

# **Kirkwood Community College**

Financial and Compliance Report  
June 30, 2010

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## Kirkwood Community College

### Officials

June 30, 2010

Name	Title	Term Expires
<b>Board of Trustees</b>		
Dr. Lois Bartelme	President	2013
James Mollenhauer	Vice President	2013
Elaine Harrington	Member	2013
John Swanson	Member	2013
Dr. Keith Stamp	Member	2013
Paul Glenn	Member	2011
Karen Gorham	Member	2011
John Hall	Member	2011
Marcia Rogers	Member	2011
<b>Community College</b>		
Dr. Mick Starcevich	President	
Jim Choate	Board Treasurer, V.P. and Chief Financial/Operating Officer	
Sheryl Cook	Board Secretary	
Susan Pregler	Director of Financial Management	



## 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, 2010, 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 the business-type activities and aggregate discretely presented component units of Kirkwood Community College as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated March 31, 2011 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 3 through 13 and Postretirement Medical Benefit Plan Schedule of Funding Progress on page 42 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 statements and 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 31, 2011

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2010

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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, 2010. 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

##### 2010:

- Operating revenues for the college increased 14.2%, or \$10,965,559 primarily due to a large increase in federal appropriations, mainly Federal Pell Grant funding.
- Tuition and fees decreased by \$4,146,798 during fiscal year 2010 because of an increase in scholarship allowances and bad debt expense.
- The College's net nonoperating revenues decreased by \$4,462,657 due to a decrease in state appropriations.
- The College's net assets increased by \$5,163,883, or 9.5% as a result of the continued investment in capital assets and annual revenues exceeding expenditures.

##### 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.

#### 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.
- 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 funding progress of the College's postemployment medical benefit programs and the supplementary information provides detailed information about the individual funds of the College and a comparison of the College's budget for the year.

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2010

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#### 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

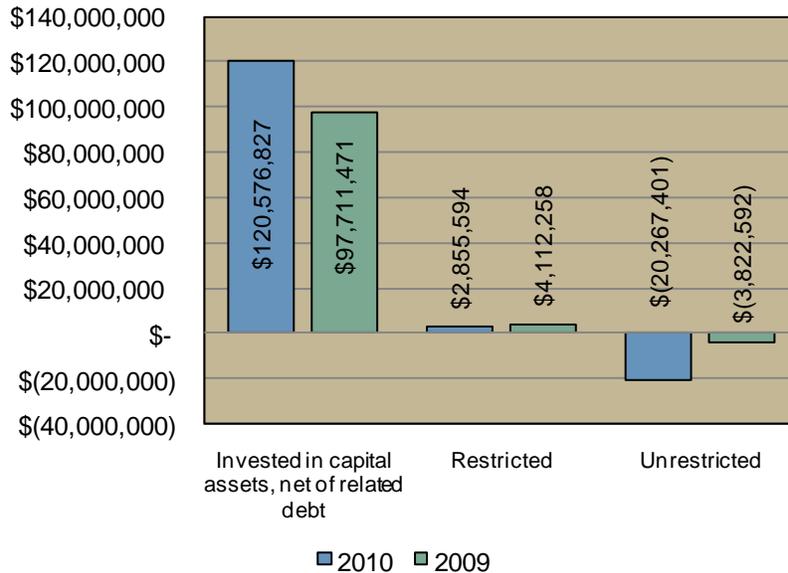
	June 30,		
	2010	2009	Change
Current and other assets	\$ 91,906,241	\$ 89,818,480	\$ 2,087,761
Capital assets, net of accumulated depreciation	151,469,686	133,870,673	17,599,013
<b>Total assets</b>	<b>243,375,927</b>	<b>223,689,153</b>	<b>19,686,774</b>
Current liabilities	56,483,270	52,064,175	4,419,095
Noncurrent liabilities	83,727,637	73,623,841	10,103,796
<b>Total liabilities</b>	<b>140,210,907</b>	<b>125,688,016</b>	<b>14,522,891</b>
Net assets:			
Invested in capital assets, net of related debt	120,390,473	97,711,471	22,679,002
Restricted	2,855,594	4,112,258	(1,256,664)
Unrestricted	(20,081,047)	(3,822,592)	(16,258,455)
<b>Total net assets</b>	<b>\$ 103,165,020</b>	<b>\$ 98,001,137</b>	<b>\$ 5,163,883</b>

Kirkwood Community College

Management's Discussion and Analysis  
Year Ended June 30, 2010

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Comparison of Net Assets



Year Ended June 30, 2010: The net assets of the College are mainly invested in capital assets (e.g. land, buildings and equipment), less the related debt. When the related debt is liquidated, it is done so with resources other than capital assets. The invested in capital assets increased significantly due to the completion of the Hotel. Conversely, the unrestricted portion of net assets decreased due to the resources needed to complete construction of the Hotel.

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.

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2010

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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. 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 actuarial accrued liability for these benefits is \$18,023,144. The College will amortize over 30 years and the FY 2010 liability is \$3,876,364. See Note 13 for more detail.

**Kirkwood Community College**

**Management's Discussion and Analysis  
Year Ended June 30, 2010**

**Change in Net Assets**

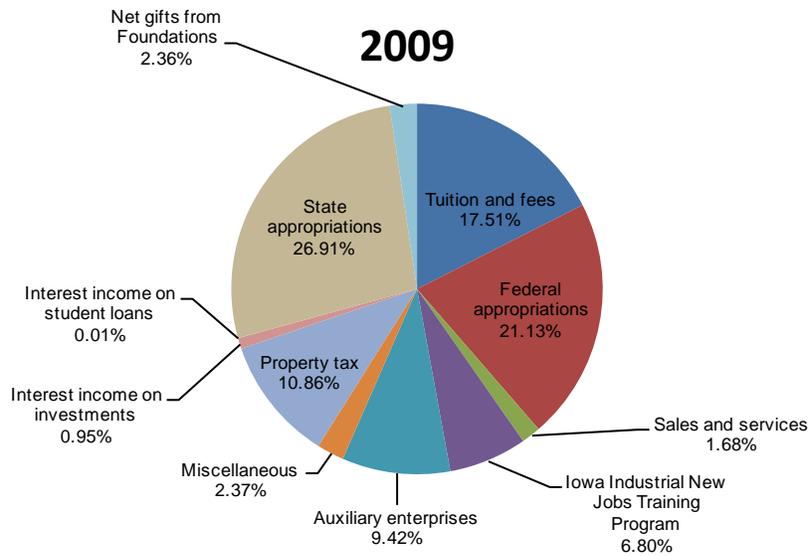
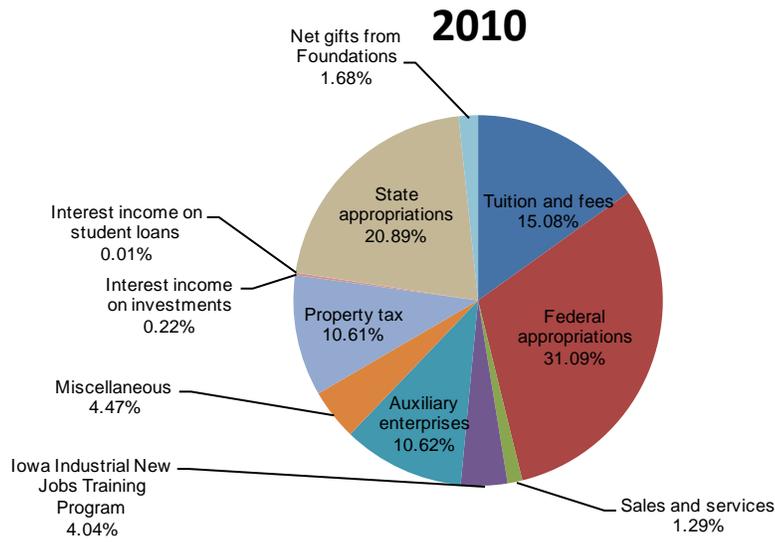
	Year Ended June 30,		Change
	2010	2009	
Operating revenues:			
Tuition and fees, net	\$ 18,771,845	\$ 22,918,643	\$ (4,146,798)
Federal appropriations	42,885,130	27,653,493	15,231,637
Sales and services	1,779,879	2,192,719	(412,840)
Iowa Industrial New Jobs Training Program	5,557,046	8,904,244	(3,347,198)
Auxiliary enterprises	14,655,595	12,326,871	2,328,724
Miscellaneous	4,420,555	3,108,521	1,312,034
<b>Total operating revenues</b>	<b>88,070,050</b>	<b>77,104,491</b>	<b>10,965,559</b>
Total operating expenses	128,699,507	124,631,039	4,068,468
<b>Operating loss</b>	<b>(40,629,457)</b>	<b>(47,526,548)</b>	<b>6,897,091</b>
Nonoperating revenues (expenses):			
State appropriations	28,816,574	35,217,723	(6,401,149)
Property tax	14,656,336	14,213,443	442,893
Interest income on investments	300,749	1,236,995	(936,246)
Interest income on student loans	20,276	11,695	8,581
Miscellaneous	2,131,970	-	2,131,970
Net contributions and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	2,315,819	3,090,848	(775,029)
Gain (loss) on disposal of capital assets	49,922	(399)	50,321
Interest expense	(2,328,952)	(3,344,954)	1,016,002
<b>Net nonoperating revenues</b>	<b>45,962,694</b>	<b>50,425,351</b>	<b>(4,462,657)</b>
Transfers to agency fund	(169,354)	(196,171)	26,817
<b>Increase in net assets</b>	<b>5,163,883</b>	<b>2,702,632</b>	<b>2,461,251</b>
Net assets:			
Beginning	98,001,137	95,298,505	2,702,632
Ending	<u>\$ 103,165,020</u>	<u>\$ 98,001,137</u>	<u>\$ 5,163,883</u>
Total revenues, operating and nonoperating	<u>\$ 134,229,726</u>	<u>\$ 130,875,195</u>	<u>\$ 3,354,531</u>
Total expenses, operating and nonoperating	<u>\$ 131,197,813</u>	<u>\$ 128,172,563</u>	<u>\$ 3,025,250</u>

**Kirkwood Community College**

**Management's Discussion and Analysis  
Year Ended June 30, 2010**

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**Revenues by Source**



## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2010

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

#### Total Revenue by Source

In fiscal year 2010, operating revenues increased as a result of the following factors:

- An increase in federal appropriations, primarily Federal Pell Grant Funding.
- A one-time allocation of Education Stabilization Funding.

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.

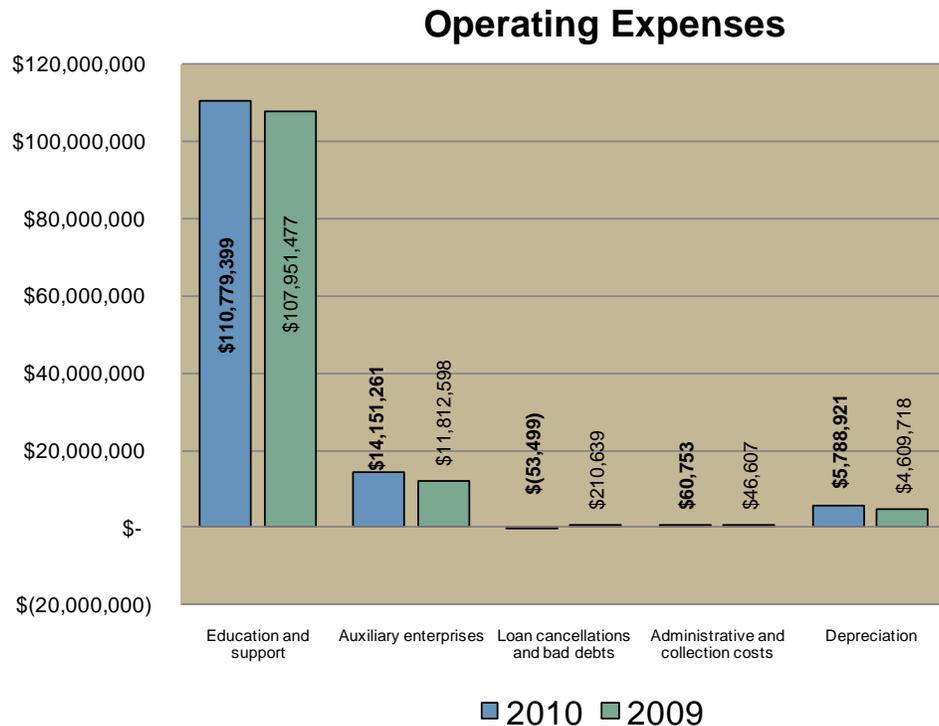
#### Operating Expenses

	Year Ended June 30,		Change
	2010	2009	
Education and support:			
Liberal arts and sciences	\$ 22,765,802	\$ 22,242,618	\$ 523,184
Vocational technical	24,102,665	22,477,674	1,624,991
Adult education	11,976,989	12,533,782	(556,793)
Cooperative services	6,353,688	7,663,791	(1,310,103)
Administration	8,618,921	7,489,468	1,129,453
Student services	4,853,986	5,083,476	(229,490)
Learning resources	3,498,924	3,353,531	145,393
Physical plant	10,354,263	11,928,125	(1,573,862)
General institution	16,226,833	15,179,012	1,047,821
Auxiliary enterprises	14,151,261	11,812,598	2,338,663
Loan cancellations, bad debts and recoveries	(53,499)	210,639	(264,138)
Administrative and collection costs	60,753	46,607	14,146
Depreciation	5,788,921	4,609,718	1,179,203
	<u>\$ 128,699,507</u>	<u>\$ 124,631,039</u>	<u>\$ 4,068,468</u>

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2010

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### Total Expenses

In FY 2010, expenses increased as a result of the following factors:

- Salary increases for faculty and staff, and the related benefit costs.
- An increase in net OPEB obligation of \$1,676,301 (see Note 13 for additional detail).

