

# **Kirkwood Community College**

Financial and Compliance Report  
June 30, 2012

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## Kirkwood Community College

### Officials

June 30, 2012

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	2015
Karen Gorham	Member	2015
John Hall	Member	2015
Marcia Rogers	Member	2015

### Community College

Dr. Mick Starcevich	President
Jim Choate	Board Treasurer, V.P. and Chief Financial/Operating Officer
Sheryl Cook	Board Secretary
Susan Roben	Director of Finance



## 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, 2012, 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, 2012, 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 27, 2013 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 and Postretirement Medical Benefit Plan Schedule of Funding Progress on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kirkwood Community College's basic financial statements. The accompanying statements and schedules listed on the table of contents as supplementary information, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Nonprofit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McGladrey LLP*

Davenport, Iowa  
March 27, 2013

## **Kirkwood Community College**

### **Management's Discussion and Analysis Year Ended June 30, 2012**

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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, 2012. 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**

##### **2012:**

- Operating revenues for the College increased 1.1% or \$918,949, primarily due to increases in tuition and fees.
- Tuition and fees increased during fiscal year 2012 because of a higher per credit hour tuition rate and approximately 6% lower scholarship allowances.
- The College's net nonoperating revenues increased by \$1,681,222 due to an increase in property tax revenue from increased taxable valuation, along with a slight increase in state appropriations.
- The College's net assets increased by \$4,945,373, or 4.7% as a result of annual revenues exceeding expenditures due to increases in tuition and property taxes as noted above and continuing efforts to manage costs.

##### **2011:**

- Operating revenues for the College decreased 1.9% or \$1,667,562, primarily due to a decrease in federal appropriations, mainly Department of State grant funding.
- Tuition and fees increased during fiscal year 2011 because of a higher per credit hour tuition rate and a slight increase in credit hours.
- The College's net nonoperating revenues increased by \$1,254,397 due to a slight increase in state appropriations, along with an increase in property tax revenue from increased taxable valuation.
- The College's net assets increased by \$2,077,151, or 2% as a result of annual revenues exceeding expenditures due to increases in tuition and enrollment as noted above and continuing efforts to manage costs.

#### **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, 2012

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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

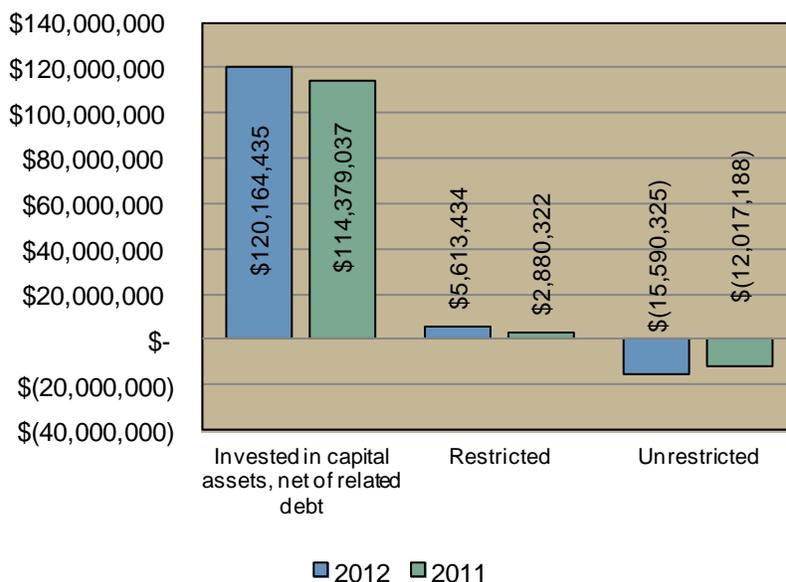
	June 30,		
	2012	2011	Change
Current and other assets	\$ 107,864,340	\$ 102,050,957	\$ 5,813,383
Capital assets, net of accumulated depreciation	176,078,845	155,646,156	20,432,689
<b>Total assets</b>	<b>283,943,185</b>	<b>257,697,113</b>	<b>26,246,072</b>
Current liabilities	61,573,039	53,497,249	8,075,790
Noncurrent liabilities	112,182,602	98,957,693	13,224,909
<b>Total liabilities</b>	<b>173,755,641</b>	<b>152,454,942</b>	<b>21,300,699</b>
Net assets:			
Invested in capital assets, net of related debt	120,164,435	114,379,037	5,785,398
Restricted	5,613,434	2,880,322	2,733,112
Unrestricted	(15,590,325)	(12,017,188)	(3,573,137)
<b>Total net assets</b>	<b>\$ 110,187,544</b>	<b>\$ 105,242,171</b>	<b>\$ 4,945,373</b>

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2012

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#### Comparison of Net Assets



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.

Year Ended June 30, 2012: The invested in capital assets increased due to capital asset addition purchase from operating funds.

Year Ended June 30, 2011: The invested in capital assets decreased due to normal depreciation during the year.

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.

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2012

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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 \$19,241,586. The College will amortize over 30 years and the FY 2012 liability is \$6,052,300. See Note 13 for more detail.

