset acquisitions	-	-	-	-	137,551
Interest on indebtedness	-	1,452,386	-	-	-
Miscellaneous	-	1,636,000	465,797	-	20,240
Federal Pell grant program	13,325,784	-	-	-	-
Federal supplemental educational opportunity grant	381,399	-	-	-	-
Iowa College Student Aid Commission	1,059,799	-	-	-	-
Other federal grants	119,250	-	-	-	-
Private scholarships	2,135,284	-	-	-	-
<b>Total expenditures</b>	<b>17,021,516</b>	<b>8,569,957</b>	<b>5,377,872</b>	<b>4,604,563</b>	<b>3,600,127</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>714</b>	<b>989,869</b>	<b>(155,852)</b>	<b>96,555</b>	<b>53,084</b>
Transfers, nonmandatory transfers	1,811	-	-	(96,848)	-
<b>Change in fund balances/ net assets</b>	<b>2,525</b>	<b>989,869</b>	<b>(155,852)</b>	<b>(293)</b>	<b>53,084</b>
<b>Fund balances/net assets:</b>					
Beginning, as restated	(12,754)	149,817	(83,312)	(55,482)	(108,335)
Ending	\$ (10,229)	\$ 1,139,686	\$ (239,164)	\$ (55,775)	\$ (55,251)

See Note to Other Supplementary Information.

State	Equipment Replacement	Tort Liability and Insurance	Early Retirement	Unemployment Compensation	Cash Reserve	Miscellaneous	Subtotal	Other Postemployment Benefits	Total
\$ 3,115,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,439	\$ 5,219,790	\$ -	\$ 5,219,790
1,056	-	-	-	-	-	57,276	58,332	-	58,332
-	1,474,405	1,272,716	1,794,868	60,090	-	-	4,602,079	-	4,602,079
18,186	-	-	-	-	-	9,070	25,394,756	-	25,394,756
4,683	-	-	-	-	-	165,005	1,113,755	-	1,113,755
-	-	-	-	-	-	3,458	701,444	-	701,444
-	-	-	-	-	-	-	8,904,244	-	8,904,244
106,373	101,488	-	-	-	-	738,351	3,099,604	-	3,099,604
3,245,433	1,575,893	1,272,716	1,794,868	60,090	-	986,599	49,094,004	-	49,094,004
1,292,341	-	-	1,260,015	34,635	-	434,471	9,486,391	2,200,063	11,686,454
1,010,648	1,770	2,156,855	-	-	-	276,245	14,546,286	-	14,546,286
435,613	1,296,872	-	-	-	-	75,829	2,162,099	-	2,162,099
33,867	-	-	-	-	-	56,464	611,394	-	611,394
216,482	206,515	-	-	-	-	32,732	593,280	-	593,280
-	-	-	-	-	-	-	1,452,386	-	1,452,386
7,650	-	-	-	-	-	71,230	2,200,917	-	2,200,917
-	-	-	-	-	-	-	13,325,784	-	13,325,784
-	-	-	-	-	-	-	381,399	-	381,399
-	-	-	-	-	-	-	1,059,799	-	1,059,799
-	-	-	-	-	-	-	119,250	-	119,250
-	-	-	-	-	-	-	2,135,284	-	2,135,284
2,996,601	1,505,157	2,156,855	1,260,015	34,635	-	946,971	48,074,269	2,200,063	50,274,332
248,832	70,736	(884,139)	534,853	25,455	-	39,628	1,019,735	(2,200,063)	(1,180,328)
(32,483)	-	-	-	-	-	(438,854)	(566,374)	-	(566,374)
216,349	70,736	(884,139)	534,853	25,455	-	(399,226)	453,361	(2,200,063)	(1,746,702)
(21,181)	374,856	72,964	(658)	48,306	621,989	304,115	1,290,325	-	1,290,325
\$ 195,168	\$ 445,592	\$ (811,175)	\$ 534,195	\$ 73,761	\$ 621,989	\$ (95,111)	\$ 1,743,686	\$ (2,200,063)	\$ (456,377)

Kirkwood Community College

Schedule of Changes in Deposits Held in Custody for Others  
 Agency Funds  
 Year Ended June 30, 2009

	Student Activities	Other Agency Programs
Balances, beginning of year	\$ 150,995	\$ 398,977
Additions:		
State appropriations	-	-
Federal appropriations	-	-
Sales and services	343	743,925
Interest on investments	-	-
Partnership loan program	-	887,131
Miscellaneous	133,029	905,365
Transfers	187,171	9,000
<b>Total additions</b>	<b>320,543</b>	<b>2,545,421</b>
Deductions:		
Salaries and benefits	215	67,230
Services	67,164	1,623,985
Materials and supplies	113,796	41,903
Travel	59,592	177,805
Cost of goods sold	2,497	25,169
Miscellaneous	64,583	555,423
<b>Total deductions</b>	<b>307,847</b>	<b>2,491,515</b>
Balance, end of year	<b>\$ 163,691</b>	<b>\$ 452,883</b>

See Note to Other Supplementary Information.

Retraining Program	Direct Loan Program	Community Colleges for International Development, Inc.	Total
\$ 163,473	\$ -	\$ 52,523	\$ 765,968
273,986	-	-	273,986
-	41,762,764	8,343,953	50,106,717
-	-	258,661	1,002,929
-	-	-	-
-	-	-	887,131
-	-	448,901	1,487,295
-	-	-	196,171
273,986	41,762,764	9,051,515	53,954,229
-	-	1,071,495	1,138,940
297,765	41,762,764	6,441,537	50,193,215
-	-	73,572	229,271
-	-	1,156,417	1,393,814
-	-	-	27,666
-	-	349,116	969,122
297,765	41,762,764	9,092,137	53,952,028
\$ 139,694	\$ -	\$ 11,901	\$ 768,169

## Kirkwood Community College

### Note to Other Supplementary Information

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

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

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

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

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

Restricted Other Postemployment Benefits – The Restricted Other Postemployment Benefits subgroup of the Restricted Fund is used to account for the actuarial determined liability and expenses related to the OPEB obligation under GASB Statement No. 45. See Note 13 of the notes to basic financial statements for more information.

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

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

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

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

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

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

Kirkwood Community College

Schedule of Credit and Contact Hour Enrollment  
Year Ended June 30, 2009

	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Category:						
Arts and sciences	194,919	-	194,919	3,262,952	-	3,262,952
Vocational education	147,598	-	147,598	3,014,541	-	3,014,541
Adult education/continuing education	-	-	-	1,043,749	439,222 *	1,482,971
	<u>342,517</u>	<u>-</u>	<u>342,517</u>	<u>7,321,242</u>	<u>439,222</u>	<u>7,760,464</u>

\*Includes 240 hour adjustment of 11,520 hours and 300 hour adjustment of 5,600 hours.