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, 2010

#### 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
	2010	2009	
Cash provided by (used in):			
Operating activities	\$ (33,224,757)	\$ (48,383,570)	\$ 15,158,813
Noncapital financing activities	44,622,013	54,329,379	(9,707,366)
Capital and related financing activities	(13,625,637)	(8,466,996)	(5,158,641)
Investing activities	8,218,369	2,819,152	5,399,217
<b>Net increase in cash</b>	<b>5,989,988</b>	<b>297,965</b>	<b>5,692,023</b>
Cash:			
Beginning	1,482,195	1,184,230	297,965
Ending	<u>\$ 7,472,183</u>	<u>\$ 1,482,195</u>	<u>\$ 5,989,988</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, 2010, the College had \$216,427,707 invested in capital assets, net of accumulated depreciation of \$64,958,021. Depreciation charges totaled \$5,788,921 for FY 2010. Details of capital assets are shown below:

	June 30,		Change
	2010	2009	
Land	\$ 6,157,237	\$ 6,157,237	\$ -
Construction in progress	29,454,462	43,214,543	(13,760,081)
Buildings	135,978,607	66,153,635	69,824,972
Other structures and improvements	28,191,945	14,123,960	14,067,985
Equipment and vehicles	16,645,456	4,221,298	12,424,158
	<u>\$ 216,427,707</u>	<u>\$ 133,870,673</u>	<u>\$ 82,557,034</u>

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2010

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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, 2010, the College had \$88,691,652 in long-term debt outstanding, excluding the early retirement payable, compensated absences and OPEB payable, an increase from June 30, 2009. The table below summarizes these amounts by type.

<u>Outstanding debt</u>	June 30,		Change
	2010	2009	
Certificates payable	\$ 27,895,000	\$ 29,095,000	\$ (1,200,000)
Capital lease payable	856,652	966,862	(110,210)
Notes payable	18,000,000	5,535,000	12,465,000
Bonds payable	15,870,000	18,180,000	(2,310,000)
Certificates of participation	26,070,000	26,070,000	-
	<u>\$ 88,691,652</u>	<u>\$ 79,846,862</u>	<u>\$ 8,844,790</u>

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

#### Economic Factors

For the FY2010 year, Kirkwood Community College increased tuition 6.3%, to \$118 per credit hour, to adequately fund moderate salary and benefit increases for faculty and staff, as well as ongoing technology and maintenance projects. Increases such as this place a greater financial burden on the students and their families. Kirkwood Community College feels strongly the Iowa Legislature should make community colleges a high priority for funding to help hold tuition rate increases at a reasonable level. Some of the financial challenges for the College are:

- The state general aid revenue stream has declined at a growing number and has not kept pace with enrollment growth over the last 10 years.
- The Federal Stabilization Funding was for FY2010 only, and is not anticipated to be received again in FY2011.
- With continued increasing enrollment, facilities at the College require more constant maintenance, with some educational programs requiring additional classroom space.

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, 2010**

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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, 2010**

	Primary Government	Component Units
<b>Assets</b>		
Current Assets:		
Cash and investments	\$ 36,883,921	\$ 1,250,331
Investments, restricted	1,173,284	-
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$2,614,875	8,476,856	32,458
Property taxes, succeeding year	16,279,817	-
Pledges	-	268,578
Student loans	197,393	-
Accrued interest	93,484	-
Due from component units	503,872	-
Due from other governments	12,005,657	-
Inventories	2,315,120	-
Prepaid expenses	179,139	2,444
<b>Total current assets</b>	<b>78,108,543</b>	<b>1,553,811</b>
Noncurrent Assets:		
Receivables:		
Pledges, net of allowance for doubtful pledges of \$6,000 and present value discount of \$20,000	-	54,356
Iowa Industrial New Jobs Training Program	9,291,294	-
Student loans, net of allowance for uncollectible loans of \$263,000	1,428,933	-
Investments, unrestricted	-	15,785,222
Investments, restricted	2,698,605	-
Other	-	21,840
Bond issuance costs	378,866	-
Capital assets, nondepreciable	35,611,699	71,318
Capital assets, depreciable, net	115,857,987	16,806
<b>Total noncurrent assets</b>	<b>165,267,384</b>	<b>15,949,542</b>
<b>Total assets</b>	<b>\$ 243,375,927</b>	<b>\$ 17,503,353</b>

See Notes to Basic Financial Statements.

<b>Liabilities and Net Assets</b>	Primary Government	Component Units
<b>Liabilities:</b>		
Current Liabilities:		
Accounts payable	\$ 12,197,844	\$ 111,301
Salaries and benefits payable	2,879,461	-
Due to primary government	-	384,466
Annuities payable	-	38,517
Interest payable	781,910	-
Deferred revenue:		
Succeeding year property tax	16,279,817	-
Other	9,168,759	37,544
Early retirement payable	1,974,880	-
Compensated absences	1,962,268	-
Current portion certificates payable	4,405,000	-
Current portion notes payable	3,000,000	-
Current portion capital lease payable	274,284	-
Current portion bonds payable	2,405,000	-
Deposits held in custody for others	1,154,047	-
<b>Total current liabilities</b>	<b>56,483,270</b>	<b>571,828</b>
Noncurrent liabilities:		
Annuities payable		151,200
OPEB payable	3,876,364	-
Certificates payable	23,490,000	-
Notes payable	15,000,000	-
Capital lease payable	582,368	-
Bonds payable	13,465,000	-
Certificates of participation	26,070,000	-
Bond premium	554,138	-
Bond discount	(308,053)	-
U.S. government grants refundable	997,820	-
<b>Total noncurrent liabilities</b>	<b>83,727,637</b>	<b>151,200</b>
	<b>140,210,907</b>	<b>723,028</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	120,390,473	88,124
Restricted:		
Nonexpendable:		
Scholarships	-	9,708,914
Area of greatest need	-	1,155,777
Other endowment	-	1,005,433
Expendable:		
Scholarships	-	1,413,406
Cash reserve	621,989	-
Loans	407,620	-
Instructional department uses	-	726,075
Capital projects	-	40,537
Other	1,825,985	-
Unrestricted:		
Unrestricted	(20,081,047)	2,011,913
Unrestricted, board designated	-	630,146
<b>Total net assets</b>	<b>103,165,020</b>	<b>16,780,325</b>
<b>Total liabilities and net assets</b>	<b>\$ 243,375,927</b>	<b>\$ 17,503,353</b>

**Kirkwood Community College**

**Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2010**

	Primary Government	Component Units
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$27,603,927	\$ 18,771,845	\$ -
Federal appropriations	42,885,130	-
Sales and services	1,779,879	-
Iowa Industrial New Jobs Training Program	5,557,046	-
Auxiliary enterprises	14,655,595	-
Contributions	-	1,689,583
Rental income and facility management	-	611,364
Royalties and commission	-	127,453
Contributions from primary government	-	832,888
Miscellaneous	4,420,555	86,741
<b>Total operating revenues</b>	<b>88,070,050</b>	<b>3,348,029</b>
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	22,765,802	-
Vocational technical	24,102,665	-
Adult education	11,976,989	-
Cooperative services	6,353,688	-
Administration	8,618,921	-
Student services	4,853,986	-
Learning resources	3,498,924	-
Physical plant	10,354,263	-
General institution	16,226,833	-
Auxiliary enterprises	14,151,261	-
Loan cancellations, bad debts and recoveries	(53,499)	-
Administrative and collection costs	60,753	-
Distributions to Kirkwood Community College	-	3,057,440
Facility operations	-	346,124
Program services	-	100,676
Management and general	-	233,447
Fundraising	-	57,673
Depreciation	5,788,921	10,185
<b>Total operating expenses</b>	<b>128,699,507</b>	<b>3,805,545</b>
<b>Operating (loss)</b>	<b>\$ (40,629,457)</b>	<b>\$ (457,516)</b>

	Primary Government	Component Units
Nonoperating revenues (expenses):		
State appropriations	\$ 28,816,574	\$ -
Property tax	14,656,336	-
Investment income	300,749	1,708,207
Actuarial adjustment of annuities payable	-	(27,408)
Interest income on student loans	20,276	-
Gifts from component units	3,252,760	-
Miscellaneous	2,131,970	-
Rent from primary government	-	104,053
Gift to affiliates	-	(195,320)
Contributions and rent to component units	(936,941)	-
Gain on sale of plant assets	49,922	-
Contributions to other non-profit entities	-	(49,492)
Interest expense	(2,328,952)	-
<b>Net nonoperating revenues (expenses)</b>	<b>45,962,694</b>	<b>1,540,040</b>
Transfers to agency fund	(169,354)	-
<b>Income before additions to permanent endowments</b>	<b>5,163,883</b>	<b>1,082,524</b>
Additions to permanent endowments	-	746,582
<b>Change in net assets</b>	<b>5,163,883</b>	<b>1,829,106</b>
Net assets:		
Beginning	98,001,137	14,951,219
Ending	<u>\$ 103,165,020</u>	<u>\$ 16,780,325</u>

See Notes to Basic Financial Statements.

**Kirkwood Community College**

**Statement of Cash Flows**

**Year Ended June 30, 2010**

	Primary Government
<hr/>	
Cash Flows from Operating Activities:	
Tuition and fees	\$ 19,704,411
Federal appropriations	42,692,082
Iowa Industrial New Jobs Training Program	4,470,515
Payments to employees for salaries and benefits	(75,675,768)
Payments to suppliers for goods and services	(32,835,664)
Payments to sub recipients	(12,509,309)
Loans issued to students net of collections	(15,795)
Auxiliary enterprise receipts	14,655,595
Other receipts/payments	6,289,176
<b>Net cash (used in) operating activities</b>	<u>(33,224,757)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	28,816,574
Property tax	14,656,336
Federal direct lending receipts	56,068,547
Federal direct lending disbursements	(56,068,547)
Contributions and rent to Kirkwood Community College Foundation and Kirkwood Facilities Foundation	(936,941)
Gifts and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	3,252,760
Other receipt	2,131,970
Interest income on student loans	20,276
Proceeds from certificates payable	3,085,000
Principal paid on certificates payable	(4,285,000)
Transfers to agency fund	(169,354)
Agency receipts	75,326,074
Agency disbursements	(74,958,616)
Checks in excess of bank balance	(2,317,066)
<b>Net cash provided by noncapital financing activities</b>	<u>44,622,013</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(19,623,922)
Interest capitalized	(1,554,493)
Proceeds from sale of capital assets	132,571
Debt issued	19,940,000
Principal paid on debt	(9,895,210)
Interest paid on debt	(2,624,583)
<b>Net cash (used in) capital and related financing activities</b>	<u>(13,625,637)</u>
Cash Flows from Investing Activities:	
Interest on investments	300,749
Sales of investments net of purchases	7,917,620
<b>Net cash provided by investing activities</b>	<u>8,218,369</u>
<b>Increase in cash and cash equivalents</b>	5,989,988
Cash and cash equivalents:	
Beginning	1,482,195
Ending	<u>\$ 7,472,183</u>

	Primary Government
<hr/>	
Reconciliation of Operating Loss to Net Cash (Used In)	
Operating Activities:	
Operating loss	\$ (40,629,457)
Adjustments to reconcile operating loss to net cash (used in) operating activities:	
Depreciation	5,788,921
Amortization	559,701
Changes in assets and liabilities:	
(Increase) in accounts receivable	(337,074)
Decrease in student loans	70,337
(Increase) in NJTP receivable	(1,086,531)
Decrease in due from other governments	(193,048)
(Increase) in inventories	(356,455)
(Increase) in prepaid expenses	(12,402)
(Decrease) in accounts payable	(1,075,420)
(Decrease) in salaries payable	(190,600)
Increase in deferred revenue	1,358,382
Increase in compensated absences	106,098
Increase in early retirement payable	1,173,288
Increase in OPEB payable	1,676,301
Increase in deposits	2,080
(Decrease) in refundable advances on student loans	(78,878)
<b>Total adjustments</b>	<u>7,404,700</u>
<b>Net cash (used in) operating activities</b>	<u><u>\$ (33,224,757)</u></u>
Noncash, capital and related financing activities, accounts payable for the acquisition of capital assets	\$ 2,292,168

See Notes to Basic Financial Statements.

## Kirkwood Community College

### Statement of Net Assets Discretely Presented Component Units June 30, 2010

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Eliminations	Total
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 228,679	\$ 1,021,652	\$ -	\$ 1,250,331
Receivables:				
Accounts	32,458	-	-	32,458
Pledges	-	268,578	-	268,578
Due from Kirkwood Community College Foundation	510,036	-	(510,036)	-
Prepaid expenses	2,444	-	-	2,444
<b>Total current assets</b>	<b>773,617</b>	<b>1,290,230</b>	<b>(510,036)</b>	<b>1,553,811</b>
Noncurrent assets:				
Pledges, net of allowance for doubtful pledges of \$6,000 and present value discount of \$20,000	-	54,356	-	54,356
Investments	-	15,785,222	-	15,785,222
Other	-	21,840	-	21,840
Capital assets, nondepreciable	71,318	-	-	71,318
Capital assets, depreciable, net	16,806	-	-	16,806
<b>Total noncurrent assets</b>	<b>88,124</b>	<b>15,861,418</b>	<b>-</b>	<b>15,949,542</b>
<b>Total assets</b>	<b>861,741</b>	<b>17,151,648</b>	<b>(510,036)</b>	<b>17,503,353</b>
<b>Liabilities and Net Assets</b>				
Current Liabilities:				
Accounts payable and accrued expenses	98,190	13,111	-	111,301
Due to Kirkwood Community College	98,584	285,882	-	384,466
Due to Kirkwood Facilities Foundation	-	510,036	(510,036)	-
Deferred revenue	37,544	-	-	37,544
Annuities payable	-	38,517	-	38,517
<b>Total current liabilities</b>	<b>234,318</b>	<b>847,546</b>	<b>(510,036)</b>	<b>571,828</b>
Noncurrent liabilities, annuities payable	-	151,200	-	151,200
<b>Total liabilities</b>	<b>234,318</b>	<b>998,746</b>	<b>(510,036)</b>	<b>723,028</b>
Net Assets:				
Invested in capital assets, net of related debt	88,124	-	-	88,124
Restricted:				
Nonexpendable:				
Scholarships	-	9,708,914	-	9,708,914
Area of greatest need	-	1,155,777	-	1,155,777
Other endowment	-	1,005,433	-	1,005,433
Expendable:				
Scholarships	-	1,413,406	-	1,413,406
Instructional department uses	-	726,075	-	726,075
Capital projects	-	40,537	-	40,537
Unrestricted:				
Unrestricted	539,299	1,472,614	-	2,011,913
Unrestricted, board designated	-	630,146	-	630,146
<b>Total net assets</b>	<b>\$ 627,423</b>	<b>\$ 16,152,902</b>	<b>\$ -</b>	<b>\$ 16,780,325</b>

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, 2010**

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Total
Operating revenues:			
Contributions and pledges, net of decrease in allowance for doubtful pledges of \$5,000	\$ -	\$ 1,689,583	\$ 1,689,583
Rental income and facility management	611,364	-	611,364
Royalties and commissions	127,453	-	127,453
Contributions from Kirkwood Community College	-	832,888	832,888
Miscellaneous	38,248	48,493	86,741
<b>Total operating revenues</b>	<b>777,065</b>	<b>2,570,964</b>	<b>3,348,029</b>
Operating expenses:			
Distributions to Kirkwood Community College	-	3,057,440	3,057,440
Facility operations	346,124	-	346,124
Programs	-	100,676	100,676
Management and general	149,395	84,052	233,447
Fund raising	-	57,673	57,673
Depreciation	10,185	-	10,185
<b>Total operating expenses</b>	<b>505,704</b>	<b>3,299,841</b>	<b>3,805,545</b>
<b>Operating income</b>	<b>271,361</b>	<b>(728,877)</b>	<b>(457,516)</b>
Nonoperating revenues (expenses):			
Investment income, including appreciation of fair value of investments of \$1,422,529	10,556	1,697,651	1,708,207
Actuarial adjustments to annuities payable	-	(27,408)	(27,408)
Rent from Kirkwood Community College	104,053	-	104,053
Gifts and expense reimbursement to affiliates	(195,320)	-	(195,320)
Contributions to other nonprofit entities	(49,492)	-	(49,492)
<b>Net nonoperating revenues (expenses)</b>	<b>(130,203)</b>	<b>1,670,243</b>	<b>1,540,040</b>
<b>Income before additions to permanent endowments</b>	<b>141,158</b>	<b>941,366</b>	<b>1,082,524</b>
Additions to permanent endowments	-	746,582	746,582
<b>Change in net assets</b>	<b>141,158</b>	<b>1,687,948</b>	<b>1,829,106</b>
Net assets:			
Beginning	486,265	14,464,954	14,951,219
Ending	\$ 627,423	\$ 16,152,902	\$ 16,780,325

See Notes to Basic Financial Statements.