**Kirkwood Community College**

**Management's Discussion and Analysis  
Year Ended June 30, 2012**

**Change in Net Assets**

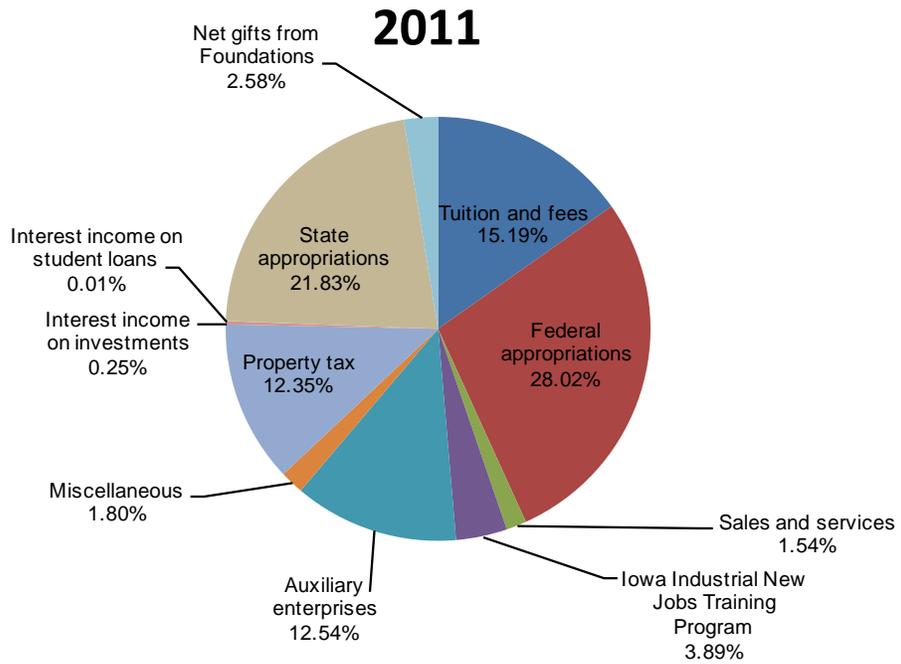
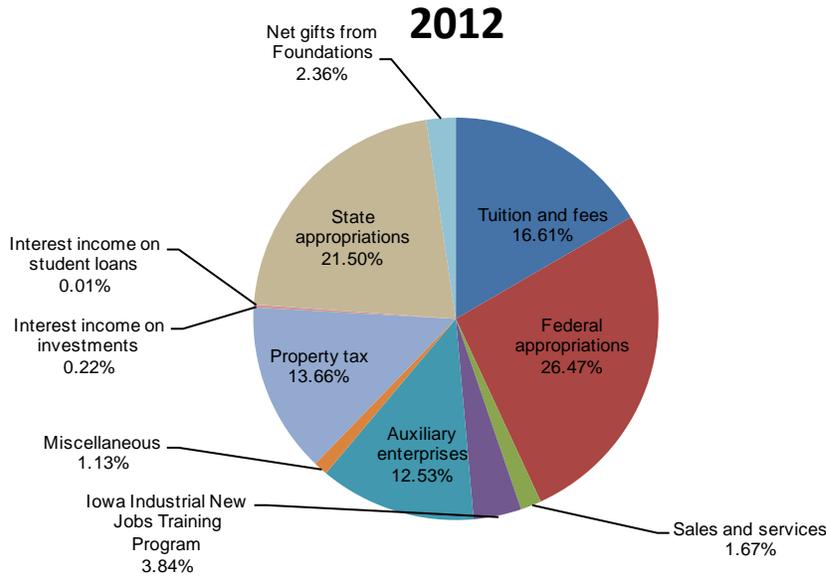
	Year Ended June 30,		Change
	2012	2011	
Operating revenues:			
Tuition and fees, net	\$ 23,309,392	\$ 20,844,703	\$ 2,464,689
Federal appropriations	37,141,478	38,439,167	(1,297,689)
Sales and services	2,345,049	2,110,502	234,547
Iowa Industrial New Jobs Training Program	5,382,812	5,342,554	40,258
Auxiliary enterprises	17,583,512	17,201,557	381,955
Miscellaneous	1,559,194	2,464,005	(904,811)
<b>Total operating revenues</b>	<b>87,321,437</b>	<b>86,402,488</b>	<b>918,949</b>
Total operating expenses	131,129,338	131,341,858	(212,520)
<b>Operating loss</b>	<b>(43,807,901)</b>	<b>(44,939,370)</b>	<b>1,131,469</b>
Nonoperating revenues (expenses):			
State appropriations	30,167,245	29,935,435	231,810
Property tax	19,165,569	16,948,563	2,217,006
Interest income on investments	313,208	340,709	(27,501)
Interest income on student loans	14,517	18,567	(4,050)
Net contributions and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	3,330,804	3,542,879	(212,075)
Gain (loss) on disposal of capital assets	(26,239)	2,200	(28,439)
Interest expense	(4,066,878)	(3,571,349)	(495,529)
<b>Net nonoperating revenues</b>	<b>48,898,226</b>	<b>47,217,004</b>	<b>1,681,222</b>
Transfers to agency fund	(144,952)	(200,483)	55,531
<b>Increase in net assets</b>	<b>4,945,373</b>	<b>2,077,151</b>	<b>2,868,222</b>
Net assets:			
Beginning	105,242,171	103,165,020	2,077,151
Ending	<u>\$ 110,187,544</u>	<u>\$ 105,242,171</u>	<u>\$ 4,945,373</u>
Total revenues, operating and nonoperating	<u>\$ 140,312,780</u>	<u>\$ 137,190,841</u>	<u>\$ 3,121,939</u>
Total expenses, operating and nonoperating	<u>\$ 135,367,407</u>	<u>\$ 135,113,690</u>	<u>\$ 253,717</u>

**Kirkwood Community College**

**Management's Discussion and Analysis  
Year Ended June 30, 2012**

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**Revenues by Source**



## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2012

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 2012, operating revenues increased as a result of the following factors:

- Tuition and fees increase due to increases in the per credit hour tuition rate.
- Revenues from the auxiliary enterprises increased 2.2%.

In fiscal year 2011, operating revenues decreased as a result of the following factors:

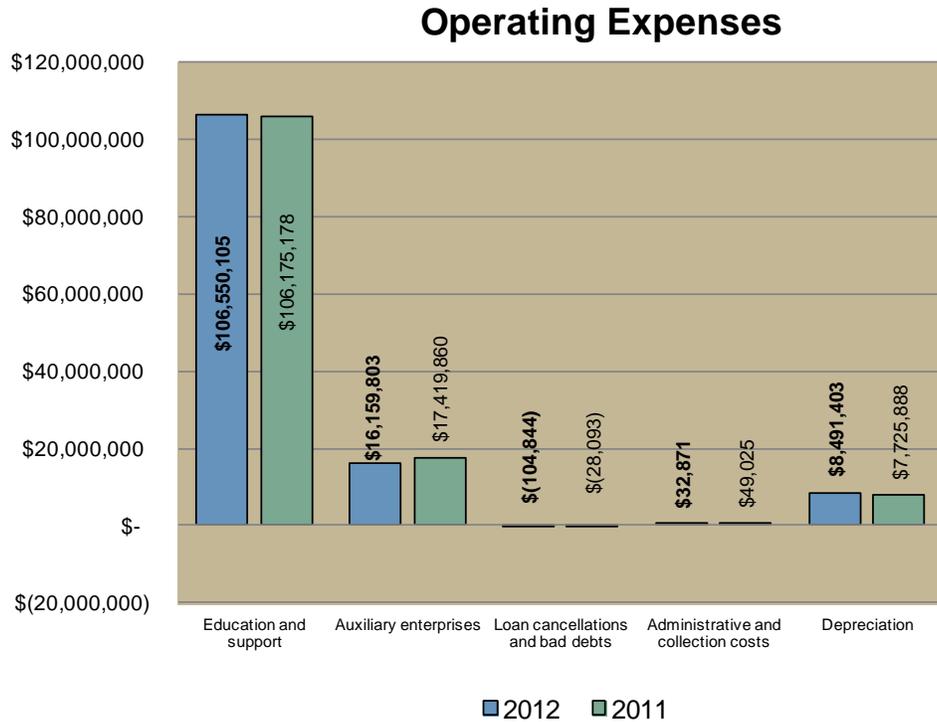
- The Education Stabilization funding was eliminated.
- A decrease in federal appropriations, primarily Department of State grant funding.

<u>Operating Expenses</u>	<u>Year Ended June 30,</u>		<u>Change</u>
	<u>2012</u>	<u>2011</u>	
Education and support:			
Liberal arts and sciences	\$ 23,996,697	\$ 24,532,925	\$ (536,228)
Vocational technical	21,884,988	27,124,094	(5,239,106)
Adult education	11,033,493	11,125,932	(92,439)
Cooperative services	4,900,632	5,244,669	(344,037)
Administration	10,222,110	7,865,253	2,356,857
Student services	6,061,250	5,228,490	832,760
Learning resources	2,550,104	3,051,308	(501,204)
Physical plant	9,888,366	8,884,277	1,004,089
General institution	16,012,465	13,118,230	2,894,235
Auxiliary enterprises	16,159,803	17,419,860	(1,260,057)
Loan cancellations and bad debts, net of recoveries	(104,844)	(28,093)	(76,751)
Administrative and collection costs	32,871	49,025	(16,154)
Depreciation	8,491,403	7,725,888	765,515
	<u>\$ 131,129,338</u>	<u>\$ 131,341,858</u>	<u>\$ (212,520)</u>

**Kirkwood Community College**

**Management's Discussion and Analysis  
Year Ended June 30, 2012**

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**Total Expenses**

In FY 2012, the total operating expenses were flat with prior year.

In FY 2011, expenses increased as a result of the following factors:

- Salary increases for faculty and staff, and the related benefit costs; plus a state mandated increase in the College's contribution to IPERS/TIAA-CREF.
- One-time costs for hotel pre-opening and hotel operations.

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2012

#### 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
	2012	2011	
Cash provided by (used in):			
Operating activities	\$ (27,104,099)	\$ (32,036,118)	\$ 4,932,019
Noncapital financing activities	48,289,477	50,037,982	(1,748,505)
Capital and related financing activities	(13,887,034)	(5,265,122)	(8,621,912)
Investing activities	(9,224,387)	(12,453,443)	3,229,056
<b>Net increase (decrease) in cash</b>	<b>(1,926,043)</b>	<b>283,299</b>	<b>(2,209,342)</b>
Cash:			
Beginning	7,755,482	7,472,183	283,299
Ending	<u>\$ 5,829,439</u>	<u>\$ 7,755,482</u>	<u>\$ (1,926,043)</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, 2012, the College had \$257,176,457 invested in capital assets, net of accumulated depreciation of \$81,097,612. Depreciation charges totaled \$8,491,403 for FY 2012. Details of capital assets are shown below:

	June 30,		Change
	2012	2011	
Land	\$ 6,701,427	\$ 6,157,237	\$ 544,190
Construction in progress	11,684,593	7,322,253	4,362,340
Buildings	181,715,840	167,324,891	14,390,949
Other structures and improvements	37,692,857	29,200,566	8,492,291
Equipment and vehicles	19,381,740	18,303,844	1,077,896
	<u>\$ 257,176,457</u>	<u>\$ 228,308,791</u>	<u>\$ 28,867,666</u>

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2012

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The College's plant expenditures in FY 2012 include new construction and renovation as Kirkwood Community College proceeds with improving facilities following the passing of our 2012 Bond Anticipation Notes and 2011 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, 2012, the College had \$115,929,129 in long-term debt outstanding, excluding the early retirement payable, compensated absences and OPEB payable, an increase from June 30, 2011. The table below summarizes these amounts by type.

<u>Outstanding debt</u>	June 30,		Change
	2012	2011	
Certificates payable	\$ 31,730,000	\$ 31,150,000	\$ 580,000
Capital lease payable	288,578	582,351	(293,773)
Notes payable	42,735,551	30,225,000	12,510,551
Bonds payable	15,225,000	12,585,000	2,640,000
Certificates of participation	25,950,000	26,200,000	(250,000)
	<u>\$ 115,929,129</u>	<u>\$ 100,742,351</u>	<u>\$ 15,186,778</u>

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

#### 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, 2012**

<b>Assets</b>	Primary Government	Component Units
Current Assets:		
Cash and investments	\$ 58,557,420	\$ 1,263,603
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$7,847,356	6,473,074	20,220
Property taxes, succeeding year	20,741,470	-
Pledges, net of allowance for doubtful pledges of \$8,000	-	271,012
Student loans	157,647	-
Due from component units	700,062	-
Due from other governments	4,442,145	-
Inventories	2,521,136	-
Prepaid expenses	514,169	3,090
<b>Total current assets</b>	<b>94,107,123</b>	<b>1,557,925</b>
Noncurrent Assets:		
Receivables:		
Iowa Industrial New Jobs Training Program	8,685,104	-
Student loans, net of allowance for uncollectible loans of \$195,000	1,069,126	-
Pledges, net of allowance for doubtful pledges	-	789,155
Investments, unrestricted	-	21,081,479
Investments, restricted	2,887,393	-
Cash value of life insurance	-	198,138
Other	-	24,171
Bond issuance costs	1,115,594	-
Capital assets, nondepreciable	18,386,020	-
Capital assets, depreciable, net	157,692,825	15,650
<b>Total noncurrent assets</b>	<b>189,836,062</b>	<b>22,108,593</b>
<b>Total assets</b>	<b>\$ 283,943,185</b>	<b>\$ 23,666,518</b>

See Notes to Basic Financial Statements.