Kirkwood Community College

Schedule of Tax and Intergovernmental Revenues  
For the Last Nine Years

	2009	2008	2007
Local (property tax)	\$ 14,213,443	\$ 13,676,607	\$ 13,660,902
State	35,217,723	32,273,982	27,490,516
Federal	27,653,493	22,529,611	22,305,003
<b>Total</b>	<b>\$ 77,084,659</b>	<b>\$ 68,480,200</b>	<b>\$ 63,456,421</b>

2006	2005	2004	2003	2002	2001
\$ 2,568,795	\$ 9,680,332	\$ 9,684,349	\$ 9,333,736	\$ 8,222,098	\$ 7,297,130
25,915,880	22,463,115	22,800,650	22,279,884	23,189,485	24,073,488
22,116,516	23,118,975	21,248,789	18,923,851	14,713,276	11,662,597
<u>\$ 50,601,191</u>	<u>\$ 55,262,422</u>	<u>\$ 53,733,788</u>	<u>\$ 50,537,471</u>	<u>\$ 46,124,859</u>	<u>\$ 43,033,215</u>

Kirkwood Community College

Schedule of Current Fund Revenues by Source and Expenditures by Function  
For the Last Nine Years

	2009	2008	2007
<b>Revenues:</b>			
State appropriations	\$ 33,384,393	\$ 31,981,435	\$ 27,205,433
Tuition and fees	39,940,159	40,554,897	38,403,435
Property tax	7,921,323	7,447,646	7,424,645
Federal appropriations	27,653,493	22,529,611	22,282,011
Sales and services	2,191,639	2,197,490	2,223,437
Interest on investments	728,126	1,542,557	836,125
Iowa Industrial New Jobs Training Program	8,904,244	7,090,463	6,730,448
Auxiliary enterprises	12,326,871	14,255,095	10,610,667
Miscellaneous	6,066,590	12,563,084	4,276,507
	<u>\$ 139,116,838</u>	<u>\$ 140,162,278</u>	<u>\$ 119,992,708</u>
<b>Expenditures:</b>			
Liberal arts and sciences	\$ 21,883,425	\$ 20,182,685	\$ 19,474,466
Vocational technical	22,569,627	21,916,227	20,987,006
Adult education	12,564,230	12,754,415	12,083,618
Cooperative services	7,648,550	7,692,088	6,510,936
Administration	7,373,832	6,449,287	5,959,842
Student services	5,049,306	4,843,325	4,452,042
Learning resources	3,716,761	2,819,282	3,009,443
Physical plant	9,673,772	9,554,947	8,339,637
General institution	15,243,432	12,734,901	11,148,919
Auxiliary enterprises	11,817,598	10,486,620	10,176,203
Scholarships and grants	17,021,516	15,413,906	13,670,260
Interest on indebtedness	1,452,386	1,307,554	1,238,043
	<u>\$ 136,014,435</u>	<u>\$ 126,155,237</u>	<u>\$ 117,050,415</u>

	2006	2005	2004	2003	2002	2001
\$	25,638,680	\$ 22,463,115	\$ 22,183,697	\$ 21,995,627	\$ 22,466,332	\$ 24,073,488
	36,752,189	35,721,127	32,848,006	29,911,209	26,563,675	22,542,285
	6,583,697	6,748,392	6,796,528	6,494,286	5,478,585	4,634,255
	22,090,755	23,091,673	21,220,452	18,897,889	14,689,698	11,640,044
	1,873,393	1,637,166	1,695,418	1,411,115	1,946,954	1,727,559
	919,371	225,142	232,394	300,033	542,812	531,493
	3,862,336	3,769,596	6,113,743	7,503,336	7,410,910	7,887,905
	10,881,211	10,795,368	9,861,698	8,953,745	8,003,548	9,094,790
	3,761,062	4,433,201	3,454,293	3,316,778	2,467,016	2,304,935
\$	<u>112,362,694</u>	<u>\$ 108,884,780</u>	<u>\$ 104,406,229</u>	<u>\$ 98,784,018</u>	<u>\$ 89,569,530</u>	<u>\$ 84,436,754</u>
\$	17,946,972	\$ 16,473,191	\$ 15,116,294	\$ 13,098,399	\$ 12,078,393	\$ 11,558,091
	19,832,467	17,749,248	18,785,712	16,593,964	15,249,527	13,475,822
	11,505,437	11,021,620	8,659,955	7,793,787	7,950,952	8,003,366
	3,675,755	3,036,589	6,262,188	8,011,395	7,790,315	7,659,102
	5,568,530	5,799,867	4,562,206	4,506,549	7,247,323	3,695,904
	4,426,463	3,951,657	3,682,512	3,893,243	3,065,359	2,984,127
	3,311,387	2,784,817	2,368,509	2,704,787	2,328,594	2,408,505
	7,091,729	7,410,386	7,005,425	7,540,545	7,891,631	5,159,266
	10,507,101	10,476,619	8,875,303	8,864,895	8,551,203	8,071,915
	9,983,281	10,086,115	12,779,711	8,222,550	7,772,127	9,201,280
	13,068,240	14,141,826	13,448,214	11,893,670	9,155,009	7,471,812
	1,321,131	1,472,513	1,791,281	2,000,563	2,269,568	2,416,969
\$	<u>108,238,493</u>	<u>\$ 104,404,448</u>	<u>\$ 103,337,310</u>	<u>\$ 95,124,347</u>	<u>\$ 91,350,001</u>	<u>\$ 82,106,159</u>

Kirkwood Community College

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans and New Loan Guarantees
<b>U.S. Department of Agriculture:</b>				
Indirect through Iowa Department of Education:				
Child and Adult Care Food Program	10.558	N/A	\$ 25,444	\$ -
Team Nutrition Grants	10.574	N/A	771	-
<b>Total U.S. Department of Agriculture</b>			26,215	-
<b>U.S. Department of Commerce:</b>				
Indirect through Linn County:				
Public Telecommunications Facilities Planning and Construction	11.550	N/A	9,070	-
<b>U.S. Department of Housing and Urban Development:</b>				
Indirect through Linn County:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	6,118	-
Indirect through Johnson County:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	44,343	-
<b>Total U.S. Department of Housing and Urban Development</b>			50,461	-
<b>U.S. Department of Justice:</b>				
Indirect through Governor's Office of Drug Control Policy:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	25,000	-
<b>U.S. Department of Labor:</b>				
Indirect through Iowa Workforce Development:				
Unemployment Insurance	17.225	7-W-10-FR-0	25,400	-
Trade Adjustment Assistance	17.245	7-W-10-FR-0	2,498	-
WIA Pilots, Demonstrations and Research Projects	17.261	7-W-10-FR-0	4,378	-
Incentive Grants - WIA Section 503	17.267	7-W-10-FR-0	26,273	-
			\$ 58,549	\$ -