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### **Note 1. Financial Reporting 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.

As of fiscal year end, the College was in the final stages of completion of The Hotel at Kirkwood Center including a restaurant, The Class Act. The hotel is the largest and most comprehensive teaching hotel at a community college in the United States and is staffed by professional management and lead staff assisted by Kirkwood students. Operations of this hotel are expected to be significant in the future.

#### **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 organization 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, 2010 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 Reporting Entity, Discrete Component Units and Significant Accounting Policies (Continued)**

Kirkwood Community College Foundation is a legally separate, not-for-profit 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 whose members are 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 based on quoted market prices. The College's investments include the Iowa Schools Joint Investment Trust which is a Rule 2a7 type pool with the College's value determined by the pool's share price which is based on quoted market prices. The Trust is an Iowa Common Law Trust formed under the Iowa State Code and is managed by a Board of Trustees.

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 Reporting 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, 2010, 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 include 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 \$1,554,493 were capitalized for the year ended June 30, 2010.

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 Reporting 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, 2010.

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 \$3,871,889 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 by and expenses associated with the farm lab, bookstore, day care center, equestrian center, restaurant and other miscellaneous auxiliary enterprises. Revenues are recognized when goods or services are provided.

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. Tuition revenue is recognized as earned by providing classes.

Recognition of pledges and contributions: The Kirkwood Community College Foundation records contributions (including promises to give) when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time the unconditional promise to give is made. Conditional promises to give, where the donor has placed a condition on the gift that the ultimate transfer of the assets or promise to give is contingent on a future and uncertain event, are not recorded as contributions until the condition is met. Pledges are recorded net of a provision for losses on doubtful accounts.

## Kirkwood Community College

### Notes to Basic Financial Statements

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

Under Government Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Foundation is prohibited from recognizing pledges for permanent or term endowment funds until the resources are received, provided all other eligibility requirements imposed by the donor have been met. The Foundation has outstanding pledges for endowment funds totaling approximately \$76,561 as of June 30, 2010, which have not been reflected in the accompanying financial statements.

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. Contributions are reported in the statement of revenues, expenses and changes in net assets as operating activities of the Foundation since soliciting contributions is the Foundation's primary purpose. Nonoperating activities include state appropriations, property taxes and interest earnings.

Income tax status: The College is exempt from income tax as a local government unit. The Internal Revenue Service has recognized the Foundations as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundations are not considered private foundations. Certain Kirkwood Facilities Foundation transactions are subject to unrelated business income tax.

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.

**Kirkwood Community College**

**Notes to Basic Financial Statements**

**Note 2. Cash and Investments**

As of June 30, 2010, the College's cash and investments consist of the following:

	Unrestricted	Restricted	Total
Cash	\$ 7,472,183	\$ -	\$ 7,472,183
Certificates of deposit	-	3,350,203	3,350,203
Investments	29,411,738	521,686	29,933,424
	<u>\$ 36,883,921</u>	<u>\$ 3,871,889</u>	<u>\$ 40,755,810</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. Repurchase agreement and money market mutual fund are not subject to interest rate risk given they have no defined maturity date.

Investment Type	Fair Value	Maturity Dates (Months)			
		Less than 1	1 to 5	6 to 10	10 +
Iowa Schools Joint Investment Trust	\$ 23,732,479	\$ 23,732,479	\$ -	\$ -	\$ -
Repurchase Agreement	416,744	416,744	-	-	-
SLUGS	5,262,553	2,083,559	3,178,994	-	-
Money Market Mutual Fund	521,648	521,648	-	-	-
	<u>\$ 29,933,424</u>	<u>\$ 26,754,430</u>	<u>\$ 3,178,994</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, 2010, the College's investments were rated as follows:

<u>Investment Type</u>	<u>Moody Investor Services</u>
Iowa Schools Joint Investment Trust	Aaa
Repurchase Agreement	Not Rated
SLUGS	N/A
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 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, 2010, the carrying amount of the College's deposits, excluding \$21,708 of petty cash, totaled \$10,800,678 with a bank balance of \$10,533,881. The College's deposits in banks at June 30, 2010 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. The underlying investments of the SLUGS are U.S. Treasury securities. As of June 30, 2010 the College had \$6,200,945 in investments, excluding the Iowa Schools Joint Investment Trust, that are held by the College's agent and registered in the name of the College and are uninsured.

Discretely presented component units: The College's Foundations' deposit and investment accounts consist of the following:

	<u>Fair Value</u>
Checking	\$ 1,250,331
Money market funds	700,863
Certificates of deposit	49,000
Mutual funds, fixed income	5,942,059
Mutual funds, equity	8,901,245
Cash surrender value of life insurance	192,055
	<u>\$ 17,035,553</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.

Investment type:	<u>Maturities</u>	<u>Fair Value</u>
Money market funds	< 1 Year	\$ 700,863
Mutual funds, fixed income	5.5 Years Average	5,942,059
		<u>\$ 6,642,922</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 investments held by the Foundations are not rated.

Concentration of credit risk: The Foundation's 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.

The Foundation's target asset allocation is 65% equity securities (plus or minus 5%) and 35% fixed income securities (plus or minus 5%). This asset allocation is intended to provide funds for the Foundation's spending policy while protecting the duration of the endowment fund. Mutual funds are not subject to concentration of credit risk because the Foundation doesn't hold the underlying investments. The Foundation is not limited in its investment choices, neither by statute nor by its investment policy.

Custodial credit risk: The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation 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.

	Balances Per Banks	Amount Covered by Insurance	Uninsured Uncollateralized
As of June 30, 2010	\$ 1,359,941	\$ 1,348,314	\$ 11,627

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, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of another party. There are no investments subject to this risk.

#### Note 3. Inventories

The College's inventories as of June 30, 2010 consisted of the following:

Supplies and materials	\$ 394,712
Agricultural enterprises	241,230
Merchandise held for resale	1,679,178
	<u>\$ 2,315,120</u>

**Kirkwood Community College**

**Notes to Basic Financial Statements**

**Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2010 is as follows:

	June 30, 2009 Balance	Additions	Deletions and Transfers	June 30, 2010 Balance
Capital assets not being depreciated:				
Land	\$ 6,157,237	\$ -	\$ -	\$ 6,157,237
Construction in progress	43,214,543	20,101,871	33,861,952	29,454,462
<b>Total capital assets not being depreciated</b>	<b>49,371,780</b>	<b>20,101,871</b>	<b>33,861,952</b>	<b>35,611,699</b>
Capital assets being depreciated:				
Buildings	108,994,532	26,984,075	-	135,978,607
Improvements other than buildings	19,812,362	8,379,583	-	28,191,945
Equipment and vehicles	14,973,202	1,867,006	194,752	16,645,456
<b>Total capital assets being depreciated</b>	<b>143,780,096</b>	<b>37,230,664</b>	<b>194,752</b>	<b>180,816,008</b>
Less accumulated depreciation for:				
Buildings	42,840,897	2,565,099	-	45,405,996
Improvements other than buildings	5,688,402	1,832,705	-	7,521,107
Equipment and vehicles	10,751,904	1,391,117	112,103	12,030,918
<b>Total accumulated depreciation</b>	<b>59,281,203</b>	<b>5,788,921</b>	<b>112,103</b>	<b>64,958,021</b>
<b>Total capital assets, being depreciated, net</b>	<b>84,498,893</b>	<b>31,441,743</b>	<b>82,649</b>	<b>115,857,987</b>
<b>Capital assets, net</b>	<b>\$ 133,870,673</b>	<b>\$ 51,543,614</b>	<b>\$ 33,944,601</b>	<b>\$ 151,469,686</b>

## 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, 2010 is as follows:

	June 30, 2009	Additions	Reductions	June 30, 2010	Amounts Due Within 1 Year
Early retirement payable (Note 12)	\$ 801,592	\$ 1,974,880	\$ 801,592	\$ 1,974,880	\$ 1,974,880
Compensated absences	1,856,170	1,962,268	1,856,170	1,962,268	1,962,268
OPEB payable (Note 13)	2,200,063	2,377,070	700,769	3,876,364	-
Certificates payable	29,095,000	3,100,000	4,300,000	27,895,000	4,405,000
Capital lease payable	966,862	258,775	368,985	856,652	274,284
Capital loan notes	5,535,000	19,940,000	7,475,000	18,000,000	3,000,000
Bonds payable	18,180,000	-	2,310,000	15,870,000	2,405,000
Certificates of participation	26,070,000	-	-	26,070,000	-
<b>Total</b>	<b>\$ 84,704,687</b>	<b>\$ 29,612,993</b>	<b>\$ 17,812,516</b>	<b>\$ 96,505,164</b>	<b>\$ 14,021,432</b>

#### Certificates payable:

In accordance with agreements dated between December 1, 2001 and December 1, 2009, the College issued certificates totaling \$56,790,000 with interest rates ranging from 2.75% 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
2011	\$ 4,405,000	\$ 1,295,029	\$ 5,700,029
2012	4,555,000	1,102,459	5,657,459
2013	3,980,000	898,904	4,878,904
2014	3,795,000	717,513	4,512,513
2015	3,565,000	543,374	4,108,374
2016-2019	7,595,000	695,755	8,290,755
<b>Total</b>	<b>\$ 27,895,000</b>	<b>\$ 5,253,034</b>	<b>\$ 33,148,034</b>

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### 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 \$471,465 as of June 30, 2010. Details of the College's June 30, 2010 capital lease indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2011	\$ 274,284	\$ 62,510	\$ 336,794
2012	293,773	43,020	336,793
2013	170,095	17,674	187,769
2014	93,502	4,981	98,483
2015	24,998	281	25,279
	<u>\$ 856,652</u>	<u>\$ 128,466</u>	<u>\$ 985,118</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% to 5.0% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2021. 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, 2010 notes payable indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2011	\$ 3,000,000	\$ 618,950	\$ 3,618,950
2012	1,365,000	543,950	1,908,950
2013	1,385,000	543,950	1,928,950
2014	1,415,000	461,450	1,876,450
2015	1,440,000	419,000	1,859,000
2016-2020	7,720,000	1,276,600	8,996,600
2021-2026	1,675,000	67,000	1,742,000
	<u>\$ 18,000,000</u>	<u>\$ 3,930,900</u>	<u>\$ 21,930,900</u>

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### 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, 2010 bonds payable indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
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	2,900,000	216,850	3,116,850
2016	2,900,000	108,750	3,008,750
	<u>\$ 15,870,000</u>	<u>\$ 2,135,205</u>	<u>\$ 18,005,205</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, 2010 certificates of participation are as follows:

	Principal	Interest	Total
Year ending June 30:			
2011	\$ -	\$ 1,301,838	\$ 1,301,838
2012	6,070,000	1,150,088	7,220,088
2013	225,000	993,837	1,218,837
2014	235,000	984,637	1,219,637
2015	240,000	975,137	1,215,137
2016-2020	1,365,000	4,712,319	6,077,319
2021-2025	1,705,000	4,342,125	6,047,125
2026-2029	16,230,000	2,763,000	18,993,000
	<u>\$ 26,070,000</u>	<u>\$ 17,222,981</u>	<u>\$ 43,292,981</u>

Some of these certificates of participation include requirements to maintain a reserve fund. These reserve funds are included in restricted investments on the statement of net assets.

## 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, 2010:

Year ending June 30:		
2011	\$	618,709
2012		417,503
2013		170,063
2014		144,274
2015		40,019
2016-2020		218,240
	\$	<u>1,608,808</u>

Rents for the year ended June 30, 2010 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$806,048.

#### **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 6.65% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$1,048,589, \$1,002,470 and \$895,709, 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, 2010 were \$2,098,287 and \$1,356,790, respectively.

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### **Note 9. Risk Pool**

During the year ended June 30, 2010, the College was 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, 2010 were \$1,378,232.

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 \$300,000 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 \$100,000,000 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, 2010, no liability has been recorded for losses in excess of reinsurance 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. On June 30, 2010, the College formally withdrew its membership in IMPACC and has secured similar coverage with other insurers. The College will continue to be required to cover claims related to June 30, 2010 and before. The receivable recorded from IMPACC is net of IBNR claims expected to be 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 the Metro Interagency Insurance Program (MIIP). The program provides services necessary and appropriate for the establishment, operation and maintenance of an insurance program for employee health and medical claims for member institutions. Premiums billed to the participants are determined on an actuarial basis based on the institution's claim experience. The College's contribution to the program for the year ended June 30, 2010 was \$5,709,066.

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.

MIIP uses reinsurance to reduce its exposure to large losses. The MIIP has stop/loss coverage of \$200,000 per individual and an aggregate stop/loss of 125% of actuarial projections for the rating period.

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, 2010, 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.

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 389 projects, with 72 currently receiving project funding. The remaining 317 projects have been completed, of which 40 are in the repayment process and 277 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>.

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### Note 12. Early Retirement and Contingent Liability (Continued)

The liability as of June 30, 2010 for the 33 employees who have elected early retirement during fiscal year 2010 was \$1,974,880. 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, 2010 was \$2,761,684.

As of June 30, 2010, the potential liability, if all eligible employees accepted early retirement, is approximately \$12,379,000.