<b>Liabilities and Net Assets</b>	Primary Government	Component Units
<b>Liabilities:</b>		
Current Liabilities:		
Accounts payable	\$ 6,736,038	\$ 149,294
Salaries and benefits payable	6,872,806	-
Due to primary government	-	808,351
Annuities payable	-	32,708
Interest payable	782,394	-
Unearned revenue:		
Succeeding year property tax	20,741,470	-
Other	10,602,095	29,028
Early retirement payable	714,604	-
Compensated absences	2,014,642	-
Current portion certificates payable	4,240,000	-
Current portion notes payable	3,766,902	-
Current portion capital lease payable	170,095	-
Current portion bonds payable	2,805,000	-
Current portion certificates of participation	480,000	-
Deposits held in custody for others	1,646,993	-
<b>Total current liabilities</b>	<b>61,573,039</b>	<b>1,019,381</b>
Noncurrent liabilities:		
Annuities payable	-	135,792
OPEB payable	6,052,300	-
Certificates payable	27,490,000	-
Notes payable	38,968,649	-
Capital lease payable	118,483	-
Bonds payable	12,420,000	-
Certificates of participation	25,470,000	-
Bond premium	997,922	-
Bond discount	(251,425)	-
U.S. government grants refundable	916,673	-
<b>Total noncurrent liabilities</b>	<b>112,182,602</b>	<b>135,792</b>
	<b>173,755,641</b>	<b>1,155,173</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	120,164,435	15,650
Restricted:		
Expendable:		
Cash reserve	621,989	-
Loans	562,229	-
New Jobs Training Program	950,458	-
Employee benefits	2,150,200	-
Other	1,328,558	-
Unrestricted:		
Unrestricted (deficit)	(15,590,325)	4,224,992
Unrestricted, board designated	-	751,308
Unrestricted, donor advised	-	17,519,395
<b>Total net assets</b>	<b>110,187,544</b>	<b>22,511,345</b>
<b>Total liabilities and net assets</b>	<b>\$ 283,943,185</b>	<b>\$ 23,666,518</b>

**Kirkwood Community College**

**Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2012**

	Primary Government	Component Units
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$30,565,374	\$ 23,309,392	\$ -
Federal appropriations	37,141,478	-
Sales and services	2,345,049	-
Iowa Industrial New Jobs Training Program	5,382,812	-
Auxiliary enterprises	17,583,512	-
Contributions, including in-kind contributions of \$2,048,101	-	5,002,584
Rental income and facility management	-	529,884
Royalties and commission	-	107,118
Contributions from primary government	-	1,426,551
Miscellaneous	1,559,194	86,693
<b>Total operating revenues</b>	<b>87,321,437</b>	<b>7,152,830</b>
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	23,996,697	-
Vocational technical	21,884,988	-
Adult education	11,033,493	-
Cooperative services	4,900,632	-
Administration	10,222,110	-
Student services	6,061,250	-
Learning resources	2,550,104	-
Physical plant	9,888,366	-
General institution	16,012,465	-
Auxiliary enterprises	16,159,803	-
Loan cancellations and bad debts, net of recoveries	(104,844)	-
Administrative and collection costs	32,871	-
Distributions to Kirkwood Community College	-	4,773,190
Facility operations	-	347,977
Program services	-	161,541
Management and general	-	800,842
Fundraising	-	131,735
Depreciation	8,491,403	6,430
<b>Total operating expenses</b>	<b>131,129,338</b>	<b>6,221,715</b>
<b>Operating income (loss)</b>	<b>\$ (43,807,901)</b>	<b>\$ 931,115</b>

	Primary Government	Component Units
Nonoperating revenues (expenses):		
State appropriations	\$ 30,167,245	\$ -
Property tax	19,165,569	-
Investment income (loss)	313,208	(582,592)
Actuarial adjustment of annuities payable	-	(25,508)
Interest income on student loans	14,517	-
Gifts from component units	4,801,184	-
Rent from primary government	-	43,829
Gift to affiliate	-	(27,994)
Contributions to component units	(1,470,380)	-
Loss on sale of plant assets	(26,239)	-
Contributions to other non-profit entities	-	(55,132)
Interest expense	(4,066,878)	-
<b>Net nonoperating revenues</b>	<b>48,898,226</b>	<b>(647,397)</b>
Transfers to agency fund	(144,952)	-
<b>Change in net assets</b>	<b>4,945,373</b>	<b>283,718</b>
Net assets:		
Beginning	105,242,171	22,227,627
Ending	<u>\$ 110,187,544</u>	<u>\$ 22,511,345</u>

See Notes to Basic Financial Statements.