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans and New Loan Guarantees
Indirect through Iowa Workforce Development:				
Employment Service/Wagner Peysner Funded Activities	17.207	7-W-10-FR-0	\$ 33,386	\$ -
Disabled Veterans' Outreach Program (DVOP)	17.801	7-W-10-FR-0	4,278	-
Local Veterans' Employment Representative Program	17.804	7-W-10-FR-0	1,706	-
Indirect through Office of the Assistant Secretary for Veterans Employment and Training, Local Veterans' Employment Representative Program				
	17.804	N/A	3,458	-
<b>Total Employment Service Cluster</b>			<b>42,828</b>	<b>-</b>
Indirect through Iowa Workforce Development: Non-ARRA Workforce Investment Act (WIA):				
Adult Program	17.258	7-W-10-FR-0	170,651	-
Youth Activities	17.259	7-W-10-FR-0	394,227	-
Dislocated Workers	17.260	7-W-10-FR-0	607,986	-
Dislocated Workers - NEG	17.260	7-W-10-FR-0	3,066,431	-
<b>Total Non-ARRA Workforce Investment Act Cluster</b>			<b>4,239,295</b>	<b>-</b>
ARRA Workforce Investment Act (WIA):				
ARRA - Adult Program	17.258	7-W-10-FR-0	1,812	-
ARRA - Youth Activities	17.259	7-W-10-FR-0	63,130	-
ARRA - Dislocated Workers	17.260	7-W-10-FR-0	20,224	-
<b>Total ARRA Workforce Investment Act Cluster</b>			<b>85,166</b>	<b>-</b>
<b>Total Workforce Investment Act</b>			<b>4,324,461</b>	<b>-</b>
Indirect through Iowa Department of Education:				
Incentive Grants - WIA Section 503	17.267	N/A	52,991	-
Mine Health and Safety Grant	17.600	N/A	5,925	-
			<b>58,916</b>	<b>-</b>
Indirect through Occupational Safety and Health:				
OSHA Susan Harwood C-DUST	17.502	N/A	73,810	-
<b>Total U.S. Department of Labor</b>			<b>4,558,564</b>	<b>-</b>
<b>U.S. Department of State:</b>				
Direct:				
Community College Summit Initiative Program	19.000	N/A	8,444,869	-
Community College Summit Initiative Program	19.009	N/A	142,445	-
<b>Total U.S. Department of State</b>			<b>8,587,314</b>	<b>-</b>
<b>National Science Foundation:</b>				
Direct, Education and Human Resources	47.076	N/A	905,566	-
<b>U.S. Small Business Administration:</b>				
Direct, Mass Fatalities Response Training for Funeral Service Directors	59.000	N/A	173,883	-
Indirect through Iowa State University:				
Small Business Development Center	59.037	N/A	158,856	-
<b>Total U.S. Small Business Administration</b>			<b>\$ 332,739</b>	<b>\$ -</b>

Kirkwood Community College

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans and New Loan Guarantees
<b>Environmental Protection Agency:</b>				
Direct, Wastewater Operator Training Grant Program (Technical Assistance)	66.467		\$ 19,574	\$ -
<b>U.S. Department of Education</b>				
Direct:				
Federal Supplemental Educational Opportunity Grants	84.007		381,369	-
Federal Work-Study Program	84.033		426,275	-
Federal Perkins Loan	84.038		-	570,427
Federal Pell Grant Program	84.063		13,325,784	-
Federal Direct Student Loans	84.268		-	41,762,764
Academic Competitiveness Grant (ACG)	84.375		119,250	-
<b>Total student financial assistance cluster</b>			14,252,678	42,333,191
Direct, TRIO - Student Support Services	84.042	N/A	268,796	-
Indirect through Iowa Department of Education:				
Adult Education, State Grant Program	84.002	N/A	374,679	-
Title I Program for Neglected and Delinquent Children	84.013	N/A	28,329	-
Career and Technical Education - Basic Grants to States	84.048	57-9910	796,409	-
Tech-Prep Education	84.243	57-9910	89,914	-
<b>Total U.S. Department of Education</b>			15,810,805	42,333,191
<b>U.S. Department of Health and Human Services:</b>				
Indirect through Iowa Department of Elder Affairs:				
Special Programs for the Aging-Title III Part D - Disease Prevention and Health Promotion Services	93.043	N/A	7,137	-
Special Programs for the Aging Cluster:				
Title III Part B - Grants for Supportive Services and Senior Centers	93.044	N/A	415,718	-
Title III Part C - Nutrition Services	93.045	N/A	967,565	-
Nutrition Services Incentive Program	93.053	N/A	309,673	-
<b>Total Non-ARRA Special Programs for the Aging Cluster</b>			1,692,956	-
ARRA Special Programs for the Aging Cluster:				
ARRA - Aging Home Delivered Nutrition Services for States	93.705	N/A	35,752	-
ARRA - Aging Congregate Nutrition Services for States	93.707	N/A	51,011	-
<b>Total ARRA Special Programs for the Aging Cluster</b>			86,763	-
<b>Total Special Programs for the Aging Cluster</b>			1,779,719	-
National Family Caregiver Support	93.052	N/A	219,040	-
Medical Assistance Program	93.778	N/A	483,840	-
Special Program for the Aging - Title IV and Title II - Discretionary Projects	93.048	N/A	63,811	-
Social Services Block Grant	93.667	N/A	216,765	-
Health Care and Other Facilities	93.887	N/A	116,280	-
			\$ 1,099,736	\$ -

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans and New Loan Guarantees
Indirect through University of Iowa: Alzheimer's Disease Demonstration Grants to States	93.051	N/A	\$ 5,585	\$ -
Indirect through National Institute of Environmental Health Sciences: NIEHS Hazardous Waste Worker Health and Safety Training	93.142	N/A	1,006,493	-
Indirect through Iowa Workforce Development: Temporary Assistance for Needy Families	93.558	1-W-10-FR-0	804,690	-
<b>Total U.S. Department of Health and Human Services</b>			<b>4,703,360</b>	<b>-</b>
<b>U.S. Department of Homeland Security:</b>				
Direct:				
State and Local Homeland Security Training Program	97.005		33,767	-
Competitive Training Grants	97.068		1,183,064	-
<b>Total U.S. Department of Homeland Security</b>			<b>1,216,831</b>	<b>-</b>
<b>Total federal awards expended</b>			<b>\$ 36,245,499</b>	<b>\$ 42,333,191</b>

See Notes to Schedule of Expenditures of Federal Awards.

Kirkwood Community College

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 Kirkwood Community College and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2. Loans Outstanding**

As of June 30, 2009, Kirkwood Community College has Perkins Loan Program receivables of \$1,960,721.

In the current year, there was no federal capital contribution for the Federal Perkins Loan Program for Kirkwood Community College, and accordingly, there was no match.

**Note 3. Subrecipients**

Of the federal expenditures presented in the schedule, Kirkwood Community College provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community College Summit Initiative Program	19.000	\$ 7,613,195
Community College Summit Initiative Program	19.009	109,712
Special Programs for the Aging-Title III Part D - Disease Prevention and Health Promotion Services	93.043	7,137
Special Programs for the Aging Cluster:		
Title III Part B - Grants for Supportive Services and Senior Centers	93.044	157,863
Title III Part C - Nutrition Services	93.045	886,536
Nutrition Services Incentive Program	93.053	309,673
National Family Caregiver Support	93.052	76,214
ARRA - Aging Home Delivered Nutrition Services for States	93.705	35,752
ARRA - Aging Congregate Nutrition Services for States	93.707	51,011
Medical Assistance Program	93.778	364,980

Kirkwood Community College

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2009

Comment Number	Comment	Corrective Action Plan
<b>Statutory Reporting:</b>		
IV-I-08	Error in contact hours.	Uncorrected. See current year finding and corrective action plan at IV-I-09.