#### 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.

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 ended June 30, 2010, the amount actuarially contributed to the plan, and changes in the College's annual OPEB obligation:

Annual required contribution	\$ 2,267,067
Interest on net OPEB obligation	110,003
Adjustment to annual required contribution	(143,121)
<b>Annual OPEB cost (expense)</b>	<u>2,233,949</u>
Contributions and payments made	(557,648)
<b>Increase in net OPEB obligation</b>	<u>1,676,301</u>
Net OPEB obligation, beginning of year	<u>2,200,063</u>
Net OPEB obligation, end of year	<u><u>\$ 3,876,364</u></u>

## Kirkwood Community College

### Notes to Basic Financial Statements

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

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 2,233,949	24.96%	\$ 3,876,364
June 30, 2009	2,522,248	12.77	2,200,063

Funded status and funding progress: As of June 30, 2009, the most recent actuarial valuation date, the plan was 0% funded. The College's actuarial accrued liability for benefits was \$18,023,144 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of (\$18,023,144). Covered payroll was \$38,172,408 resulting in UAAL as a percentage of covered payroll of 47.2%.

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, 2009 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 rates of 5% to 9%. The UAAL is being amortized as a level dollar amount. The amortization of UAAL is done over a period of 30 years.

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### **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 \$3,252,760 for the year ended June 30, 2010. The College has recorded a receivable from the Foundations of \$503,872 as of June 30, 2010. This amount differs from the Foundations' due to primary government payable of \$384,466 due to payments in transit at year-end.

The Foundations received contributions to fund scholarships of \$936,941 from Kirkwood Community College during the year ended June 30, 2010.

#### **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. 51, *Accounting and Financial Reporting for Intangible Assets*. 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. The adoption of this Statement had no effect on the College in the current year.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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 adoption of this Statement had no effect on the College in the current year.

The GASB has issued the following statement not yet implemented by the College. These Statements may impact the College as follows:

GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the College beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### **Note 15. New and Pending Pronouncements (Continued)**

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the College beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the College beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

The College has not yet determined the effect if any, these Statements will have on the financial statements.

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

As of June 30, 2010, the College had construction commitments of approximately \$2,300,000 to complete the Hotel at Kirkwood Center and approximately \$3,000,000 to complete the remodel of Johnson Hall.

On October 1, 2010, the College issued \$6,200,000 of Certificates of Participation at an interest rate ranging from 3.5% to 4.13% to refund 2008 certificates. These certificates are due in annual payments through 2030.

**Kirkwood Community College**

**Required Supplementary Information  
Postemployment Medical Benefit Plan  
Schedule of Funding Progress  
Year Ended June 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	\$ -	\$ 17,475,313	\$ (17,475,313)	- %	\$ 33,475,313	52.2%
July 1, 2009	-	18,023,144	(18,023,144)	-	38,172,408	47.2

Note: Fiscal year 2009 was 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, 2009. 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 5% to 9%; discount rate of 5%.
- d. The amortization method is level dollar.

**Kirkwood Community College**

**Budgetary Comparison Schedule of Expenditures  
Year Ended June 30, 2010**

Funds/Levy	Original Budget	Actual	Variance Between Actual and Amended Budget
Unrestricted	\$ 79,336,579	\$ 78,507,749	\$ 828,830
Restricted	30,306,043	24,002,417	6,303,626
Unemployment	-	99,704	(99,704)
Tort liability	251,303	302,201	(50,898)
Insurance	1,252,025	1,919,512	(667,487)
Early retirement	750,603	2,879,333	(2,128,730)
Equipment replacement	1,553,337	1,868,862	(315,525)
<b>Total restricted</b>	<b>34,113,311</b>	<b>31,072,029</b>	<b>3,041,282</b>
Plant	23,484,996	28,846,588	(5,361,592)
	<b>\$ 136,934,886</b>	<b>\$ 138,426,366</b>	<b>\$ (1,491,480)</b>

See Note to Budgetary Comparison Schedule of Expenditures.

## **Kirkwood Community College**

### **Note to Budgetary Comparison Schedule of Expenditures**

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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, 2010, the College's total expenditures did not exceed the total amount budgeted.

**Kirkwood Community College**

**Schedule of Net Assets**

**All Funds**

**June 30, 2010**

	Current Funds	
	Unrestricted	Restricted
<b>Assets</b>		
Current Assets:		
Cash and investments	\$ 14,737,455	\$ 22,146,466
Investments, restricted	1,173,284	-
Receivables:		
Accounts, net	8,089,813	387,043
Property tax, succeeding year	6,977,768	5,795,860
Student loans	197,393	-
Accrued interest	93,484	-
Due from other funds	48,884,440	-
Due from Kirkwood Community College Foundation	405,288	-
Due from Kirkwood Facilities Foundation	98,584	-
Due from other governments	12,005,657	-
Inventories	2,315,120	-
Prepaid expenses	176,336	-
<b>Total current assets</b>	<b>95,154,622</b>	<b>28,329,369</b>
Noncurrent Assets:		
Receivables:		
Iowa Industrial New Jobs Training Program	-	9,291,294
Student loans, net	1,428,933	-
Investments, restricted	2,698,605	-
Bond issuance costs	-	192,512
Capital assets, net of accumulated depreciation	-	-
<b>Total noncurrent assets</b>	<b>4,127,538</b>	<b>9,483,806</b>
<b>Total assets</b>	<b>\$ 99,282,160</b>	<b>\$ 37,813,175</b>

See Note to Other Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ 36,883,921
-	-	-	-	1,173,284
-	-	-	-	8,476,856
-	3,506,189	-	-	16,279,817
-	-	-	-	197,393
-	-	-	-	93,484
1,405,440	-	1,142,900	(51,432,780)	-
-	-	-	-	405,288
-	-	-	-	98,584
-	-	-	-	12,005,657
-	-	-	-	2,315,120
-	-	2,803	-	179,139
<u>1,405,440</u>	<u>3,506,189</u>	<u>1,145,703</u>	<u>(51,432,780)</u>	<u>78,108,543</u>
-	-	-	-	9,291,294
-	-	-	-	1,428,933
-	-	-	-	2,698,605
-	186,354	-	-	378,866
-	216,427,707	-	(64,958,021)	151,469,686
-	216,614,061	-	(64,958,021)	165,267,384
<u>\$ 1,405,440</u>	<u>\$ 220,120,250</u>	<u>\$ 1,145,703</u>	<u>\$ (116,390,801)</u>	<u>\$ 243,375,927</u>

Kirkwood Community College

Schedule of Net Assets (Continued)

All Funds

June 30, 2010

Liabilities and Net Assets	Current Funds	
	Unrestricted	Restricted
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 12,193,178	\$ -
Salaries and benefits payable	2,879,461	-
Due to other funds	-	408,200
Interest payable	673,991	107,919
Deferred revenue:		
Property tax, succeeding year	6,977,768	5,795,860
Other	5,817,370	3,345,979
Early retirement payable	1,974,880	-
Compensated absences	1,962,268	-
Certificates payable	-	4,405,000
Notes payable	3,000,000	-
Leasehold payable	274,284	-
Bonds payable	2,405,000	-
Deposits held in custody for others	18,420	-
<b>Total current liabilities</b>	<b>38,176,620</b>	<b>14,062,958</b>
Noncurrent liabilities:		
OPEB payable	-	3,876,364
Certificates payable	-	23,490,000
Notes payable	15,000,000	-
Capital lease payable	582,368	-
Bonds payable	13,465,000	-
Certificates of participation	26,070,000	-
Bond premium	-	36,005
Bond discount	-	(14,370)
U.S. government grants refundable	-	-
<b>Total noncurrent liabilities</b>	<b>55,117,368</b>	<b>27,387,999</b>
<b>Total liabilities</b>	<b>93,293,988</b>	<b>41,450,957</b>
Net Assets:		
Invested in capital assets, net of related debt	(30,854,763)	-
Restricted:		
Expendable:		
Cash reserve	-	621,989
Loans	-	-
Other	-	1,825,985
Unrestricted	36,842,935	(6,085,756)
<b>Total net assets</b>	<b>5,988,172</b>	<b>(3,637,782)</b>
<b>Total liabilities and net assets</b>	<b>\$ 99,282,160</b>	<b>\$ 37,813,175</b>

See Note to Other Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ 4,666	\$ -	\$ 12,197,844
-	-	-	-	2,879,461
-	51,024,580	-	(51,432,780)	-
-	-	-	-	781,910
-	3,506,189	-	-	16,279,817
-	-	5,410	-	9,168,759
-	-	-	-	1,974,880
-	-	-	-	1,962,268
-	-	-	-	4,405,000
-	-	-	-	3,000,000
-	-	-	-	274,284
-	-	-	-	2,405,000
-	-	1,135,627	-	1,154,047
-	54,530,769	1,145,703	(51,432,780)	56,483,270
-	-	-	-	3,876,364
-	-	-	-	23,490,000
-	-	-	-	15,000,000
-	-	-	-	582,368
-	-	-	-	13,465,000
-	-	-	-	26,070,000
-	518,133	-	-	554,138
-	(293,683)	-	-	(308,053)
997,820	-	-	-	997,820
997,820	224,450	-	-	83,727,637
997,820	54,755,219	1,145,703	(51,432,780)	140,210,907
-	216,203,257	-	(64,958,021)	120,390,473
-	-	-	-	621,989
407,620	-	-	-	407,620
-	-	-	-	1,825,985
-	(50,838,226)	-	-	(20,081,047)
407,620	165,365,031	-	(64,958,021)	103,165,020
\$ 1,405,440	\$ 220,120,250	\$ 1,145,703	\$ (116,390,801)	\$ 243,375,927

**Kirkwood Community College**

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

**All Funds**

**Year Ended June 30, 2010**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>Revenues:</b>			
General:			
State appropriations	\$ 22,906,142	\$ 5,177,100	\$ -
Tuition and fees	46,375,772	-	-
Property tax	3,468,726	4,756,393	-
Federal appropriations	5,936,171	36,948,959	-
Sales and services	658,838	1,093,920	-
Interest on investments	49,315	103,572	-
Interest on student loans	-	-	20,276
Iowa Industrial New Jobs Training Program	-	5,557,046	-
Increase in plant investment due to plant expenditures, including \$2,658,167 in current fund expenditures	-	-	-
Increase in plant investment due to retirement of debt	-	-	-
Miscellaneous	2,454,259	4,988,857	42,731
	<u>81,849,223</u>	<u>58,625,847</u>	<u>63,007</u>
Auxiliary enterprises:			
Tuition and fees	76,802	-	-
Federal appropriations	138,948	-	-
Sales and services	14,365,785	-	-
Interest on investments	2,586	-	-
Miscellaneous	71,474	-	-
	<u>14,655,595</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>			
Education and support:			
Liberal arts and sciences	22,653,731	558,963	-
Vocational technical	19,821,886	4,658,724	-
Adult education	9,164,467	3,060,842	-
Cooperative services	550,243	5,816,787	-
Administration	3,545,625	5,200,750	-
Student services	4,128,878	795,097	-
Learning resources	3,189,985	401,615	-
Physical plant	9,732,519	-	-
General institution	5,720,415	10,579,251	-
<b>Total education and support</b>	<u>78,507,749</u>	<u>31,072,029</u>	<u>-</u>
Auxiliary enterprises	14,151,261	-	-
Scholarships and grants	-	27,603,927	-
Loan cancellations, bad debts, and recoveries	-	-	(53,499)
Administrative and collection costs	-	-	60,753
Plant asset acquisitions	-	-	-
Retirement of indebtedness	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	1,434,493	-
Contributions and rent to component units	-	-	-
(Gain) on sale of capital assets	-	-	-
Depreciation	-	-	-
<b>Total expenditures</b>	<u>92,659,010</u>	<u>60,110,449</u>	<u>7,254</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>3,845,808</u>	<u>(1,484,602)</u>	<u>55,753</u>
Transfers:			
Mandatory transfers	-	-	-
Nonmandatory transfers	(1,544,388)	(20,502)	-
	<u>(1,544,388)</u>	<u>(20,502)</u>	<u>-</u>
<b>Change in fund balances/net assets</b>	<u>2,301,420</u>	<u>(1,505,104)</u>	<u>55,753</u>
Fund balances/net assets:			
Beginning	3,686,752	1,743,686	351,867
Ending	<u>\$ 5,988,172</u>	<u>\$ 238,582</u>	<u>\$ 407,620</u>

See Note to Other Supplementary Information.

Plant Funds				Restricted Other Postemployment Benefits		Total
Unexpended	Retirement of Indebtedness	Investment in Plant	Adjustments	Subtotal		
\$ 733,332	\$ -	\$ -	\$ -	\$ 28,816,574	\$ -	\$ 28,816,574
-	-	-	(27,603,927)	18,771,845	-	18,771,845
3,468,701	2,962,516	-	-	14,656,336	-	14,656,336
-	-	-	-	42,885,130	-	42,885,130
27,121	-	-	-	1,779,879	-	1,779,879
147,862	-	-	-	300,749	-	300,749
-	-	-	-	20,276	-	20,276
-	-	-	-	5,557,046	-	5,557,046
-	-	19,866,767	(19,866,767)	-	-	-
-	-	9,785,000	(9,785,000)	-	-	-
187,468	2,131,970	-	-	9,805,285	-	9,805,285
4,564,484	5,094,486	29,651,767	(57,255,694)	122,593,120	-	122,593,120
-	-	-	-	76,802	-	76,802
-	-	-	-	138,948	-	138,948
-	-	-	-	14,365,785	-	14,365,785
-	-	-	-	2,586	-	2,586
-	-	-	-	71,474	-	71,474
-	-	-	-	14,655,595	-	14,655,595
-	-	-	(973,978)	22,238,716	527,086	22,765,802
-	-	-	(852,225)	23,628,385	474,280	24,102,665
-	-	-	(394,018)	11,831,291	145,698	11,976,989
-	-	-	(23,657)	6,343,373	10,315	6,353,688
-	-	-	(239,604)	8,506,771	112,150	8,618,921
-	-	-	(177,518)	4,746,457	107,529	4,853,986
-	-	-	(137,151)	3,454,449	44,475	3,498,924
958,529	-	-	(418,441)	10,272,607	81,656	10,354,263
-	-	-	(245,945)	16,053,721	173,112	16,226,833
958,529	-	-	(3,462,537)	107,075,770	1,676,301	108,752,071
-	-	-	-	14,151,261	-	14,151,261
-	-	-	(27,603,927)	-	-	-
-	-	-	-	(53,499)	-	(53,499)
-	-	-	-	60,753	-	60,753
17,208,600	-	-	(17,208,600)	-	-	-
-	9,785,000	-	(9,785,000)	-	-	-
-	-	194,752	(194,752)	-	-	-
-	894,459	-	-	2,328,952	-	2,328,952
-	-	-	936,941	936,941	-	936,941
-	-	-	(49,922)	(49,922)	-	(49,922)
-	-	-	5,788,921	5,788,921	-	5,788,921
18,167,129	10,679,459	194,752	(51,578,876)	130,239,177	1,676,301	131,915,478
(13,602,645)	(5,584,973)	29,457,015	(5,676,818)	7,009,538	(1,676,301)	5,333,237
(5,584,973)	5,584,973	-	-	-	-	-
1,395,536	-	-	-	(169,354)	-	(169,354)
(4,189,437)	5,584,973	-	-	(169,354)	-	(169,354)
(17,792,082)	-	29,457,015	(5,676,818)	6,840,184	(1,676,301)	5,163,883
(20,972,079)	-	174,672,177	(59,281,203)	100,201,200	(2,200,063)	98,001,137
\$ (38,764,161)	\$ -	\$ 204,129,192	\$ (64,958,021)	\$ 107,041,384	\$ (3,876,364)	\$ 103,165,020