**Kirkwood Community College**

**Statement of Cash Flows**

**Year Ended June 30, 2012**

	Primary Government
<hr/>	
Cash Flows from Operating Activities:	
Tuition and fees	\$ 24,765,419
Federal appropriations	38,409,293
Iowa Industrial New Jobs Training Program	5,468,210
Payments to employees for salaries and benefits	(77,792,545)
Payments to suppliers for goods and services	(33,096,849)
Payments to sub recipients	(7,830,799)
Loans issued, net of collections of loans from students	202,638
Auxiliary enterprise receipts	17,583,512
Other receipts/payments	5,187,022
<b>Net cash (used in) operating activities</b>	<u>(27,104,099)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	30,167,245
Property tax	19,165,569
Federal direct lending receipts	56,155,616
Federal direct lending disbursements	(56,155,616)
Contributions and rent paid to component units	(1,470,380)
Gifts from component units	903,090
Interest income on student loans	14,517
Proceeds from certificates payable	5,560,000
Principal paid on certificates payable	(4,980,000)
Interest paid on certificates payable	(1,306,957)
Transfers to agency fund	(144,952)
Agency receipts	10,275,560
Agency disbursements	(9,894,215)
<b>Net cash provided by noncapital financing activities</b>	<u>48,289,477</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(25,252,326)
Interest capitalized	(245,964)
Proceeds from sale of capital assets	1,200
Debt issued	33,188,029
Bond issuance costs, net of premiums	(299,392)
Principal paid on debt	(18,581,251)
Interest paid on debt	(2,697,330)
<b>Net cash (used in) capital and related financing activities</b>	<u>(13,887,034)</u>
Cash Flows from Investing Activities:	
Interest on investments	313,208
Purchases of investments net of sales	(9,537,595)
<b>Net cash (used in) investing activities</b>	<u>(9,224,387)</u>
<b>Decrease in cash and cash equivalents</b>	(1,926,043)
Cash and cash equivalents:	
Beginning	7,755,482
Ending	<u>\$ 5,829,439</u>

	Primary Government
<hr/>	
Reconciliation of Operating Loss to Net Cash (Used In)	
Operating Activities:	
Operating loss	<u>\$ (43,807,901)</u>
Adjustments to reconcile operating loss to net cash (used in) operating activities:	
Depreciation	8,491,403
Accretion, net of amortization	92,285
In-kind donations from component units	2,048,101
Changes in assets and liabilities:	
Decrease in accounts receivable	3,027,427
Decrease in student loans	198,060
Decrease in NJTP receivable	50,651
Decrease in due from other governments	1,267,815
(Increase) in inventories	(42,419)
(Increase) in prepaid expenses	(53,377)
(Decrease) in accounts payable	(887,808)
Increase in salaries payable	2,669,353
(Decrease) in deferred revenue	(253,874)
Increase in compensated absences	39,028
(Decrease) in early retirement payable	(635,115)
Increase in OPEB payable	793,936
(Decrease) in deposits	(34,269)
(Decrease) in refundable advances on student loans	(67,395)
<b>Total adjustments</b>	<u>16,703,802</u>
<b>Net cash (used in) operating activities</b>	<u><u>\$ (27,104,099)</u></u>
Noncash, capital and related financing activities:	
Accounts payable for the acquisition of capital assets	\$ 1,603,248
Capital contribution from component unit	1,849,993

See Notes to Basic Financial Statements.

## Kirkwood Community College

### Statement of Net Assets Discretely Presented Component Units Year Ended June 30, 2012

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Eliminations	Total
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 256,700	\$ 1,006,903	\$ -	\$ 1,263,603
Receivables:				
Accounts	20,220	-	-	20,220
Pledges, net of allowance for doubtful pledges of \$8,000	-	271,012	-	271,012
Due from Kirkwood Community College Foundation	960,023	-	(960,023)	-
Prepaid expenses	3,090	-	-	3,090
<b>Total current assets</b>	<b>1,240,033</b>	<b>1,277,915</b>	<b>(960,023)</b>	<b>1,557,925</b>
Noncurrent assets:				
Pledges, net of allowance for doubtful pledges	-	789,155	-	789,155
Investments	-	21,081,479	-	21,081,479
Cash value of life insurance	-	198,138	-	198,138
Other	-	24,171	-	24,171
Capital assets, depreciable, net	15,650	-	-	15,650
<b>Total noncurrent assets</b>	<b>15,650</b>	<b>22,092,943</b>	<b>-</b>	<b>22,108,593</b>
<b>Total assets</b>	<b>1,255,683</b>	<b>23,370,858</b>	<b>(960,023)</b>	<b>23,666,518</b>
<b>Liabilities and Net Assets</b>				
Current Liabilities:				
Accounts payable and accrued expenses	124,901	24,393	-	149,294
Due to Kirkwood Community College	99,838	492,216	-	592,054
Due to Kirkwood Facilities Foundation	-	960,023	(960,023)	-
Due to KCCCK-FM Radio	-	216,297	-	216,297
Deferred revenue	29,028	-	-	29,028
Annuities payable	-	32,708	-	32,708
<b>Total current liabilities</b>	<b>253,767</b>	<b>1,725,637</b>	<b>(960,023)</b>	<b>1,019,381</b>
Noncurrent liabilities, annuities payable	-	135,792	-	135,792
<b>Total liabilities</b>	<b>253,767</b>	<b>1,861,429</b>	<b>(960,023)</b>	<b>1,155,173</b>
Net Assets:				
Invested in capital assets, net of related debt	15,650	-	-	15,650
Unrestricted:				
Unrestricted	986,266	3,238,726	-	4,224,992
Unrestricted, board designated	-	751,308	-	751,308
Unrestricted, donor advised	-	17,519,395	-	17,519,395
<b>Total net assets</b>	<b>\$ 1,001,916</b>	<b>\$ 21,509,429</b>	<b>\$ -</b>	<b>\$ 22,511,345</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, 2012**

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Total
Operating revenues:			
Contributions and pledges	\$ -	\$ 2,954,483	\$ 2,954,483
Contributions, in-kind	-	2,048,101	2,048,101
Rental income and facility management	529,884	-	529,884
Royalties and commissions	107,118	-	107,118
Contributions from Kirkwood Community College	-	1,426,551	1,426,551
Miscellaneous	50,710	35,983	86,693
<b>Total operating revenues</b>	<b>687,712</b>	<b>6,465,118</b>	<b>7,152,830</b>
Operating expenses:			
Distributions to Kirkwood Community College	-	4,773,190	4,773,190
Facility operations	347,977	-	347,977
Programs	-	161,541	161,541
Management and general	74,854	725,988	800,842
Fund raising	-	131,735	131,735
Depreciation	6,430	-	6,430
<b>Total operating expenses</b>	<b>429,261</b>	<b>5,792,454</b>	<b>6,221,715</b>
<b>Operating income</b>	<b>258,451</b>	<b>672,664</b>	<b>931,115</b>
Nonoperating revenues (expenses):			
Investment income (loss), including depreciation of fair value of investments of \$924,668	27,778	(610,370)	(582,592)
Actuarial adjustments to annuities payable	-	(25,508)	(25,508)
Rent from Kirkwood Community College	43,829	-	43,829
Gifts to affiliates	(27,994)	-	(27,994)
Contributions to other nonprofit entities	(55,132)	-	(55,132)
<b>Net nonoperating revenues (expenses)</b>	<b>(11,519)</b>	<b>(635,878)</b>	<b>(647,397)</b>
<b>Change in net assets</b>	<b>246,932</b>	<b>36,786</b>	<b>283,718</b>
Net assets:			
Beginning	754,984	21,472,643	22,227,627
Ending	\$ 1,001,916	\$ 21,509,429	\$ 22,511,345

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.