# McGladrey & Pullen

Certified Public Accountants

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

To the Board of Trustees  
Kirkwood Community College  
Cedar Rapids, Iowa

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of Kirkwood Community College as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 30, 2010. Our report was modified to refer to Note 13 and Note 17 of the financial statements for the implementation of a new accounting standard and for a restatement to beginning net assets. 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.

The component units were audited in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Separate reports were issued for these component units. This report does not extend to those component units.

### **Internal Control over Financial Reporting**

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

Our consideration of 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 consider 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 09-II-A, 09-II-B, 09-II-C, 09-II-D, 09-II-E and 09-II-F to be significant deficiencies in internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider items 09-II-A and 09-II-E to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Kirkwood Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 09-II-G.

We also noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about Kirkwood Community College's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of Kirkwood Community College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

We noted certain matters that we reported to management of Kirkwood Community College in a separate letter dated March 30, 2010.

Kirkwood Community College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Kirkwood Community College's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
March 30, 2010

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees  
Kirkwood Community College  
Cedar Rapids, Iowa

### Compliance

We have audited the compliance of Kirkwood Community 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, 2009. Kirkwood Community 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 each of its major federal programs is the responsibility of Kirkwood Community College's management. Our responsibility is to express an opinion on Kirkwood Community 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 Kirkwood Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Kirkwood Community College's compliance with those requirements.

In our opinion, Kirkwood Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that 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 09-III-B, 09-III-C, 09-III-D, 09-III-E and 09-III-F.

## Internal Control Over Compliance

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Kirkwood Community College's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Kirkwood Community College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
March 30, 2010

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- ◆ Material weakness(es) identified?  Yes  No
- ◆ Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

- ◆ Material weakness(es) identified?  Yes  No
- ◆ Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  No

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  No

Identification of major programs:

CFDA Number	Name of Federal Program
	Workforce Investment Act (WIA):
17.258	Adult Program
17.259	Youth Activities
17.260	Dislocated Workers
17.260	Dislocated Workers - NEG
	ARRA – Workforce Investment Act (WIA):
17.258	ARRA – Adult Program
17.259	ARRA – Youth Activities
17.260	ARRA – Dislocated Workers
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grant (ACG)

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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CFDA Number	Name of Federal Program
	Special Program for the Aging Cluster:
93.044	Title III Part B – Grants for Supportive Services and Senior Centers
93.045	Title III Part C – Nutrition Services
93.053	Nutrition Services Incentive Program
	ARRA – Special Programs for the Aging Cluster:
93.705	ARRA – Aging Home Delivered Nutrition Services for States
93.707	ARRA – Aging Congregate Nutrition Services for States

Dollar threshold used to distinguish between  
type A and type B programs \$2,357,360

Auditee qualified as low-risk auditee?  Yes  No

**II. Findings Relating to the Financial Statement Audit as Reported in Accordance with Generally Accepted Government Auditing Standards**

**(A) Significant Deficiencies and Material Weaknesses in Internal Control**

**09-II-A**

Finding: Several account balances were misstated in prior years which resulted in a material error in the beginning net asset balance.

Condition: During the year-end audit, several items were noted that required adjustment to previous years. These adjustments included student financial assistance, revenue and receivables, tuition revenue and receivables, capitalized interest and expense, accumulated depreciation and depreciation expense, contributed land and revenue, bonds issuance and discount assets and expense and bond premium liability and revenue.

Context: The College is required under generally accepted accounting principles to record student financial assistance revenues and receivables in the year they are disbursed, adjust tuition revenues and receivables for deregistrations in the year they occur, capitalize interest on construction in process, wait to record depreciation on capital assets until they are placed in service, record contributed land and revenue from component units at the fair value of the land at the date of donation, capitalize and amortize bond issuance costs, discounts and premiums over the repayment period of the debt.

Effect: Prior year financial statements were restated to reflect the proper ending net asset balance.

Recommendation: The College should put proper controls in place to ensure the above items are recorded in accordance with generally accepted accounting principles.

Response and corrective action plan: Kirkwood acknowledges finding. The finding can be attributed to two major factors being a long-term relationship with the prior auditors and lack of staff expertise responsible for the daily accounting. The KCC audit had been performed by other auditors for 42 years. Due to lack of confidence in prior auditors, KCC solicited audit services and made the change to MP for the year ended June 30, 2009. In May 2009, the Controller position at KCC was turned over in order to bring in higher quality skills required to help transform the College's financial operations. KCC believes this finding is an isolated one time occurrence due to reliance placed on prior auditors.

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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**09-II-B**

Finding: The College has inadequate segregation of duties over the payroll transaction cycle.

Condition: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual shall handle a transaction from inception to completion. One individual has access to all aspects of the payroll function: entering time from time cards, changing employee payroll details, preparing payroll journal entries, printing and mailing checks. There is no formal review of payroll journals or payroll registers. Payroll change reports are not generated or reviewed.

Context: Pervasive to payroll transactions.

Effect: Misappropriation of assets or an undetected error in the financial statements could occur.

Recommendation: The College should look for ways to strengthen internal controls by realigning or reassigning duties where practical. An individual who is independent of the payroll process but knowledgeable of the College's pay grades and employees should review payroll journals and payroll registers to verify that all payroll is authorized and all employees being paid are active employees. An independent individual should also review payroll change reports to verify that all payroll changes are authorized.

Response and corrective action plan: Kirkwood acknowledges finding. KCC began a lean process review of the payroll cycle in the summer of 2009. The process is coming to a completion at the end of March 2010 and process and control enhancements to the extent reasonable will be implemented by July 1, 2010.

**09-II-C**

Finding: The College has inadequate segregation of duties over the cash disbursements transaction cycle.

Condition: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual shall handle a transaction from inception to completion. The College has no formal purchasing policy in place and a lack of segregation of duties between the purchasing function and the receiving function. The person requesting the good or service typically picks the vendor and is also responsible for receiving the goods. There is no review of general ledger accounts inputted on requisition/reimbursement forms outside of department head. The Purchasing Coordinator and department heads are allowed to approve their own requisitions without additional approval. Accounts Payable has the ability to add vendors and make changes to master vendor files. There is no review of these types of changes. The College currently does not have a mechanism in place to track transactions with related parties.

Context: Pervasive to cash disbursement transactions.

Effect: Misappropriation of assets or an undetected error in the financial statements could occur.

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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Recommendation: The College should look for ways to strengthen internal controls by realigning or reassigning duties where practical. The College should establish a formal purchasing policy, review a vendor change report by an individual outside of Accounts Payable, and establish a mechanism to track transactions with related parties. A review of general ledger accounts inputted on requisitions/reimbursement forms should be completed by an individual in Business Services.

Response and corrective action plan: Kirkwood acknowledges finding. Under the direction of the College controller, a review of the purchasing function is currently in process. Responsibility for the purchasing function was moved from the Director of Auxiliary Services to the Controller on January 1, 2010. The current purchasing manager has elected early retirement and the controller is in the process of redefining the purchasing role and its relationship to the cash disbursements cycle. While maintaining appropriate segregation of duties, additional control procedures will be put in place prior to July 1, 2010.

**09-II-D**

Finding: The College has inadequate controls over journal entry posting.