**Kirkwood Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Education and Support  
Year Ended June 30, 2010**

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
<b>Revenues:</b>				
State appropriations	\$ 9,567,405	\$ 8,726,479	\$ 4,579,580	\$ -
Tuition and fees	25,788,972	12,547,998	7,169,605	867,117
Property tax	-	-	-	-
Federal appropriations	1,719,663	2,477,730	1,264,787	-
Sales and services	275,176	50,254	98,086	-
Interest on investments	-	-	-	-
Miscellaneous	32,366	936,407	47,765	-
	<u>37,383,582</u>	<u>24,738,868</u>	<u>13,159,823</u>	<u>867,117</u>
Allocation of support services	2,566,620	2,244,845	888,368	-
<b>Total revenues</b>	<u>39,950,202</u>	<u>26,983,713</u>	<u>14,048,191</u>	<u>867,117</u>
<b>Expenditures:</b>				
Salaries and benefits	21,835,116	18,674,643	6,288,278	475,112
Services	140,780	298,074	1,931,862	10,083
Materials and supplies	242,835	621,319	833,651	56,691
Travel	426,545	183,116	103,211	8,357
Plant asset acquisitions	-	6,429	6,740	-
Miscellaneous	8,455	38,305	725	-
	<u>22,653,731</u>	<u>19,821,886</u>	<u>9,164,467</u>	<u>550,243</u>
Allocation of support services	11,850,667	10,364,961	4,101,794	-
<b>Total expenditures</b>	<u>34,504,398</u>	<u>30,186,847</u>	<u>13,266,261</u>	<u>550,243</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	5,445,804	(3,203,134)	781,930	316,874
Transfers, nonmandatory transfers	-	-	-	-
<b>Change in fund balances/ net assets</b>	<u>\$ 5,445,804</u>	<u>\$ (3,203,134)</u>	<u>\$ 781,930</u>	<u>\$ 316,874</u>

Fund balances/net assets:

Beginning

Ending

See Note to Other Supplementary Information.

		Support			Education and Support	
General Administration	Student Services	Learning Resources	Physical Plant	General Institution	Total	
\$ 32,620	\$ -	\$ 58	\$ -	\$ -	\$ 22,906,142	
-	2,080	-	-	-	46,375,772	
3,468,726	-	-	-	-	3,468,726	
399,856	33,755	20,680	14,724	4,976	5,936,171	
16,058	39,817	11,605	107,889	59,953	658,838	
49,315	-	-	-	-	49,315	
75,290	41,827	161,706	1,107,142	51,756	2,454,259	
4,041,865	117,479	194,049	1,229,755	116,685	81,849,223	
(4,041,865)	(117,479)	(194,049)	(1,229,755)	(116,685)	-	
-	-	-	-	-	81,849,223	
1,853,140	3,540,807	1,969,574	3,260,963	3,193,959	61,091,592	
1,410,651	178,899	81,046	5,123,406	1,847,588	11,022,389	
76,939	189,833	515,563	781,171	270,323	3,588,325	
64,780	43,797	6,386	2,247	77,246	915,685	
-	13,085	617,416	564,732	257,381	1,465,783	
140,115	162,457	-	-	73,918	423,975	
3,545,625	4,128,878	3,189,985	9,732,519	5,720,415	78,507,749	
(3,545,625)	(4,128,878)	(3,189,985)	(9,732,519)	(5,720,415)	-	
-	-	-	-	-	78,507,749	
-	-	-	-	-	3,341,474	
(89,321)	(716,556)	-	-	-	(805,877)	
\$ (89,321)	\$ (716,556)	\$ -	\$ -	\$ -	2,535,597	
					3,506,217	
					<u>\$ 6,041,814</u>	

**Kirkwood Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Auxiliary Enterprises  
Year Ended June 30, 2010**

	Farm Lab	Bookstore	Day Care Center
<b>Revenues:</b>			
Tuition and fees	\$ -	\$ -	\$ -
Federal appropriations	-	7,504	55,425
Sales and services	406,731	10,231,776	468,528
Interest on investments	-	-	-
Miscellaneous	209	-	-
<b>Total revenues</b>	<b>406,940</b>	<b>10,239,280</b>	<b>523,953</b>
<b>Expenditures:</b>			
Salaries and benefits	42,480	883,771	677,352
Services	66,524	217,498	42,396
Materials and supplies	306,291	67,641	-
Travel	185	11,753	-
Plant asset acquisitions	-	7,487	-
Cost of goods sold	-	6,888,714	-
Miscellaneous	-	-	-
<b>Total expenditures</b>	<b>415,480</b>	<b>8,076,864</b>	<b>719,748</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(8,540)</b>	<b>2,162,416</b>	<b>(195,795)</b>
Transfers, nonmandatory transfers	-	(2,051,534)	443,260
<b>Change in fund balances/ net assets</b>	<b>(8,540)</b>	<b>110,882</b>	<b>247,465</b>
<b>Fund balances/net assets:</b>			
Beginning	(63,113)	(55,441)	(247,570)
Ending	<b>\$ (71,653)</b>	<b>\$ 55,441</b>	<b>\$ (105)</b>

See Note to Other Supplementary Information.

Other Vocational	Equestrian Center	Food Services	The Class Act	Workplace Development	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,802	\$ 76,802
414	-	4,385	-	-	71,220	138,948
220,956	314,036	682,206	140,962	553,153	1,347,437	14,365,785
-	-	-	-	2,586	-	2,586
35,866	7,000	1,787	-	-	26,612	71,474
257,236	321,036	688,378	140,962	555,739	1,522,071	14,655,595
460	199,870	338,924	95,963	-	1,117,246	3,356,066
29,981	14,072	2,279	16,190	-	783,973	1,172,913
73,569	33,866	48,457	27,975	-	531,697	1,089,496
1,192	475	4,139	1,744	-	158,744	178,232
-	65,595	-	-	-	141,509	214,591
-	50,040	315,451	146,526	-	206,005	7,606,736
140,761	-	-	-	-	392,466	533,227
245,963	363,918	709,250	288,398	-	3,331,640	14,151,261
11,273	(42,882)	(20,872)	(147,436)	555,739	(1,809,569)	504,334
46,264	-	-	322,561	-	500,938	(738,511)
57,537	(42,882)	(20,872)	175,125	555,739	(1,308,631)	(234,177)
(206,057)	98,909	30,044	(175,125)	523,979	274,909	180,535
\$ (148,520)	\$ 56,027	\$ 9,172	\$ -	\$ 1,079,718	\$ (1,033,722)	\$ (53,642)

**Kirkwood Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Restricted Funds  
Year Ended June 30, 2010**

	Scholarships and Grants	Iowa Industrial New Jobs Training Program	Workforce Investment Act	Heritage Agency on Aging	Other Federal
<b>Revenues:</b>					
State appropriations	\$ 812,775	\$ -	\$ 45,104	\$ 959,821	\$ 27,373
Tuition and fees	-	-	-	-	-
Property tax	-	21,893	-	-	-
Federal appropriations	24,577,530	-	5,709,558	2,998,866	3,330,008
Sales and services	14,917	-	-	908,590	-
Interest on investments	-	127,584	-	-	-
Iowa Industrial New Jobs Training Program	-	5,557,046	-	-	-
Miscellaneous	2,214,518	-	-	109,480	-
<b>Total revenues</b>	<b>27,619,740</b>	<b>5,706,523</b>	<b>5,754,662</b>	<b>4,976,757</b>	<b>3,357,381</b>
<b>Expenditures:</b>					
Salaries and benefits	-	-	3,904,773	1,186,733	1,193,226
Services	-	4,126,602	1,213,936	3,585,921	1,448,926
Materials and supplies	-	-	145,466	125,026	235,223
Travel	-	-	47,513	36,103	319,786
Plant asset acquisitions	-	-	-	-	-
Interest on indebtedness	-	1,376,788	-	-	-
Miscellaneous	-	-	315,479	-	186,353
Federal Pell grant program	23,992,803	-	-	-	-
Federal supplemental educational opportunity grant	374,891	-	-	-	-
Iowa College Student Aid Commission	812,469	-	-	-	-
Other federal grants	190,105	-	-	-	-
Private scholarships	2,233,659	-	-	-	-
<b>Total expenditures</b>	<b>27,603,927</b>	<b>5,503,390</b>	<b>5,627,167</b>	<b>4,933,783</b>	<b>3,383,514</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>15,813</b>	<b>203,133</b>	<b>127,495</b>	<b>42,974</b>	<b>(26,133)</b>
Transfers, nonmandatory transfers	(1,217)	-	-	(98,574)	-
<b>Change in fund balances/net assets</b>	<b>14,596</b>	<b>203,133</b>	<b>127,495</b>	<b>(55,600)</b>	<b>(26,133)</b>
<b>Fund balances/net assets:</b>					
Beginning, as restated	(10,229)	1,139,686	(239,164)	(55,775)	(55,251)
Ending	\$ 4,367	\$ 1,342,819	\$ (111,669)	\$ (111,375)	\$ (81,384)

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
\$3,116,388	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,639	\$ 5,177,100	\$ -	\$ 5,177,100
-	-	-	-	-	-	-	-	-	-
-	1,541,644	1,766,983	1,425,110	763	-	-	4,756,393	-	4,756,393
13,410	-	-	-	-	-	319,587	36,948,959	-	36,948,959
27,958	-	-	-	-	-	142,455	1,093,920	-	1,093,920
-	-	-	-	-	-	(24,012)	103,572	-	103,572
-	-	-	-	-	-	-	5,557,046	-	5,557,046
15,595	2,000	387,043	-	-	-	2,260,221	4,988,857	-	4,988,857
3,173,351	1,543,644	2,154,026	1,425,110	763	-	2,913,890	58,625,847	-	58,625,847
1,358,159	-	-	2,879,333	99,704	-	585,108	11,207,036	1,676,301	12,883,337
830,829	115,400	2,221,713	-	-	-	1,663,194	15,206,521	-	15,206,521
585,464	1,164,641	-	-	-	-	70,137	2,325,957	-	2,325,957
33,869	-	-	-	-	-	50,428	487,699	-	487,699
183,231	588,821	-	-	-	-	-	772,052	-	772,052
-	-	-	-	-	-	57,705	1,434,493	-	1,434,493
18,542	-	-	-	-	-	552,390	1,072,764	-	1,072,764
-	-	-	-	-	-	-	23,992,803	-	23,992,803
-	-	-	-	-	-	-	374,891	-	374,891
-	-	-	-	-	-	-	812,469	-	812,469
-	-	-	-	-	-	-	190,105	-	190,105
-	-	-	-	-	-	-	2,233,659	-	2,233,659
3,010,094	1,868,862	2,221,713	2,879,333	99,704	-	2,978,962	60,110,449	1,676,301	61,786,750
163,257	(325,218)	(67,687)	(1,454,223)	(98,941)	-	(65,072)	(1,484,602)	(1,676,301)	(3,160,903)
-	-	-	-	-	-	79,289	(20,502)	-	(20,502)
163,257	(325,218)	(67,687)	(1,454,223)	(98,941)	-	14,217	(1,505,104)	(1,676,301)	(3,181,405)
195,168	445,592	(811,175)	534,195	73,761	621,989	(95,111)	1,743,686	(2,200,063)	(456,377)
\$ 358,425	\$ 120,374	\$ (878,862)	\$ (920,028)	\$ (25,180)	\$ 621,989	\$ (80,894)	\$ 238,582	\$ (3,876,364)	\$ (3,637,782)

**Kirkwood Community College**

**Schedule of Changes in Deposits Held in Custody for Others  
Agency Funds  
Year Ended June 30, 2010**

	Student Activities	Other Agency Programs
Balances, beginning of year	\$ 163,691	\$ 452,883
Additions:		
State appropriations	-	-
Federal appropriations	-	47,308
Sales and services	-	1,041,049
Interest on investments	-	-
Partnership loan program	-	791,972
Miscellaneous	159,477	776,161
Transfers	210,642	-
<b>Total additions</b>	<b>370,119</b>	<b>2,656,490</b>
Deductions:		
Salaries and benefits	-	47,755
Services	80,841	1,696,829
Materials and supplies	113,235	44,232
Travel	100,824	40,451
Cost of goods sold	-	15,193
Miscellaneous	54,890	790,351
<b>Total deductions</b>	<b>349,790</b>	<b>2,634,811</b>
Balance, end of year	<b>\$ 184,020</b>	<b>\$ 474,562</b>

See Note to Other Supplementary Information.

Retraining Program	Direct Loan Program	Community Colleges for International Development, Inc.	Total
\$ 139,694	\$ -	\$ 11,901	\$ 768,169
272,821	-	-	272,821
-	56,068,545	15,230,878	71,346,731
-	-	256,755	1,297,804
-	-	-	-
-	-	-	791,972
-	-	470,466	1,406,104
-	-	-	210,642
272,821	56,068,545	15,958,099	75,326,074
-	-	1,062,105	1,109,860
311,772	56,068,545	12,665,890	70,823,877
-	-	60,745	218,212
-	-	1,285,298	1,426,573
-	-	135,840	151,033
-	-	383,820	1,229,061
311,772	56,068,545	15,593,698	74,958,616
\$ 100,743	\$ -	\$ 376,302	\$ 1,135,627

## 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, 2010**

	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Category:						
Arts and sciences	221,957	-	221,957	3,951,136	-	3,951,136
Vocational education	175,856	-	175,856	3,455,786	-	3,455,786
Adult education/continuing education	-	-	-	993,414	374,167 *	1,367,581
	<u>397,813</u>	<u>-</u>	<u>397,813</u>	<u>8,400,336</u>	<u>374,167</u>	<u>8,774,503</u>

\*Includes 240 hour adjustment of 9,480 hours and 300 hour adjustment of 6,840 hours.