#### **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, 2012 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. The Facilities Foundation reports under Government Accounting Standards.

## 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 the College's 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 serves. 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. The Foundation reports under Financial Accounting Standards.

Financial statements for the Foundation can be obtained by calling the Foundation at 319-398-5442.

#### **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 guidance issued on or before November 30, 1989, unless that guidance conflicts with or contradict GASB Pronouncements. The College has elected not to follow FASB guidance issued subsequent to November 30, 1989.

Cash, cash equivalents and investments: Cash and cash equivalents include deposits held at banks and certificates of deposit purchased with an original maturity of three months or less. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is stated at amortized cost, which approximates fair value. The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The value of the position in the trust is the same as the amortized cost value of the shares. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

## 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)**

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 unearned and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized become due and collectible in September and March of the current fiscal year and are based on January 1, 2010 assessed property valuations for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax request contained in the budget certified to the appropriate county auditor in March 2011.

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, 2012, 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 \$245,964 were capitalized for the year ended June 30, 2012.

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

## 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)

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.

Unearned revenue: Unearned 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 or, in the case of property taxes, for the year in which it is intended to be used. Unearned revenue relates primarily to property taxes and to the Iowa NJTP program as the receipt of administrative fees are amortized over the ten-year life of each project.

Compensated absences: College employees accumulate vacation hours for subsequent use or for payment upon termination, death or retirement. No more than five days of vacation earned in a fiscal year can be banked for future use in a subsequent fiscal year, up to a maximum of a total sixty days banked. Amounts earned but unused are recorded as liabilities. These liabilities have been computed based on rates of pay in effect as of June 30, 2012.

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. The debt related to the unspent bond proceeds of \$2,887,393 are not included in this category until the proceeds are 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. Nonexpendable funds may not be used. All remaining net assets are unrestricted, but may be designated for specific purposes by the governing body. The College first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## 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)**

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, hotel and other miscellaneous auxiliary enterprises. Revenues are recognized when goods or services are provided; expenses are recognized when incurred.

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.

In-kind contributions and collections: The College periodically receives donations through the Kirkwood Community College Foundation of items to be used by instructional departments of the College. These items are considered collection items as they are held for education rather than financial gain, are protected and preserved, and are generally not sold. These items are recognized as gifts from component units and expensed as instructional expense when received.

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. Federal appropriations revenue consisting primarily of Pell grants and federal grants are reported as operating revenue as these funds replace an equal amount of tuition revenue and/or are directly related to the principal operations of the College. 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.

Student aid: Certain federal financial aid grants to students are reported as federal appropriations in operating revenue in the financial statements as prescribed by the National Association of College and University of Business Officers (NACUBO). Since certain of these grants (including Pell and Supplement Educational Opportunity Grants) are for the payment of students' tuition and fees, a like amount is reported as scholarship allowance which is reported as an offset to tuition and fees in the financial statements. Federal Work Study grant expenses are reported as operating expenses as students work for compensation. Certain other student aid sources (loans, funds provided to students as awarded by third parties and Federal Direct Lending) are paid directly to the students or credited to the students' account and do not impact revenues or expenses reported in the financial statements.

## Kirkwood Community College

### Notes to Basic Financial Statements

#### Note 2. Cash and Investments

As of June 30, 2012, the College's cash and investments consist of the following:

	Unrestricted	Restricted	Total
Cash	\$ 5,829,439	\$ -	\$ 5,829,439
Certificates of deposit	-	1,000,000	1,000,000
Investments	52,727,981	1,887,393	54,615,374
	<u>\$ 58,557,420</u>	<u>\$ 2,887,393</u>	<u>\$ 61,444,813</u>

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

Investment Type	Fair Value	Maturity Dates (Months)			
		Less than 1	1 to 5	6 to 10	10 +
Iowa Schools Joint Investment Trust	\$ 52,879,183	\$ 52,879,183	\$ -	\$ -	\$ -
U.S. Treasuries	943,578	-	71,442	-	872,136
Money Market Mutual Fund	792,613	792,613	-	-	-
	<u>\$ 54,615,374</u>	<u>\$ 53,671,796</u>	<u>\$ 71,442</u>	<u>\$ -</u>	<u>\$ 872,136</u>

**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. The U.S. Treasuries are not subject to credit risk as they are backed by the full faith and credit of the federal government.

## Kirkwood Community College

### Notes to Basic Financial Statements

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

As of June 30, 2012, the College's investments were rated as follows:

<u>Investment Type</u>	<u>Moody Investor Services</u>
Iowa Schools Joint Investment Trust	Aaa
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, 2012, the carrying amount of the College's deposits, excluding \$20,969 of petty cash, totaled \$6,808,470 with a bank balance of \$10,405,631. The College's deposits in banks at June 30, 2012 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.

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 only investments subject to custodial credit risk are held by a trust department at a bank and registered in the College's name.