Condition: Several individuals throughout Business Services Department have access to post journal entries. Journal entries are not approved on an individual basis with a review of the supporting documentation. At the end of the month, the Accounting Coordinator reviews and approves a month-end report of journal entries; however she also has rights to enter journal entries into the system. The Director of Business Services then approves the journal entries posted by the Accounting Coordinator. The College does not complete a formal month-end close in the general ledger system. Those with access to post journal entries can go back and post to a prior month during the fiscal year after the journal entry review has taken place. There is also one individual that prepares and posts the initial debt entries without review and there is no formal review of the related debt accounts after the entries are posted.

Context: Pervasive to all accounts.

Effect: Undetected errors in the financial statements could occur.

Recommendation: We recommend that an individual independent of posting journal entries review journal entries and their supporting documentation for reasonableness and accuracy on a timely basis. We also recommend that the College complete a formal month-end close in the general ledger system to ensure financial activity is accurate and not modified after reviews. The College should also implement reviews of debt entries and debt statements by an individual independent of the current debt process to ensure proper balances are reported on the financial statements.

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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Response and corrective action plan: Kirkwood acknowledges finding. The College controller completed a lean process review of the accounting process with primary focus on the cash and collections functions. The current accounting manager has elected early retirement and the controller is in the process of redefining the general ledger accounting role. In addition, the built in Datatel system controls related to journal entry control are in the process of being reviewed and a determination will be made to what extent they can reasonably be implemented prior to July 1, 2010.

09-II-E

Finding: The post closing and financial reporting system did not identify material adjustments needed to comply with accounting principles generally accepted in the United States of America.

Condition: A system of financial reporting should address all major account balances to ensure all adjustments are made to balances at year-end. During our audit, several adjustments were required to be made to the trial balance in order to comply with accounting principles generally accepted in the United States of America. The significant adjustments are as follows: capital asset adjustments, recording construction and retainage payables, property taxes receivable and deferred revenue were not recorded, other postemployment benefits liability and expense was not recorded, student receivables and revenue were not adjusted for deregistrations, an allowance for doubtful accounts was not recorded, federal receivables and revenue were not properly recorded, and a pledge from a component unit was not recorded as a receivable or revenue.

Context: Pervasive to the financial statements as a whole.

Effect: Material misstatement of the financial statements could occur.

Recommendation: Given these items are more complex in nature, we recommend the College look for ways to improve its financial reporting system by assigning reconciliations and reviews to various individuals. We also recommend extending the time period accounts payable is left open after year-end to record payables.

Response and corrective action plan: Kirkwood acknowledges finding. The finding can be attributed to two major factors being a long term relationship with the prior auditors and lack of staff expertise responsible for the daily accounting. The KCC audit had been performed by other auditors for 42 years. Due to lack of confidence in prior auditors, KCC solicited audit services and made the change to MP for the year ended June 30, 2009. In May 2009, the Controller position at KCC was turned over in order to bring in higher quality skills required to help transform the College's financial operations. KCC believes this finding is an isolated one time occurrence due to reliance placed on prior auditors.

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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09-II-F

Finding: The College has an inadequate segregation of duties over the cash receipts cycle.

Condition: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual shall handle a transaction from inception to completion. The College's cashiers open their cash drawer and session each day, receive payments, prepare the deposits, count the drawers at the end of the day and balance their own transactions. In addition they have physical access of the cash as it's transferred to the vault in their cash cart.

Context: Pervasive to the cash receipts transactions.

Effect: Misappropriation of assets or an undetected error in the financial statements could occur.

Recommendation: We recommend the College look for ways to strengthen internal controls by realigning or reassigning duties where practical.

Response and corrective action plan: Kirkwood acknowledges finding. The College controller completed a lean process review of the accounting process with primary focus on the cash and collections functions. The current accounting manager has elected early retirement and the controller is in the process of redefining the general ledger accounting role. In addition, the built in Datatel system controls related to journal entry control are in the process of being reviewed and a determination will be made to what extent they can reasonably be implemented prior to July 1, 2010.

(B) Compliance Findings

09-II-G

Finding: Arbitrage calculations were not performed.

Condition: During the year-end audit it was determined that arbitrage calculations had not been performed for the 1998 and 1999 capital loan notes.

Criteria: IRS regulations require arbitrage calculations to be performed for tax-exempt obligations.

Questioned costs: Undetermined.

Effect: Noncompliance with IRS regulations.

Recommendation: We recommend that a monitoring system is put in place to ensure the arbitrage calculations are performed as required.

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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Response and corrective action plan: Kirkwood acknowledges finding. The finding can be attributed to two major factors being a long-term relationship with the prior auditors and lack of staff expertise responsible for the daily accounting. The KCC audit had been performed by other auditors for 42 years. Due to lack of confidence in prior auditors, KCC solicited audit services and made the change to MP for the year ended June 30, 2009. In May 2009, the Controller position at KCC was turned over in order to bring in higher quality skills required to help transform the College's financial operations. KCC believes this finding is an isolated one time occurrence due to reliance placed on prior auditors.

III. Findings and Questioned Costs for Federal Awards

(A) Significant Deficiency in Internal Control

09-III-A

U.S. Department of Education  
Student Financial Assistance Program Cluster  
Federal Pell Grant Program (CFDA 84.063)  
Federal Direct Loan Program (CFDA 84.268)  
Academic Competiveness Grant (CFDA 84.375)  
Federal Award Year: 2008-2009

Finding: The College has inadequate reconciliation procedures for the Common Origination and Disbursement (COD) system.

Condition: The College personnel are not reconciling the COD system during the fiscal year the transactions are recorded in. Transactions which are rejected by the COD system are not investigated until the reconciliation is performed after the fiscal year-end. This delay results in inappropriate financial award cut-off at year-end.

Context: Errors in cut-off were not discovered until problems were discovered during the audit process.

Effect: Proper cut-off was obtained through audit adjustments not client reconciliation procedures.

Recommendation: The College should implement monthly reconciliation procedures. Any rejected transactions can then be investigated and resubmitted in a timely manner to prevent financial award cut-off issues at year-end.

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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Response and corrective action plan: Kirkwood acknowledges finding. The finding can be attributed to two major factors being a long term relationship with the prior auditors and lack of staff expertise responsible for the daily accounting. The KCC audit had been performed by other auditors for 42 years. Due to lack of confidence in prior auditors, KCC solicited audit services and made the change to MP for the year ended June 30, 2009. In May 2009, the Controller position at KCC was turned over in order to bring in higher quality skills required to help transform the College's financial operations. The College will implement a monthly reconciliation process effective July 1, 2010. In addition, the College accounting services has begun working closer with the financial aid department and monitoring their work.

(B) Compliance Findings

09-III-B

U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Supplemental Educational Opportunity Grants (CFDA 84.007)  
Federal Work-Study Program (CFDA 84.033)  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Pell Grant Program (CFDA 84.063)  
Federal Direct Loan Program (CFDA 84.268)  
Academic Competiveness Grant (CFDA 84.375)  
Federal Award Year: 2008-2009

Finding: The College incorrectly calculated Federal Student Aid refunds for students that withdrew in the fall and spring semesters prior to the 60% point.