**Kirkwood Community College**

**Schedule of Tax and Intergovernmental Revenues  
For the Last Nine Years**

	2010	2009	2008
Local (property tax)	\$ 14,656,336	\$ 14,213,443	\$ 13,676,607
State	28,816,574	35,217,723	32,273,982
Federal	42,885,130	27,653,493	22,529,611
<b>Total</b>	<b>\$ 86,358,040</b>	<b>\$ 77,084,659</b>	<b>\$ 68,480,200</b>

2007	2006	2005	2004	2003	2002
\$ 13,660,902	\$ 2,568,795	\$ 9,680,332	\$ 9,684,349	\$ 9,333,736	\$ 8,222,098
27,490,516	25,915,880	22,463,115	22,800,650	22,279,884	23,189,485
22,305,003	22,116,516	23,118,975	21,248,789	18,923,851	14,713,276
<u>\$ 63,456,421</u>	<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>

**Kirkwood Community College**

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

	2010	2009	2008
<b>Revenues:</b>			
State appropriations	\$ 28,083,242	\$ 33,384,393	\$ 31,981,435
Tuition and fees	46,375,772	39,940,159	40,554,897
Property tax	8,225,119	7,921,323	7,447,646
Federal appropriations	42,885,130	27,653,493	22,529,611
Sales and services	1,752,758	2,191,639	2,197,490
Interest on investments	152,887	728,126	1,542,557
Iowa Industrial New Jobs Training Program	5,557,046	8,904,244	7,090,463
Auxiliary enterprises	14,655,595	12,326,871	14,255,095
Miscellaneous	7,443,116	6,066,590	12,563,084
	<u>\$ 155,130,665</u>	<u>\$ 139,116,838</u>	<u>\$ 140,162,278</u>
<b>Expenditures:</b>			
Liberal arts and sciences	\$ 23,212,694	\$ 21,883,425	\$ 20,182,685
Vocational technical	24,480,610	22,569,627	21,916,227
Adult education	12,225,309	12,564,230	12,754,415
Cooperative services	6,367,030	7,648,550	7,692,088
Administration	8,746,375	7,373,832	6,449,287
Student services	4,923,975	5,049,306	4,843,325
Learning resources	3,591,600	3,716,761	2,819,282
Physical plant	9,732,519	9,673,772	9,554,947
General institution	16,299,666	15,243,432	12,734,901
Auxiliary enterprises	14,151,261	11,817,598	10,486,620
Scholarships and grants	27,603,927	17,021,516	15,413,906
Interest on indebtedness	1,434,493	1,452,386	1,307,554
	<u>\$ 152,769,459</u>	<u>\$ 136,014,435</u>	<u>\$ 126,155,237</u>

	2007	2006	2005	2004	2003	2002
\$	27,205,433	\$ 25,638,680	\$ 22,463,115	\$ 22,183,697	\$ 21,995,627	\$ 22,466,332
	38,403,435	36,752,189	35,721,127	32,848,006	29,911,209	26,563,675
	7,424,645	6,583,697	6,748,392	6,796,528	6,494,286	5,478,585
	22,282,011	22,090,755	23,091,673	21,220,452	18,897,889	14,689,698
	2,223,437	1,873,393	1,637,166	1,695,418	1,411,115	1,946,954
	836,125	919,371	225,142	232,394	300,033	542,812
	6,730,448	3,862,336	3,769,596	6,113,743	7,503,336	7,410,910
	10,610,667	10,881,211	10,795,368	9,861,698	8,953,745	8,003,548
	4,276,507	3,761,062	4,433,201	3,454,293	3,316,778	2,467,016
\$	119,992,708	\$ 112,362,694	\$ 108,884,780	\$ 104,406,229	\$ 98,784,018	\$ 89,569,530

\$	19,474,466	\$ 17,946,972	\$ 16,473,191	\$ 15,116,294	\$ 13,098,399	\$ 12,078,393
	20,987,006	19,832,467	17,749,248	18,785,712	16,593,964	15,249,527
	12,083,618	11,505,437	11,021,620	8,659,955	7,793,787	7,950,952
	6,510,936	3,675,755	3,036,589	6,262,188	8,011,395	7,790,315
	5,959,842	5,568,530	5,799,867	4,562,206	4,506,549	7,247,323
	4,452,042	4,426,463	3,951,657	3,682,512	3,893,243	3,065,359
	3,009,443	3,311,387	2,784,817	2,368,509	2,704,787	2,328,594
	8,339,637	7,091,729	7,410,386	7,005,425	7,540,545	7,891,631
	11,148,919	10,507,101	10,476,619	8,875,303	8,864,895	8,551,203
	10,176,203	9,983,281	10,086,115	12,779,711	8,222,550	7,772,127
	13,670,260	13,068,240	14,141,826	13,448,214	11,893,670	9,155,009
	1,238,043	1,321,131	1,472,513	1,791,281	2,000,563	2,269,568
\$	117,050,415	\$ 108,238,493	\$ 104,404,448	\$ 103,337,310	\$ 95,124,347	\$ 91,350,001

**Kirkwood Community College**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010**

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 College Community School District:				
Child and Adult Care Food Program	10.558	N/A	\$ 127,416	\$ -
Indirect through Iowa Department of Education:				
Child and Adult Care Food Program	10.558	N/A	23,461	-
<b>Total U.S. Department of Agriculture</b>			150,877	-
<b>U.S. Department of Commerce:</b>				
Indirect through Linn County:				
Public Telecommunications Facilities Planning and Construction	11.550	N/A	4,809	-
<b>U.S. Department of Housing and Urban Development:</b>				
Indirect through Linn County:				
Community Development Block Grants/ Entitlement Grants	14.218	N/A	5,730	-
Indirect through Johnson County:				
Community Development Block Grants/ Entitlement Grants	14.218	N/A	49,292	-
<b>Total U.S. Department of Housing and Urban Development</b>			55,022	-
<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	42,811	-
<b>U.S. Department of Labor:</b>				
Indirect through Iowa Workforce Development:				
Unemployment Insurance	17.225	7-W-10-FR-0	74,858	-
Navigator	17.226	7-W-10-FR-1	1,602	-
Trade Adjustment Assistance	17.245	7-W-10-FR-0	2,730	-
New Iowan Center Project	17.261	7-W-10-FR-0	5,293	-
Employment Service/Wagner Peysner Funded Activities	17.207	7-W-10-FR-0	43,808	-
Disabled Veterans' Outreach Program (DVOP)	17.801	7-W-10-FR-0	3,897	-
Local Veterans' Employment Representative Program	17.804	7-W-10-FR-0	2,305	-
<b>Total Employment Service Cluster</b>			\$ 134,493	\$ -

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:				
Non-ARRA Workforce Investment Act (WIA):				
Adult Program	17.258	7-W-10-FR-0	\$ 150,058	\$ -
Youth Activities	17.259	7-W-10-FR-0	378,396	-
Dislocated Workers	17.260	7-W-10-FR-0	502,428	-
Dislocated Workers - NEG	17.260	7-W-10-FR-0	3,381,526	-
<b>Total Non-ARRA Workforce Investment Act Cluster</b>			<b>4,412,408</b>	<b>-</b>
ARRA Workforce Investment Act (WIA):				
ARRA - Adult Program	17.258	7-W-10-FR-0	55,430	-
ARRA - Youth Activities	17.259	7-W-10-FR-0	310,245	-
ARRA - Dislocated Workers	17.260	7-W-10-FR-0	274,941	-
<b>Total ARRA Workforce Investment Act Cluster</b>			<b>640,616</b>	<b>-</b>
<b>Total Workforce Investment Act</b>			<b>5,053,024</b>	<b>-</b>
Indirect through Iowa Department of Education:				
Partnership of Adult and Career Education (PACE)	17.267	N/A	14,151	-
Indirect through Occupational Safety and Health:				
OSHA Susan Harwood C-DUST	17.502	N/A	78,399	-
<b>Total U.S. Department of Labor</b>			<b>5,280,067</b>	<b>-</b>
<b>U.S. Department of State:</b>				
Direct:				
Community College Summit Initiative Program	19.000	N/A	10,201,566	-
Community College Summit Initiative Program	19.009	N/A	5,116,292	-
<b>Total U.S. Department of State</b>			<b>15,317,858</b>	<b>-</b>
<b>National Science Foundation:</b>				
Direct, Education and Human Resources	47.076	N/A	683,421	-
<b>U.S. Small Business Administration:</b>				
Direct, Mass Fatalities Response Training for Funeral Service Directors				
	59.000	N/A	12,637	-
Indirect through Iowa State University:				
Small Business Development Center	59.037	N/A	159,063	-
<b>Total U.S. Small Business Administration</b>			<b>171,700</b>	<b>-</b>
<b>Environmental Protection Agency:</b>				
Direct, Wastewater Operator Training Grant Program (Technical Assistance)	66.467	N/A	\$ 3,227	\$ -

**Kirkwood Community College**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010**

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 Education</b>				
Direct:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ 374,891	\$ -
Federal Work-Study Program	84.033	N/A	512,633	-
Federal Perkins Loan Program	84.038	N/A	-	204,089
Federal Pell Grant Program	84.063	N/A	23,992,803	-
Federal Direct Student Loans	84.268	N/A	-	56,068,547
Academic Competitiveness Grant (ACG)	84.375	N/A	190,105	-
<b>Total student financial assistance cluster</b>			25,070,432	56,272,636
<b>U.S. Department of Education</b>				
Direct:				
ARRA Education Stabilization Fund	84.394	N/A	3,489,012	-
ARRA Government Services Fund	84.397	N/A	377,598	-
TRIO - Student Support Services	84.042	N/A	332,277	-
Indirect through Iowa Department of Education:				
Adult Education, State Grant Program	84.002	N/A	356,211	-
Title I Program for Neglected and Delinquent Children	84.013	N/A	9,761	-
Vocational Education - Basic Grants to States	84.048	57-9910	765,341	-
Tech-Prep Education	84.243	57-9910	88,947	-
Indirect through Iowa Department of Corrections:				
Title I Program for Neglected and Delinquent Children	84.013	N/A	15,541	-
Indirect through Indian Hills Community College:				
FIPSE IBTI	84.116Z	N/A	75,787	-
Indirect through University of Northern Iowa:				
FIPSE Brazil Project	84.116	N/A	4,768	-
Indirect through Neighborhood Centers of Johnson County: Even Start				
	84.213C	N/A	4,422	-
<b>Total U.S. Department of Education</b>			30,590,097	56,272,636
<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	10,789	-
Special Programs for the Aging Cluster:				
Title III Part B - Grants for Supportive Services and				
Senior Centers	93.044	N/A	355,061	-
Title III Part C - Nutrition Services	93.045	N/A	776,011	-
Nutrition Services Incentive Program	93.053	N/A	305,596	-
<b>Total Non-ARRA Special Programs for the Aging Cluster</b>			\$ 1,447,457	\$ -

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 Health and Human Services (continued):</b>				
Indirect through Iowa Department of Elder Affairs (continued):				
ARRA Special Program for the Aging Cluster, ARRA - Aging Congregate Nutrition Services for States	93.707	N/A	\$ 24,696	\$ -
<b>Total Special Programs for the Aging Cluster</b>			1,472,153	-
National Family Caregiver Support	93.052	N/A	157,274	-
Medical Assistance Program	93.778	N/A	799,257	-
Special Program for the Aging - Title IV and Title II - Discretionary Projects	93.048	N/A	73,433	-
Social Services Block Grant	93.667	N/A	452,609	-
Medicare Improvement Program	93.071	N/A	34,755	-
			1,517,328	-
Indirect through National Institute of Environmental Health Sciences:				
NIEHS Hazardous Waste Worker Health and Safety Training	93.142	N/A	869,085	-
Indirect through Iowa Workforce Development:				
Temporary Assistance for Needy Families	93.558	7-W-10-FR-0	799,072	-
Indirect through Cuyahoga Community College:				
Health Information Technology Professionals in Health Care	93.721	N/A	150	-
Indirect through Health Resources and Services Administration: Health Care & Other Facilities				
	93.887	N/A	96,742	-
<b>Total U.S. Department of Health and Human Services</b>			4,754,530	-
<b>U.S. Department of Homeland Security:</b>				
Direct:				
Urban Areas Security Initiative	97.008	N/A	60,504	-
Competitive Training Grants	97.068	N/A	814,142	-
<b>Total U.S. Department of Homeland Security</b>			874,646	-
<b>U.S. Agency for International Development:</b>				
Indirect through Georgetown University:				
Scholarships for Education and Economic Development (SEED)	98.000	N/A	301,745	-
<b>Total federal awards expended</b>			\$ 58,230,810	\$ 56,272,636

See Notes to Schedule of Expenditures of Federal Awards.

## Kirkwood Community College

### Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

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#### 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, 2010, Kirkwood Community College has Perkins Loan Program receivables of \$1,889,326.

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	\$ 9,556,329
Community College Summit Initiative Program	19.009	4,698,117
Special Programs for the Aging-Title III Part D - Disease Prevention and Health Promotion Services	93.043	4,080
Special Programs for the Aging Cluster: Title III Part B - Grants for Supportive Services and Senior Centers	93.044	97,872
Title III Part C - Nutrition Services	93.045	865,198
Nutrition Services Incentive Program	93.053	305,596
National Family Caregiver Support	93.052	76,682
ARRA - Aging Congregate Nutrition Services for States	93.707	24,696
Medical Assistance Program	93.778	642,126

**Kirkwood Community College**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2010**

Comment Number	Comment	Corrective Action Taken
<b>Findings Related to the Financial Statement Audit as Reported in Accordance with Generally Accepted Government Auditing Standards:</b>		
<b>Significant Deficiencies and Material Weakness in Internal Control over Financial Reporting</b>		
09-II-A	Several account balances were misstated in prior years which resulted in a material error in the beginning net asset balance.	Fully corrected.
09-II-B	The College has inadequate segregation of duties over the payroll transaction cycle.	Condition still exists. See 10-II-B.
09-II-C	The College has inadequate segregation of duties over the cash disbursements transaction cycle.	Condition still exists. See 10-II-C.
09-II-D	The College has inadequate controls over journal entry posting.	Condition still exists. See 10-II-D.
09-II-E	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.	Material journal entries still noted in current year; however, current year entries were less significant than prior year entries due to improved processes put in place by management. See repeat finding at 10-II-E.
09-II-F	The College has an inadequate segregation of duties over the cash receipts cycle.	Condition still exists. See 10-II-F.
<b>Compliance Finding</b>		
09-II-G	Arbitrage calculations were not performed.	Condition still exists. See 10-II-G.
<b>Findings and Questioned Costs for Federal Awards:</b>		
<b>Significant Deficiency in Internal Control over Federal Awards</b>		
09-III-A	The College has inadequate reconciliation procedures for the Common Origination and Disbursement (COD) system.	Condition still exists. See 10-III-A.
<b>Compliance Findings</b>		
09-III-B	The College incorrectly calculated Federal Student Aid refunds for students that withdrew in the fall and spring semesters prior to the 60% point.	Fully corrected.