#### Note 3. Inventories

The College's inventories as of June 30, 2012 consisted of the following:

Supplies and materials	\$ 149,786
Agricultural enterprises	284,529
Hotel inventory	416,435
Merchandise held for resale	1,670,386
	<u>\$ 2,521,136</u>

**Kirkwood Community College**

**Notes to Basic Financial Statements**

**Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	June 30, 2011 Balance	Additions	Deletions and Transfers	June 30, 2012 Balance
Capital assets not being depreciated:				
Land	\$ 6,157,237	\$ 544,190	\$ -	\$ 6,701,427
Construction in progress	7,322,253	10,597,997	6,235,657	11,684,593
<b>Total capital assets not being depreciated</b>	<b>13,479,490</b>	<b>11,142,187</b>	<b>6,235,657</b>	<b>18,386,020</b>
Capital assets being depreciated:				
Buildings	167,324,891	14,390,949	-	181,715,840
Improvements other than buildings	29,200,566	8,492,291	-	37,692,857
Equipment and vehicles	18,303,844	1,161,761	83,865	19,381,740
<b>Total capital assets being depreciated</b>	<b>214,829,301</b>	<b>24,045,001</b>	<b>83,865</b>	<b>238,790,437</b>
Less accumulated depreciation for:				
Buildings	49,375,175	4,203,052	-	53,578,227
Improvements other than buildings	9,501,608	2,360,248	-	11,861,856
Equipment and vehicles	13,785,852	1,928,103	56,426	15,657,529
<b>Total accumulated depreciation</b>	<b>72,662,635</b>	<b>8,491,403</b>	<b>56,426</b>	<b>81,097,612</b>
<b>Total capital assets being depreciated, net</b>	<b>142,166,666</b>	<b>15,553,598</b>	<b>27,439</b>	<b>157,692,825</b>
<b>Capital assets, net</b>	<b>\$ 155,646,156</b>	<b>\$ 26,695,785</b>	<b>\$ 6,263,096</b>	<b>\$ 176,078,845</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, 2012 is as follows:

	June 30, 2011	Additions	Reductions	June 30, 2012	Amounts Due Within 1 Year
Early retirement payable (Note 12)	\$ 1,349,719	\$ 714,604	\$ 1,349,719	\$ 714,604	\$ 714,604
Compensated absences	1,975,614	2,014,642	1,975,614	2,014,642	2,014,642
OPEB payable (Note 13)	5,258,364	793,936	-	6,052,300	-
Certificates payable	31,150,000	5,560,000	4,980,000	31,730,000	4,240,000
Capital lease payable	582,351	-	293,773	288,578	170,095
Capital loan notes	30,225,000	13,883,029	1,372,478	42,735,551	3,766,902
Bonds payable	12,585,000	19,305,000	16,665,000	15,225,000	2,805,000
Certificates of participation	26,200,000	-	250,000	25,950,000	480,000
<b>Total</b>	<b>\$ 109,326,048</b>	<b>\$ 42,271,211</b>	<b>\$ 26,886,584</b>	<b>\$ 124,710,675</b>	<b>\$ 14,191,243</b>

**Certificates payable:**

In accordance with agreements dated between November 1, 2005 and June 7, 2012, the College issued certificates totaling \$48,315,000 with interest rates ranging from 1.3% to 5.9% 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
2013	\$ 4,240,000	\$ 1,193,696	\$ 5,433,696
2014	5,035,000	1,023,493	6,058,493
2015	5,080,000	838,671	5,918,671
2016	4,835,000	643,188	5,478,188
2017	4,140,000	448,920	4,588,920
2018-2022	8,400,000	599,050	8,999,050
<b>Total</b>	<b>\$ 31,730,000</b>	<b>\$ 4,747,018</b>	<b>\$ 36,477,018</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 three capital lease agreements. The interest rates on these leases are 6.64%, 8.68% and 6.75% compounded monthly. The net book value of the copiers was \$187,709 as of June 30, 2012. Details of the College's June 30, 2012 capital lease indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2013	\$ 170,095	\$ 17,674	\$ 187,769
2014	93,502	4,981	98,483
2015	24,981	281	25,262
	<u>\$ 288,578</u>	<u>\$ 22,936</u>	<u>\$ 311,514</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 4.0% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2027. Collateral on the capital loan notes payable is the underlying capital assets that the proceeds were used for.

The College has entered into loan agreements (Iowa Energy Loans) to finance the construction of a wind turbine as allowed by Section 476.46 of the Code of Iowa. Interest rates for the loan agreements are 0.25% and 1.25% per annum. Interest and principal are due monthly in varying amounts through 2023.

On March 7, 2012, the College issued \$10,000,000 in capital loan notes with interest rates ranging from 2.50% to 2.75% to current refund \$10,000,000 of the 2012 Bond Anticipation Notes with interest rates per annum equal to 75% of the LIBOR Rate plus 0.67%. The net proceeds related to the current refunding were immediately applied to the redemption of the 2012 Bond Anticipation Notes. The net change in cash flows related to the current refunding was an increase of approximately \$3,500,000. The economic loss resulting from the current refunding was approximately \$310,000, which is due to the College refunding this debt to obtain a longer maturity.

Details of the College's June 30, 2012 notes payable indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2013	\$ 3,766,902	\$ 1,292,624	\$ 5,059,526
2014	3,305,402	1,166,325	4,471,727
2015	3,364,190	1,090,031	4,454,221
2016	3,442,979	1,012,042	4,455,021
2017	3,556,813	651,383	4,208,196
2018-2022	15,828,207	2,651,973	18,480,180
2023-2027	9,471,058	1,165,582	10,636,640
	<u>\$ 42,735,551</u>	<u>\$ 9,029,960</u>	<u>\$ 51,765,511</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 and bond anticipation notes payable:

The College has issued bonds for the construction and expansion of College facilities to accommodate anticipated enrollment growth. Interest rates range from 2% to 3.80% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2016.

The College has issued bond anticipation notes to remodel, erect and equip buildings at the main campus and other enrollment locations, and acquire a site or sites for use of the College. Interest rates per annum are equal to 75% of the LIBOR Rate plus 0.67%. The College must pay the amount of principal and interest on the notes such that the amount advanced and outstanding at no time exceeds the maximum advance amount of (i) \$46,500,000 from December 22, 2011 to June 1, 2012, (ii) \$36,500,000 from June 1, 2012 to June 1, 2013, (iii) \$26,500,000 from June 1, 2013 to August 1, 2014. As of June 30, 2012, \$31,260,000 was available to be drawn on these bond anticipation notes.