Condition: The College incorrectly calculated Federal Student Aid refunds for students that withdrew in the fall and spring semesters. During the review of Federal Student Aid refunds, it was discovered that twelve of the twenty-three students tested that had withdrawn from the College had incorrect fall or spring semester refund calculations. The College did not account for the scheduled break of five days or more when determining the number of days in the fall or spring semesters. The errors occurred due to inaccurate parameters being set up in Datatel.

Criteria: The Department of Education requires colleges who disburse Federal Student Aid to calculate refunds in accordance with Higher Education Act, Section 484B, 34 CFR 668.22.

Questioned costs: The total calculated refund by the College for the twelve students who had incorrect refunds totaled \$8,321. The actual amount that should have been refunded was \$8,044. Therefore, the College in total returned excess funds of \$277.

Effect: Noncompliance with federal compliance requirements.

Prevalence: The College incorrectly calculated Federal Student Aid fall and spring semester refunds for all students who withdrew prior to the 60% point of the term.

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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Recommendation: We recommend that the College verify the calculations periodically throughout the year and that the parameters set in Datatel are reviewed prior to the start of each term.

Response and corrective action plan: Kirkwood acknowledges finding. The finding can be attributed to two major factors being a long term relationship with the prior auditors and lack of staff expertise responsible for the daily accounting. The KCC audit had been performed by other auditors for 42 years. Due to lack of confidence in prior auditors, KCC solicited audit services and made the change to MP for the year ended June 30, 2009. In May 2009, the Controller position at KCC was turned over in order to bring in higher quality skills required to help transform the College's financial operations. The College will implement a monthly reconciliation process effective July 1, 2010. In addition, the College accounting services has begun working closer with the financial aid department and monitoring their work. They will also be reviewing the parameters set up in the system prior to the first refund being calculated each term.

09-III-C

U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Supplemental Educational Opportunity Grants (CFDA 84.007)  
Federal Work-Study Program (CFDA 84.033)  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Pell Grant Program (CFDA 84.063)  
Federal Direct Loan Program (CFDA 84.268)  
Academic Competiveness Grant (CFDA 84.375)  
Federal Award Year: 2008-2009

Finding: The College incorrectly calculated Federal Student Aid refunds for a student who withdrew.

Condition: The College used an unaccepted aid award letter to calculate the refund necessary upon withdrawal of the student which resulted in an incorrect amount of funds returned on behalf of this student.

Criteria: The Department of Education requires colleges who disburse Federal Student Aid to calculate refunds in accordance with Higher Education Act, Section 484B, 34 CFR 668.22.

Questioned costs: The total calculated refund by the College totaled \$185. The actual amount that should have been refunded was \$600 for a difference of \$415.

Effect: Noncompliance with federal compliance requirements.

Prevalence: One of 23 students selected for testing.

Recommendation: We recommend that the College use only signed award letters to calculate refunds.

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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Response and corrective action plan: Kirkwood acknowledges finding. The finding can be attributed to two major factors being a long term relationship with the prior auditors and lack of staff expertise responsible for the daily accounting. The KCC audit had been performed by other auditors for 42 years. Due to lack of confidence in prior auditors, KCC solicited audit services and made the change to MP for the year ended June 30, 2009. In May 2009, the Controller position at KCC was turned over in order to bring in higher quality skills required to help transform the College's financial operations. The College will implement a monthly reconciliation process effective July 1, 2010. In addition, the College accounting services has begun working closer with the financial aid department and monitoring their work. They will also be reviewing completed refund calculations on a test basis.

09-III-D

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2008-2009**

Finding: The College requested funds in excess of expenditures for the Federal Direct Loan program. The excess cash was not returned timely.

Condition: The College requested funds in excess of expenditures on two drawdown dates for the Federal Direct Loan program. The excess cash was not returned within seven days of receipt by the College. An accurate listing of expenses to date was not compared to the previous drawdown requests prior to these drawdowns.

Criteria: 34 CFR 668.166, the institution is responsible for eliminating its excess cash within seven days by disbursing funds to students for at least the amount of the excess cash balance.

Questioned costs: None.

Effect: Noncompliance with federal compliance requirements.

Prevalence: The College requested funds in excess of expenditures for two of twelve Federal Direct Loan program drawdown dates.

Recommendation: We recommend the College review funds previously drawn and compare to reconciled expenditures to ensure an excess cash position does not occur.

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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Response and corrective action plan: Kirkwood acknowledges finding. The finding can be attributed to two major factors being a long term relationship with the prior auditors and lack of staff expertise responsible for the daily accounting. The KCC audit had been performed by other auditors for 42 years. Due to lack of confidence in prior auditors, KCC solicited audit services and made the change to MP for the year ended June 30, 2009. In May 2009, the Controller position at KCC was turned over in order to bring in higher quality skills required to help transform the College's financial operations. The College will implement a monthly reconciliation process effective July 1, 2010. In addition, the College accounting services has begun working closer with the financial aid department and monitoring their work.

09-III-E

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Supplemental Educational Opportunity Grants (CFDA 84.007)  
Federal Work-Study Program (CFDA 84.033)  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Pell Grant Program (CFDA 84.063)  
Federal Direct Loan Program (CFDA 84.268)  
Academic Competiveness Grant (CFDA 84.375)  
Federal Award Year: 2008-2009**

Finding: The College was cited for various findings relating to fiscal administration, program eligibility, administrative capability, FFEL Program and institutional eligibility during a program review by the U.S. Department of Education.

Condition: The U.S. Department of Education conducted a financial monitoring review for the FY 2009 Student Financial Assistance Programs Cluster during the College's fiscal year ended June 30, 2009. The results of the review include findings related to fiscal administration, program eligibility, administrative capability, FFEL Program and institutional eligibility.

Criteria: Compliance requirements outlined in various Code of Federal Regulation guidelines.

Questioned costs: Undetermined.

Effect: Noncompliance with federal compliance requirements.

Prevalence: Pervasive to the Student Financial Aid Programs Cluster.

Recommendation: We recommend that the College review the relevant Code of Federal Regulation guidelines to ensure all federal programs are administered properly.

Response and corrective action plan: Kirkwood acknowledges finding. The College is in the process of responding to the DOE which will include specific action items for correction. The College does not agree with all comments made by the DOE and that will be addressed in the response to the DOE as well.

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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09-III-F

U.S. Department of Homeland Security  
Competitive Training Grants (CFDA 97.068)  
Federal Award Year: 2005-2006

Finding: The College was cited for various findings relating to cash management, policies and procedures, procurement records, accounting records and source documentation, and questioned grant expenditures during a program review by the Federal Emergency Management Agency (FEMA).

Condition: The Federal Emergency Agency conducted a financial monitoring review for the FY 2006 Competitive Training Grants Program during the College's fiscal year ended June 30, 2009. The results of the review included findings related to cash management, policies and procedures, procurement records, accounting records and source documentation and questioned grant expenditures.

Criteria: Compliance requirements outlined in various Code of Federal Regulation guidelines.

Questioned costs: \$36,556.

Effect: Noncompliance with federal compliance requirements.

Prevalence: Pervasive to the entire program.

Recommendation: We recommend that the College review the relevant Code of Federal Regulation guidelines to ensure all federal programs are administered properly.