**Kirkwood Community College**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2010**

Comment Number	Comment	Corrective Action Taken
09-III-C	The College incorrectly calculated Federal Student Aid refunds for a student who withdrew.	Condition still exists. See 10-III-G.
09-III-D	The College requested funds in excess of expenditures for the Federal Direct Loan program. The excess cash was not returned timely.	Fully corrected.
09-III-E	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 still exists. See findings 10-III-A through 10-III-J.
09-III-F	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).	No such issues noted in current year testing.

**Other Findings Related to Required Statutory Reporting:**

IV-H-09	The College had funds at an institution which was not included in the bank depository resolution.	Fully corrected.
IV-I-09	Error in contact hours reported.	Condition still exists. See IV-I-10.



**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, 2010, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 31, 2011. 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 10-II-A through 10-II-G that we consider to be significant deficiencies in internal control over financial reporting. In addition, consider item 10-II-E to be a material weakness.

## 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 10-II-H.

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, 2010 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 31, 2011.

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 31, 2011



**Independent Auditor's Report  
on Compliance with Requirements that Could Have a  
Direct and Material Effect on 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 that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 10-III-D through 10-III-K.

## 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-III-A through 10-III-C to be significant deficiencies.

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 31, 2011

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

**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?  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?  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
19.000	Community College Summit Initiative Program
19.009	Community College Summit Initiative Program
	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
84.394	ARRA Education Stabilization Fund
84.397	ARRA Government Services Fund
97.068	Competitive Training Grants

Dollar threshold used to distinguish between type A and type B programs \$3,000,000

Auditee qualified as low-risk auditee?  Yes  No

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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**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

**10-II-A**

Finding: Capital assets reconciliations were not completed timely or accurately.

Condition: The College completes capital asset entries on an annual basis, no reconciliations were completed throughout the year. Because of the volume of activity and the lack of reconciliations, capital assets were not prepared in a timely manner after year-end. Adjustments were required during the audit process to correct recording of capital assets and related depreciation. In addition, the College required assistance to reconcile the capital asset accounts.

Context: Capital assets and related depreciation expense.

Effect: Material misstatement of the financial statements could occur.

Recommendation: We recommend the College look for ways to improve its process for capital assets including reconciling the subsidiary and general ledgers, investigating differences from that reconciliation, identifying assets for capitalization throughout the year, performing periodic inventories, and an independent review of the work performed.

Response and corrective action plan: Kirkwood acknowledges the finding with regard to timely reconciliation of the subsidiary ledger to the general ledger. Accounting Services personnel are working toward more frequent and accurate closings throughout the fiscal year.

**10-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.

## Kirkwood Community College

### Schedule of Findings and Questioned Costs Year Ended June 30, 2010

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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 was completed during Q4/FY10. Recommended changes to the plan were not implemented as a new director of human resources was hired in Q4/FY10. The new director reviewed the recommendations, made minor changes and a project to implement those changes will be started in Q3/FY11.

#### 10-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 the 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.

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: During FY2010, the purchasing coordinator position was no longer allowed to enter requisitions. Individuals in need of making a purchase were asked to enter his/her own requisition and route to the appropriate approver. During FY2011, a formal purchasing policy will be implemented. In addition, further analysis of purchasing functions will continue and where possible, duties will be reassigned for better internal controls.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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**10-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 Controller 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.

Response and corrective action plan: Kirkwood acknowledges finding. Built in Datatel system controls related to journal entry control will be utilized on or before July 1, 2011. Journal entries will be entered with complete documentation scanned and attached to the entry in Datatel, then will flow through the online approval process to either the Controller or Director of Financial Management for approval. The Controller and Director will not have access to enter journal entries.

**10-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: recording of certain accounts receivable, recording certain accounts payables, adjusting other postemployment benefits liability and expense, adjusting Perkins loans refundable, and recording bond issuance costs and related amortization.

## Kirkwood Community College

### Schedule of Findings and Questioned Costs Year Ended June 30, 2010

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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.

Response and corrective action plan: Kirkwood acknowledges finding. Kirkwood believes this finding is due to resource constraints required to complete the work prior to the start of the audit. Kirkwood will review its internal staff scheduling for subsequent audits in order to have the audit work substantially complete prior to the future audit.

#### 10-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 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 does not acknowledge finding. During FY2010, a review of the entire accounts receivable process was completed. As a result, positions were realigned to create separation between billing and cash collections/receipts. While Collection Specialists continue to open cash drawer sessions, receive payments, prepare deposits, and count drawers at the conclusion of a day, this activity is all reviewed by an Accounts Receivable supervisor. All sessions are closed by the Accounts Receivable supervisor or the Senior Accountant (only in back-up situations). In addition, the Senior Accountant performs the bank reconciliations. These controls work to mitigate the risk of undetected error within the cash receipts cycle. Additional segregation of duties would require adding personnel which is not feasible or practical.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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**10-II-G**

Finding: The College has inadequate segregation of duties over the New Jobs Training Program (NJTP).

Condition: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual should handle a transaction from inception to completion. One individual has access to all aspects of the NJTP function: creating new companies within the NJTP tracking system, collecting and processing payments, approving reimbursable expenses, preparing and posting journal entries and reconciling NJTP bank accounts. Although other individuals assist with this process and a review of bank reconciliations are being performed, one individual has access to complete all aspects.

Context: Pervasive to New Jobs Training Program 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. Appropriate individuals, who are independent of the NJTP process, should collect and process payments, review and approve reimbursable expenses and post journal entries.

Response and corrective action plan: Kirkwood does not acknowledge finding. There are currently controls over payment processing and approving expenditures. The accounting specialist processes the company payments, which includes posting them to the NJTP system, printing out a batch report and comparing that to the totals from the NJTP accountant. Company reimbursement requests are mailed to the NJTP Program Managers who review and approve the expenses. The request is then routed to the NJTP Accountant who processes it for payment. The journal entry posting will be taken care of with the corrective action plan of finding 10-II-D. Additional segregation of duties would require adding personnel which is not feasible or practical.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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(B) Compliance Findings

**10-II-H**

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.

Response and corrective action plan: Kirkwood utilizes an outside firm to prepare arbitrage calculations. Kirkwood has provided the firm with a schedule of College obligations and the firm requests data from Kirkwood at appropriate times in order to comply with regulations.

**III. Findings and Questioned Costs for Federal Awards**

(A) Significant Deficiency in Internal Control

**10-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 Competitiveness Grant (CFDA 84.375)  
Federal Award Year: 2009-2010**

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 federal award cut-off at year-end.

Context: Federal award transactions.

Effect: Improper cut-off which resulted in audit adjustments.

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, 2010**

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Response and corrective action plan: Existing reports in Colleague have been utilized to identify rejected disbursements in order to correct records in a timely manner. Accounting Services coordinates with Financial Aid to assure that cash draw downs are within accepted disbursement limitations at COD. Enhanced reporting is under development to enable monthly reconciliations.

**10-III-B**

**U.S. Department of State  
Community College Initiative Program (CFDA 19.000 and 19.009)  
Federal Award Year: 2009-2010**

Finding: There was no evidence of program director approval for monthly living stipends paid to international students and certain invoices expensed in the program.

Condition: Monthly living stipends to international students were not reviewed to make sure the proper amounts were paid and two of the five invoices selected for testing also did not have proper review.

Context: Pervasive to cash disbursements of this program.

Effect: Potential noncompliance with federal compliance requirements.

Prevalence: Nine of nine students selected for testing. Two of five invoices selected for testing.

Recommendation: We recommend that the College put procedures in place to review monthly stipends paid to students to ensure the proper amount is paid and to ensure the proper students are paid and also put procedures in place to ensure the program director approves all invoices related to the program.

Response and corrective action plan: Kirkwood acknowledges finding. The living stipends were reviewed by the National Director and the Grants Accounting Staff; however, the documentation attached to the vouchers for payment did not have the approval signature. We have updated our process for issuing stipends which provides for a thorough review and approval process.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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**10-III-C**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Supplemental Educational Opportunity Grants (CFDA 84.007)  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Pell Grant Program (CFDA 84.063)  
Federal Direct Loan Program (CFDA 84.268)  
Academic Competitiveness Grant (CFDA 84.375)  
Federal Award Year: 2009-2010**

Finding: The College has inadequate segregation of duties student registration and awarding of financial aid.

Condition: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual should handle a transaction from inception to completion. Certain individuals have the ability and access to create a new student within the accounting system, award aid to the student and complete all the necessary paperwork to support such a transaction.

Context: Pervasive to student financial aid 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. Alternatively, as part of the billing, collection and student refund process independent individuals should verify the existence of students before refunds are released.

Response and corrective action plan: Kirkwood acknowledges finding. Due to the nature of combining the areas of Student Financial Aid and Enrollment Services for operational efficiencies and improved customer service, several employees have the access to create new students, enroll that student, and package that student. Those employees do not actually run checks or have access to the check processes; however, the employees running the check processes do not perform a verification of the records for validity. The One-Stop has proved to be a successful solution to the needs of our students, but there are opportunities to tighten up controls/verifications to mitigate risk.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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(B) Compliance Findings

**10-III-D**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Supplemental Educational Opportunity Grants (CFDA 84.007)  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Pell Grant Program (CFDA 84.063)  
Federal Direct Loan Program (CFDA 84.268)  
Academic Competitiveness Grant (CFDA 84.375)  
Federal Award Year: 2009-2010**

Finding: Credit balances on student's accounts were not refunded within the required fourteen days.

Condition: During testing it was noted that credit balances on several student's accounts were not refunded within the required fourteen day time limit.

Criteria: Per 34 CFR 668.164 (e) a federal student aid credit balance occurs whenever the College credits federal student aid program funds to a student's account and the total amount of those federal student aid funds exceed the student's allowable charges. If the federal student aid disbursements to the student's account creates a credit balance, the College must pay the credit balance directly to the student or parent as soon as possible, but no later than fourteen days after the date the balance occurred on the student's account or the first day of classes of the payment period if the credit balance occurred on or before the first day of class.

Questioned costs: None

Effect: Noncompliance with federal compliance requirements.

Prevalence: Credit balances not refunded within the required fourteen days were noted on 48 of the 60 student tested in eligibility testing and 39 of the 60 students tested for Return of Title IV funds.

Recommendation: We recommend that the College develop procedures to ensure credit balances are refunded within the required time frame. These procedures could include the Business Office running a detailed student account balance report once a week to review for students who have a credit balance.

Response and corrective action plan: The check issuing process each term has been moved up to meet the required 14-day threshold.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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**10-III-E**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Student Loans (CFDA 84.268)  
Federal Award Year: 2009-2010**

Finding: The College disbursed proceeds from a Federal Direct Student Loan to a first year, first time borrower before the required 30 days from the beginning of the program.

Condition: The College disbursed a Federal Direct Student loan into a first year, first time student's account on the first day of classes and did not wait the required 30 days from the start of classes to disburse the funds.

Criteria: Per 34 CFR 682.604(c)(5), if a student is in the first year of undergraduate study and is a first-time Stafford borrower, the school may not disburse the first installment of the Stafford loan until 30 calendar days after the student's program of study begins.

Questioned costs: \$1,742

Effect: Noncompliance with federal compliance requirements.

Prevalence: One student out of 60 tested.

Recommendation: We recommend that the College creates a monitoring system that ensures first year, first time borrowers are not disbursed Federal Direct Student loan funds prior to the required 30 days.

Response and corrective action plan: Kirkwood acknowledges finding. It was discovered that automated review of student records to determine new borrower status included prior aid awarded as opposed to prior aid disbursed. The automated review process was corrected, and this instance should not recur.

**10-III-F**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Student Loans (CFDA 84.268)  
Federal Award Year: 2009-2010**

Finding: During testing it was noted that the College exceeded the aggregate limit for subsidized loans for two students.

Condition: The College awarded two students in excess of their aggregate limit of subsidized loans of \$23,000 because they failed to check NSLDS data.

Criteria: Per 34 CFR 682.204(e), once a borrower has reached his or her aggregate borrowing limit they may not receive additional loans. It is the School's responsibility to check NSLDS data to ensure the student still has remaining eligibility under the aggregate loan limit.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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Questioned costs: \$1,754

Effect: Noncompliance with federal compliance requirements.

Prevalence: Two students out of 60 students tested.

Recommendation: Each student's NSLDS data should be carefully checked to ensure they do not receive federal loans in excess of aggregate amounts. During our fieldwork, the College corrected these two errors by reducing the subsidized loans and increasing unsubsidized loans.

Response and corrective action plan: Kirkwood acknowledges finding. The process for students requesting loans who have had loans previously has been modified to help prevent recurrence of this issue. A report has been developed and made accessible to Financial Aid Advisors to identify students in this category. Such students are assigned a specific code to prevent packaging prior to review of aggregate borrowing limits by a Financial Aid Advisor.

**10-III-G**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Student Loans (CFDA 84.268)  
Federal Award Year: 2009-2010**

Finding: The College does not have a system in place to ensure student status changes are reported accurately and timely to the National Student Loan Data System.

Condition: During testing it was noted the College failed to report several students who had withdrawal within the 60 day required timeframe.

Criteria: Per 34 CFR 682.610 changes in enrollment to less than half-time, graduated, or withdrawn must be reported within 30 days, or, if a roster file is expected, within 60 days.

Questioned costs: None

Effect: Noncompliance with federal compliance requirements.

Prevalence: Seven of the 60 students tested either were not reported or were reported after the 60 day requirement.

Recommendation: It is recommended that the College develop a review process for the student status reporting. This review should include checking the reports to ensure that information is complete and accurate.

Response and corrective action plan: Kirkwood acknowledges finding. The process for reviewing changes in enrollment status has been modified to include classes that extend beyond the traditional term dates. The process will encompass review of prior term classes with an end date in the next term to report any status changes as necessary.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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**10-III-H**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Pell Grant Program (CFDA 84.063)  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2009-2010**

Finding: The College did not return Title IV funds in a timely manner.

Condition: The College did not return Title IV funds within 45 days of the determination of the withdrawal date.

Criteria: Per 34 CFR 668.22, a school must always return any unearned Title IV funds within 45 days of the date the school determined the student withdrew.