Response and corrective action plan: Kirkwood acknowledges finding. The questioned costs were returned during the year to the granting agency. The College has begun an overall review of its grant management structure and process. New procedures and guidelines are expected prior to July 1, 2010.

IV. Other Findings Related to Required Statutory Reporting

IV-A-09 Certified Budget

Expenditures during the year ended June 30, 2009 did not exceed the amounts budgeted in total.

IV-B-09 Questionable Disbursements

No expenditures were noted that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 Travel Expense

No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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IV-D-09 Business Transactions

No business transactions between the College and College officials or employees were noted.

IV-E-09 Bond Coverage

Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-09 Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-09 Publication

The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

IV-H-09 Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted, with the following exception:

Finding: The College had funds at an institution which was not included in the bank depository resolution.

Recommendation: We recommend that the College establish procedures to ensure funds are not deposited in unapproved institutions.

Response: The College will review its depository institutions to ensure all are properly approved.

Conclusion: Response accepted.

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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IV-I-09 Credit and Contact Hours

Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College except for the error in contact hours, as shown below:

<u>Category</u>	<u>Contact Hours Reported</u>	<u>Total Per Supporting Documentation</u>	<u>Difference</u>
Adult/Continuing Education - Health Professions and Related Clinical Sciences	7	8	(1)

Recommendation: The College should verify that the number of contact hours reported for each non-credit course agrees to the class schedule.

Response: The College has established quarterly reviews of the contact hours which are being performed along with the MIS data reviews on a quarterly basis. All staff have been provided contact hour conversion sheets to use when setting up courses. The MIS data file is also reviewed by the Director of Operations before being sent to the state for processing.

Conclusion: Response accepted.

Kirkwood Community College

Corrective Action Plan  
Year Ended June 30, 2009

Comment Number	Comment	Corrective Action Plan	Contact Person	Initial Date of Communication	Anticipated Date of Completion
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Findings Relating to Financial Statement Audit:

Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting

09-II-A	Material error in beginning net asset balance	See corrective action plan at 09-II-A.	Jim Choate, CFO	June 2009	June 2010
09-II-B	Inadequate segregation of duties over the payroll cycle.	See corrective action plan at 09-II-B.	Jim Choate, CFO	June 2009	June 2010
09-II-C	Inadequate segregation of duties over the cash disbursements cycle.	See corrective action plan at 09-II-C.	Jim Choate, CFO	June 2009	June 2010
09-II-D	Inadequate controls over journal entries.	See corrective action plan at 09-II-D.	Jim Choate, CFO	June 2009	June 2010
09-II-E	Inadequate post closing and financial reporting process.	See corrective action plan at 09-II-E.	Jim Choate, CFO	June 2009	June 2010
09-II-F	Inadequate segregation of duties over cash receipts cycle.	See corrective action plan at 09-II-F.	Jim Choate, CFO	June 2009	June 2010

Compliance

09-II-G	Arbitrage calculations not performed.	See corrective action plan at 09-II-G.	Jim Choate, CFO	June 2009	June 2010
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Findings and Questioned Costs for Federal Awards:

Significant Deficiency in Internal Control over Federal Awards:

09-III-A	Timely reconciliation to COD system not completed.	See corrective action plan at 09-III-A.	Peg Julius Director of Enrollment Management	June 2009	June 2010
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**Compliance:**

09-III-B	Incorrect number of days used in Federal Student Aid refunds	See corrective action plan at 09-III-B.	Peg Julius Director of Enrollment Management	June 2009	June 2010
09-III-C	Incorrect amount of aid accepted used in Federal Student Aid refunds	See corrective action plan at 09-III-C.	Peg Julius Director of Enrollment Management	June 2009	June 2010
09-III-D	Excess cash was not returned or disbursed within seven days.	See corrective action plan at 09-III-D.	Peg Julius Director of Enrollment Management	June 2009	June 2010
09-III-E	U.S. Department of Education program review findings.	See corrective action plan at 09-III-E.	Peg Julius Director of Enrollment Management	June 2009	June 2010
09-III-F	FEMA Program review findings.	See corrective action plan at 09-III-F.	Peg Julius Director of Enrollment Management	June 2009	June 2010

**Statutory Reporting:**

IV-H-09	Funds deposited at an unapproved institution.	See corrective action plan at IV-H-09.	Jim Choate, CFO	June 2009	June 2010
IV-I-09	Error in contact hours.	See corrective action plan at IV-I-09.	Jim Choate, CFO	June 2009	June 2010

# McGladrey & Pullen

Certified Public Accountants

To the Board of Trustees and Management  
Kirkwood Community College  
Cedar Rapids, Iowa

In connection with our audit of the financial statements of Kirkwood Community College (the "College") as of and for the year ended June 30, 2009, we have identified deficiencies in internal control over financial reporting (control 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 financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We have separately communicated, to you and the Board of Trustees, identified deficiencies that we determined to be significant deficiencies or material weaknesses. Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within the College are not repeated herein.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

## **Allowance for Bad Debts**

We noted the following during our review of the allowance for bad debts:

- We noted the College did not prepare an analysis of the allowance for uncollectible accounts based on their prior experience which is a deviation of the College's policy.
- There was no documented basis for the percentages used to reserve bad debts.
- Bad debt write-offs are recorded against revenue from current period rather than bad debt expense.

We recommend the College prepare an analysis of the allowance for bad debt accounts on a regular basis. The analysis should consider historical data for collections in order to determine reasonable percentages for the calculation of the allowance. Additionally, we recommend the College record bad debt write-offs as an expense in the general ledger to allow for accurate financial statement presentation.

## **Bank Reconciliations**

The Accounting Coordinator of Business Services prepares monthly bank reconciliations as well as a roll forward of the book balance from one month to the next. The College's policy requires the Director of Business Services to review bank reconciliations. During our testing we noted only the roll forward of the book balance was reviewed. We recommend that the Director of Business Services review the monthly bank reconciliation of bank balance to book balance. This review would include a review of reconciling items for propriety.

## **Accrued Interest**

It was noted that the College does not record accrued interest on their economic development accounts at year end. We recommend that the College track and record interest receivables on all cash accounts to ensure that all accruals are recorded in accordance with generally accepted accounting principles.

## **Positive Pay**

The College set up positive pay during 2009. They have not designated a specific person to call if there is a problem. It is our understanding the bank typically calls Accounts Payable, the Accounting Supervisor or Enrollment Services when there are questions or issues which cause segregation of duties issues for the College. We recommend that the College designate an individual, who is independent of the Accounts Payable process, as the contact person for positive pay.

## **Capital Assets**

We noted that a process does not exist to test capital assets for impairment. Impairment exists when the carrying value of the asset exceeds the fair value. Capital assets should be tested for impairment on an annual basis. We recommend that a formal process is put into place to test capital assets for impairment.

## **Debt**

There is no reconciliation of debt statements to the general ledger except for work done by the auditors at year end. We further recommend the College implement a reconciliation of the debt statements to the general ledger as the statements are received.

## **Bookstore Deposits**

We noted that the daily deposit of bookstore cash receipts is kept on an individual's desk in the Bookstore Office when awaiting pick up from US Bank. We recommend that the daily deposit be kept locked at all times until picked up to avoid the potential for misappropriation of assets.