Questioned costs: None

Effect: Noncompliance with federal compliance requirements.

Prevalence: Four of the 60 students tested did not have their funds returned within the required 45 days.

Recommendation: The College should have a process in place to monitor timeliness of return of Title IV funds.

Response and corrective action plan: Kirkwood acknowledges finding. The process for reviewing changes in enrollment status (including withdrawal) has been modified to include classes that extend beyond the traditional term dates. The process encompasses review of prior term classes with an end date in the next term to report any status changes as necessary including returning Title IV funds where appropriate.

**10-III-I**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Pell Grant Program (CFDA 84.063)  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2009-2010**

Finding: The College did not perform one student's return of Title IV funds calculation correctly.

Condition: During testing it was noted the College refunded subsidized loan to a student who did not have a subsidized loan during the semester. Furthermore, an incorrect amount of Pell was refunded.

Criteria: Per 34 CFR 668.22 (a)(2), the calculation of earned Title IV funds includes certain Title IV grant and loan funds if they were disbursed or could have been disbursed to a student for the period of time for which the calculation is being performed.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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Questioned costs: \$264.53

Effect: Noncompliance with federal compliance requirements.

Prevalence: During refund testing it was noted one student return of Title IV funds was incorrect.

Recommendation: It is recommended that the College develop a review process for the refund of Title IV funds. This review should include checking the reports to ensure that information is complete and accurate.

Response and corrective action plan: Kirkwood acknowledges finding. A report has been developed containing summary data provided in the return of Title IV calculations. This report is reviewed for accuracy by someone other than the person performing the calculations.

**10-III-J**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Work-Study Program (CFDA 84.033)  
Federal Award Year: 2009-2010**

Finding: The College did not report the proper number of jobs created in their Section 1512 reporting for Federal Work-Study funds received under the American Recovery and Reinvestment Act.

Condition: During testing it was noted the College took the total hours worked divided by 2,200 hours as opposed to 520 hours in the Jobs Created calculation that is required to be calculated in the quarterly ARRA reports. This caused the number of jobs reported to increase from 7 to 20.

Criteria: Per Section 1512 of the American Recovery and Reinvestment Act of 2009 requires quarterly reporting of jobs created. An electronic announcement dated December 31, 2009 titled "Second Quarter Reporting of Federal Work-Study Funds Received Under the American Recovery and Reinvestment Act of 2009 (ARRA)" provided guidance on how to calculate the amount to be reported.

Questioned costs: None

Effect: Noncompliance with federal compliance requirements.

Prevalence: Occurred in fourth quarter report. Number of jobs reported was 7 and should have been 20.

Recommendation: The College should carefully follow guidance on new regulations to ensure the correct reporting requirements are met. During our fieldwork, the College submitted a corrected calculation.

Response and corrective action plan: Kirkwood acknowledges finding. Corrected report was submitted.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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**10-III-K**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Award Year: 2009-2010**

Finding: The College could not locate a promissory note for a Perkins loan.

Condition: During testing it was noted the College did not have a promissory note on file for one of the Perkins loans selected for testing.

Criteria: Per 34 CFR 674.19(e)(4), an institution is required to keep the original promissory notes and repayment schedules until the loans are satisfied.

Questioned costs: None

Effect: Noncompliance with federal compliance requirements.

Prevalence: One of 25 Perkins loans tested.

Recommendation: We recommend that the College maintain all Perkins promissory notes until they are paid off by the student or assigned by the College.

Response and corrective action plan: Kirkwood acknowledges finding.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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**IV. Other Findings Related to Required Statutory Reporting**

IV-A-10 Certified Budget

Expenditures during the year ended June 30, 2010 did not exceed the amounts budgeted in total.

IV-B-10 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-10 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.

Finding: For the time period of January 1, 2010 to April 1, 2010 the College's mileage reimbursement rates were in excess of the IRS rates (\$0.55/mile versus \$0.50/mile).

Recommendation: Procedures should be implemented to update mileage reimbursements rates whenever there is a change in the IRS rates.

Response: Kirkwood acknowledges the finding. The College will review the process of expense reimbursement and ensure that the mileage rates included are the current allowed rates.

Conclusion: Response accepted.

IV-D-10 Business Transactions

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

IV-E-10 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-10 Board Minutes

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

Finding: Votes for each motion are noted by count (i.e. carried 8-0, or 7-1). Based on the members present documented at the top of the minutes, readers can infer the vote of an individual if a motion carried without dissent (i.e. 8-0, 9-0, etc.). However, the minutes do not include the names of those dissenting on any votes, so readers do not know what individuals dissented on a vote.

Recommendation: Records of votes should be kept in the minutes showing dissenting votes.

## Kirkwood Community College

### Schedule of Findings and Questioned Costs Year Ended June 30, 2010

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Response: Kirkwood acknowledges the finding. Should there be any dissenting votes on a particular matter, the votes will be identified by individual trustee. This practice will be implemented immediately with the March 2011 board meeting.

Conclusion: Response accepted.

#### IV-G-10 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.

Finding: The public hearing scheduled for April 22, 2010 was published on March 13, 2010 and March 20, 2010 when notice of the hearing should be published not less than 4 nor more than 20 days before the date of the hearing.

Recommendation: College management should periodically remind to all those publishing notices of the required number of days for each type of publication.

Response: Kirkwood acknowledges the finding. This item relates to the Johnson Hall renovation project. The person responsible for the public notice was new to the process and did not properly publish the notice. The person has received additional training and this isolated incident should not occur again.

Conclusion: Response accepted.

#### IV-H-10 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.

#### IV-I-10 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>Over (under) Reported Difference</u>
Arts & Sciences			
Engineering Technology	143	130	13
Vocational Education			
Computer Information Systems	64	60	4
Vocational Education			
Career Academy Teacher Training	-	32	(32)

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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Recommendation: The College should verify that the number of contact hours reported for each 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, 2010**

Comment Number	Comment	Corrective Action Plan	Contact Person	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**

10-II-A	Capital assets not reconciled timely.	See corrective action plan at 10-II-A.	Jim Choate, CFO	June 2011
10-II-B	Inadequate segregation of duties over the payroll cycle.	See corrective action plan at 10-II-B.	Jim Choate, CFO	June 2011
10-II-C	Inadequate segregation of duties over the cash disbursements cycle.	See corrective action plan at 10-II-C.	Jim Choate, CFO	June 2011
10-II-D	Inadequate controls over journal entry posting.	See corrective action plan at 10-II-D.	Jim Choate, CFO	June 2011
10-II-E	Inadequate post closing and financial reporting process.	See corrective action plan at 10-II-E.	Jim Choate, CFO	June 2011
10-II-F	Inadequate segregation of duties over cash receipts cycle.	See corrective action plan at 10-II-F.	Jim Choate, CFO	June 2011
10-II-G	Inadequate segregation of duties over New Jobs Training Program.	See corrective action plan at 10-II-G.	Jim Choate, CFO	June 2011

**Compliance:**

10-II-H	Arbitrage calculations not performed.	See corrective action plan at 10-II-H.	Jim Choate, CFO	June 2011
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**Findings and Questioned Costs for Federal Awards:**

**Significant Deficiency in Internal Control over Federal Awards:**

10-III-A	Timely reconciliation to COD system not completed.	See corrective action plan at 10-III-A.	Kristie Fisher, VP of Enrollment Services	June 2011
10-III-B	Student stipends and invoices not reviewed.	See corrective action plan at 10-III-B.	Jim Choate, CFO	June 2011

**Kirkwood Community College**

**Corrective Action Plan  
Year Ended June 30, 2010**

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
10-III-C	Inadequate segregation of duties over student registration and awarding of financial aid.	See corrective action plan at 10-III-C.	Kristie Fisher, VP of Enrollment Services	June 2011
<b>Compliance:</b>				
10-III-D	Credit balances not refunded to students timely.	See corrective action plan at 10-III-D.	Kristie Fisher, VP of Enrollment Services	June 2011
10-III-E	Loan disbursed to first year, first time borrower before 30 days.	See corrective action plan at 10-III-E.	Kristie Fisher, VP of Enrollment Services	June 2011
10-III-F	Loans disbursed in excess of aggregate loan limits.	See corrective action plan at 10-III-F.	Kristie Fisher, VP of Enrollment Services	June 2011
10-III-G	Student status reporting not done timely or accurately.	See corrective action plan at 10-III-G.	Kristie Fisher, VP of Enrollment Services	June 2011
10-III-H	Return of Title IV funds not done timely.	See corrective action plan at 10-III-H.	Kristie Fisher, VP of Enrollment Services	June 2011
10-III-I	Return of Title IV funds not calculated correctly.	See corrective action plan at 10-III-I.	Kristie Fisher, VP of Enrollment Services	June 2011
10-III-J	Jobs created not reported properly in Section 1512 reporting for ARRA funds.	See corrective action plan at 10-III-J.	Kristie Fisher, VP of Enrollment Services	June 2011
10-III-K	A promissory note could not be located for a Perkins Loan.	See corrective action plan at 10-III-K.	Jim Choate, CFO	June 2011

**Kirkwood Community College**

**Corrective Action Plan  
Year Ended June 30, 2010**

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
<b>Statutory Reporting:</b>				
IV-C-10	For the time period of January 1, 2010 to April 1, 2010, the College's mileage reimbursement rates were in excess of the IRS rates.	See corrective action plan at IV-C-10.	Jim Choate, CFO	June 2011
IV-F-10	Votes for each motion are noted in the Board minutes do not include the names of those dissenting on any votes.	See corrective action plan at IV-F-10.	Sheryl Cook, Secretary of the Board	June 2011
IV-G-10	The public hearing scheduled for April 22, 2010 was published more than 20 days before the date of the hearing.	See corrective action plan at IV-G-10.	Sheryl Cook, Secretary of the Board	June 2011
IV-I-10	Errors in contact hours.	See corrective action plan at IV-I-10.	Bill Lamb, VP of Instruction	June 2011



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, 2010, 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:

### **Identified in fiscal year 2010**

#### **Bank Reconciliations**

Reconciliations for bank accounts could not be provided by Business Office personnel for numerous months throughout the year. Reconciliation of the general ledger to the bank balances should be completed on a timely basis to provide assurance that all transactions have been entered by the bank and recorded properly in the books. Bank reconciliations are an important control over the cash accounts, therefore they should be prepared at least monthly on a timely basis, all reconciling items should be investigated and disposed of properly and they should be reviewed by an appropriate supervisor.

## **Payroll**

During our testing, it was noted that an employee had authorization of employee pay on file and the employee had an approved timesheet for the time period selected, however the employee was not issued a paycheck for hours worked. It was also noted that another employee had two copies of the exact same timesheet on file and the employee was paid for each timesheet incorrectly. We recommend proper reviews are completed when processing payroll to ensure all employees are properly paid for time worked.

## **Capital Assets**

During review of repairs and maintenance accounts, one expense was noted that should have been capitalized by the College. We recommend a review of repairs and maintenance accounts be completed to ensure all expenses that meet the capitalization thresholds are properly capitalized.

## **Administrative Capability Student Financial Aid**

The Department of Education requires colleges and universities that receive student financial aid funding to meet various administrative capability requirements. These requirements are extensive and include having a proper system of checks and balances and a consistency of information which would include appropriate communications between the student financial aid office and other departments of the college. During our audit we encountered difficulty in obtaining information for the student financial aid audit in a timely manner. Given this difficulty, the number of findings noted during the compliance audit and the items identified during the Department of Education review, management should evaluate the structure of the student financial aid department and its communication and reporting to the Business Office.

## **Bookstore Management**

During review of bookstore inventory, explanations on gross margin percentages in comparison to prior year were difficult to obtain due to change in personnel. In addition, it was noted that at times, there could be transfers of inventory between bookstores but cost of sales would not be adjusted in the general ledger to match corresponding revenue that was recorded at the bookstore which received the goods. We recommend recording cost of sales and revenue in the same bookstore cost center when inventory is transferred and perform a regular review of the bookstore activity throughout the year to determine and document significant changes in gross margin percentage

## **Kirkwood Facilities Foundation**

During our audit and through discussions with management we noted the vines purchased for the vineyard and the development costs of the vineyard have not been capitalized. Accounting guidance indicates direct and indirect development costs of vineyards should be capitalized during the development period and depreciated over their estimated productive lives. The productive lives of the vines can be estimated by considering such factors as the geographical area (influence of water, humidity, and temperature), variety or classification of the plant, type of rootstock used, grafting and pruning practices, plant-spacing intervals, and picking or harvesting methods. The best sources of data regarding these factors are grower and commodity associations and the local agricultural extension service.

Cultural costs during the development period, including stakes and wires, grafting, and labor for pruning and forming, should be capitalized. Net proceeds from sales of products before commercial production begins shall be applied to the capitalized cost of the plants, trees or vines.

When production in commercial quantities begins, the accumulated costs shall be depreciated over the estimated useful life of the vineyard. Costs incurred in raising the crops for harvest once production in commercial quantities begins are capitalized as inventory and considered a part of costs of goods sold.

## **Community College Initiative Program**

Approved payroll allocations to be applied to the Community College Initiative Program (CFDA 19.009) did not agree to payroll allocations actually charged to the program. The College did not charge the approved payroll allocation to the program for two employees due to changes to payroll allocations not being submitted timely by the program director and the system not being verified to determine allocations are properly being calculated. We recommend that the College put procedures in place to ensure payroll allocations are monitored to verify proper payroll expenses are being charged to the program.

### **Identified in fiscal year 2009**

#### **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 evaluated for potential impairment on an annual basis. We recommend that a formal policy and process is put into place to perform this evaluation.

#### **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.

#### **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. Accounting personnel are relying on the system to determine this amount with no review. The College should 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 specific to withdrawal date issues 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.

## **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 begin tracking this information on a monthly basis.

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.

### **Identified in fiscal year 2010**

#### **Hotel and Restaurant Inventory**

While the amount of inventory or other capitalizable items on hand for the hotel and restaurant at June 30, 2010 was not significant, as the hotel and restaurant have opened for business in fiscal year 2011 we would expect inventory on hand to become a significant item that the College should be tracking. The College should determine its policy regarding inventory or capitalization of items such as bedding and towels for the hotel and also put into place procedures for tracking inventory items on hand at both the hotel and restaurant so that information can be reported properly for the fiscal year ending June 30, 2011.

### **Identified in fiscal year 2009**

#### **Draw Down of Federal Funds**

During our audit we noted the Federal Work Study (FWS), Federal Supplemental Educational Opportunity Grant (FSEOG) and Academic Competitive Grant (ACG) 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.

**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.

**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.

**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.

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 31, 2011