## **Access Rights**

A terminated employee with access rights to Colleague did not have log-in rights removed. We verified with Human Resources that the date of termination for this employee was February 6, 2009 and the employee still had log-in rights to Colleague as of the date of our testing which was June 12, 2009. Although department number was changed by Business Services for this terminated employee to 99999 since terminated employee cannot be completely removed from the system and this department code gives them no access to make journal entries, we were unable to site a date in the system when this change took place. We recommend a policy be established that communicates the departure of employees on a timely basis and specific communication be given to individuals who have the authority to change the access rights to reduce the risk of loss of data and misappropriation of assets.

The College utilizes a third-party service organization, Nelnet Business Solutions (NBS) to administer FACTS tuition payment plans. During our review of the service organization's report on internal controls, specifically the user control considerations, it was noted that the access rights for a former employee were not removed. We recommend a policy be established that ensures timely removal of access rights to all service organizations.

We noted that no one is reviewing the access rights changes made by the system administrators or application support personnel. We recommend that a person with knowledge of the system and the access requirements of financial positions review these changes on a periodic basis. This review should also look for access changes which have created potential segregation of duties issues.

### **260F Job Training Program**

We noted that there is currently no review of the journal entries to record the transactions relating to the 260F Job Training Program. During our testwork, we noted that some expenses were netted with revenues or revenues were moved to another revenue account through interdepartmental transfer. We recommend proper reviews of entries be completed to ensure gross revenues and expenses are properly stated.

### **Deferred Tuition Revenue**

We noted that the system calculates deferred tuition revenue automatically based on system coding of classes. The system defers revenue when the classes are for the next fiscal year. Approximately \$350,000 did not reverse on July 1, 2008 from prior year deferred tuition revenue amount. We recommend the College review and reconcile the system's calculation of deferred revenue for reasonableness and verify proper reversals occur to ensure deferred tuition revenue is properly stated.

### **Purchase Approvals and Reviews**

We noted that there is no review of general ledger accounts inputted on requisition/reimbursement forms outside of department head. In addition, there is no review of the general ledger accounts manually selected on the on-line P-card statements within the Wells Fargo system outside of department heads. Through our observation of the P-card process, it appears that one could change any part of the account number so individuals could possibly record expenses to a different department. Also, every month the general ledger account codes revert back to the default account within the Wells Fargo system and does not associate a particular vendor with a particular expense account which increases risk of error.

A review of general ledger accounts inputted on requisitions/reimbursement forms and P-card statements should be completed by an individual in Business Services. The College should contact Wells Fargo to determine on-line access for P-card individuals only to have access to appropriate department expense accounts and to determine if updates can be made for expense accounts to not revert back to the default setting but rather the last saved setting.

### **Student Withdrawal Date**

The College uses the student withdrawal date as the date the institution determined the student withdrew. While in some cases these may be the same date, there are times these dates will be different. The current method did not result in any findings during the current year however, we believe the risk exists and note that some time requirements are triggered by the date the institution determined the student withdrew.

## **Held Checks**

The College currently does not account for held checks. Checks over \$25,000 are printed and kept for a third manual signature by a Board member at the next Board meeting. Although there were no instances of incorrect accounting for held checks noted during our testing, the College should determine the amount of held checks at year-end and make the appropriate reclassification entries between cash and accounts payable.

## **U.S. Government Grants Refundable**

The College was not able to determine the approach that was used to account for the federal portion of the Perkins loan program that is recorded as U.S. Government Grants Refundable. All federal capital contributions should be recorded as a liability. The program could also be recorded as a liability as well. We recommend that an analysis of the federal capital contributions is performed to determine the correct balance is recorded in U.S. Government Grants Refundable.

The following items are not control deficiencies but are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the College's practices and procedures.

## **Draw Down of Federal Funds**

During our audit we noted the Federal Work Study (FWS) and Federal Supplemental Educational Opportunity Grant (FSEOG) funds have been drawn down at the end of the year rather than throughout the year. For cash flow purposes, the College may want to consider drawing down those funds during the year to better align with their costs.

## **Perkins Loans**

The College awards Perkins loan funds to students until the funds run out for that year and then they "turn off" awarding for Perkins in the system. If later in the awarding period, they determine they have additional funds available (due to students not accepting Perkins, etc.) they turn the awarding back on but do not go back to the students who completed their package while the funding was turned off and instead award Perkins to the next students packaged after the awarding was turned back on. We recommend that the College establish a process to track students who were not awarded Perkins funds due to the lack of funds available so they can be repackaged if funds become available at a later date.

## **Investments**

The College has not been tracking the purchases and sales of investments during the year. The purchases and sales are required to be reported on the statement of cash flows in order to be in compliance with generally accepted accounting principles. We recommend that the College beginning tracking this information on a monthly basis.

## **Policies**

We noted that there are no written financial policies that document the College's internal controls surrounding various transaction cycles and financial reporting. We recommend the College establish written policies on internal controls for all transaction cycles and financial reporting.

## **Checks**

The College shreds void checks after printing. We recommend that a log be kept of the void checks and that they are actually tracked and destroyed by someone without access to the accounts payable system.

## **P-Cards**

The College currently allows personal expenses to be charged to P-cards by cardholders. The cardholder would check a box noting the expense was personal and therefore not reimbursable. To reduce the risk of potential misappropriation of assets, we recommend that a policy be enforced that no personal expenses be charged to P-cards.

The College does not currently allow departments to use P-cards in the bookstore. Use of P-cards in the bookstore may help reduce administrative time in the bookstore.

## **Payroll**

The College currently sends a check to Linn Area Credit Union each payroll and a list of employees and amounts to be deposited in their account. We recommend that the College consider setting up a direct deposit for each employee to Linn Area Credit Union for efficiency purposes.

## **Audit Committee**

Over the years, attention has been given by a number of regulatory and professional bodies to establishing audit committees. Although audit committees have received increased emphasis, they are not universally required, nor are their specific duties and activities prescribed. Although some variations in responsibilities and duties are necessary and appropriate, certain characteristics and functions generally are common to all effective audit committees. Management is responsible for the reliability of the financial statements, but an effective audit committee plays an important role. The audit committee (or the board itself where no audit committee exists) is in a unique position. It has the authority to question top management regarding how it is carrying out its financial reporting responsibilities, and it also has authority to ensure that corrective action is taken. The audit committee is often in the best position within an entity to identify and act in instances where top management overrides internal controls or otherwise seeks to misrepresent reported financial results. Thus, there are instances where an audit committee, or board, must carry its oversight role to the point of directly addressing serious events or conditions.

There are general guidelines which deal with committee size and terms of appointment, meeting schedules and participants, full board reporting, members' knowledge of company operations, reviewing plans of internal and external auditors, adoption of new accounting principles, significant estimates, reserves, contingencies and variances between years.

We recommend that the Board discuss the benefits of creating an audit committee, or discuss its involvement in the responsibilities listed above. Procedures and controls can exist that are the functional equivalent of an audit committee. Although there are no universal requirements for an audit committee, it is clear that internal control is strengthened by its presence.

This communication is intended solely for the information and use of the Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
March 30, 2010