On April 2, 2012, the College issued \$4,065,000 in General Obligation School Refunding Bonds, Series 2012B with interest rates ranging from 0.8% to 1.0% to current refund \$4,065,000 of the General Obligation School Bonds, Series 2007 with interest rates from 3.60% to 3.70%. The net proceeds related to the current refunding of \$4,065,000 were immediately applied to the redemption of the General Obligation School Bonds, Series 2007. The net change in cash flows related to the current refunding was approximately \$152,400. The economic gain resulting from the current refunding was approximately \$150,000.

Details of the College's June 30, 2012 bonds payable indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2013	\$ 2,805,000	\$ 233,710	\$ 3,038,710
2014	2,570,000	204,890	2,774,890
2015	7,440,000	114,023	7,554,023
2016	2,410,000	48,200	2,458,200
	<u>\$ 15,225,000</u>	<u>\$ 600,823</u>	<u>\$ 15,825,823</u>

## Kirkwood Community College

### Notes to Basic Financial Statements

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

##### 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 2% to 5% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2030. Collateral on the certificates of participation is the underlying capital assets that the proceeds were used for. Details of the College's June 30, 2012 certificates of participation are as follows:

	Principal	Interest	Total
Year ending June 30:			
2013	\$ 480,000	\$ 1,196,844	\$ 1,676,844
2014	495,000	1,182,544	1,677,544
2015	510,000	1,167,844	1,677,844
2016	525,000	1,152,644	1,677,644
2017	540,000	1,135,569	1,675,569
2018-2022	3,015,000	5,356,050	8,371,050
2023-2027	3,680,000	4,645,506	8,325,506
2028-2030	16,705,000	1,260,413	17,965,413
	<u>\$ 25,950,000</u>	<u>\$ 17,097,414</u>	<u>\$ 43,047,414</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.

##### Long-term debt:

A summary of maturities of all long-term debt obligations, including the certificates, notes and bonds payable above are as follows:

	Principal	Interest	Total
Year ending June 30:			
2013	\$ 11,461,997	\$ 3,934,548	\$ 15,396,545
2014	11,498,904	3,582,233	15,081,137
2015	16,419,171	3,210,850	19,630,021
2016	11,212,979	2,856,074	14,069,053
2017	8,236,813	2,235,872	10,472,685
2018-2022	27,243,207	8,607,073	35,850,280
2023-2027	13,151,058	5,811,088	18,962,146
2028-2030	16,705,000	1,260,413	17,965,413
	<u>\$115,929,129</u>	<u>\$ 31,498,151</u>	<u>\$147,427,280</u>

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### **Note 6. Operating Leases**

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2012 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, 2012:

Year ending June 30:		
2013	\$	393,706
2014		366,638
2015		207,592
2016		208,792
2017		191,204
2018-2020		361,392
	\$	<u>1,729,324</u>

Rents for the year ended June 30, 2012 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$494,652.

#### **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. Employees can choose to participate either in IPERS or TIAA-CREF (see Note 8). 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 5.38% of their annual covered salary and the College is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$1,274,678, \$1,096,947 and \$1,048,589, 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 5.38% and the College is required to contribute 8.07%. The College and employees required and actual contributions to TIAA-CREF for the year ended June 30, 2012 were \$2,632,688 and \$1,751,183, respectively.

## **Kirkwood Community College**

### **Notes to Basic Financial Statements**

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#### **Note 9. Risk Management**

The College carries commercial insurance for coverage associated with 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, boiler and machinery, 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.

College is self insured for operating equipment protection insurance. Settled claims have not exceeded policy limits for last two years. There were no significant incurred liabilities not reimbursed as of June 30, 2012.

#### **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, 2012 was \$6,078,616.

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 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, 2012, 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 451 projects, with 111 currently receiving project funding. The remaining 340 projects have been completed, of which 50 are in the repayment process and 290 have been fully repaid.

## Kirkwood Community College

### Notes to Basic Financial Statements

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

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

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

The liability as of June 30, 2012 for the 21 employees who have elected early retirement during fiscal year 2012 was \$714,604. 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, 2012 was \$590,835.

As of June 30, 2012, the potential liability, if all eligible employees accepted early retirement, is approximately \$11,469,600.

#### **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 (778) and retired employees (117) and their eligible dependents (33). All full-time or regular part-time administration, 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.

**Kirkwood Community College**

**Notes to Basic Financial Statements**

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

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 with 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, 2012, the amount actuarially contributed to the plan, and changes in the College's annual OPEB obligation:

Annual required contribution	\$ 2,365,539
Interest on net OPEB obligation	262,918
Adjustment to annual required contribution	(342,073)
<b>Annual OPEB cost (expense)</b>	<u>2,286,384</u>
Contributions and payments made	<u>(1,492,448)</u>
<b>Increase in net OPEB obligation</b>	793,936
Net OPEB obligation, beginning of year	<u>5,258,364</u>
Net OPEB obligation, end of year	<u><u>\$ 6,052,300</u></u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 2,286,384	65.28%	\$ 6,052,300
June 30, 2011	2,216,658	37.65	5,258,364
June 30, 2010	2,233,949	24.96	3,876,364

Funded status and funding progress: As of July 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The College's actuarial accrued liability for benefits was \$19,241,586 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$19,241,586. Covered payroll was \$39,917,162 resulting in UAAL as a percentage of covered payroll of 48.2%.

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.

## Kirkwood Community College

### Notes to Basic Financial Statements

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

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, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5% investment return rate, salary increases of 4% and an annual health care cost trend rates for medical of 7% adjusted each year to reach 5% ultimately and 5% for dental/vision. The UAAL is being amortized as a level dollar amount on an open basis. The amortization of UAAL is done over a period of 30 years.

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

The Kirkwood Community College Foundation and the Kirkwood Facilities Foundation provide services for the benefit of the College. In return, the College has provided the Foundation with certain staff, facilities and insurance coverage for its operations without charge. The College received contributions from the Foundations for facilities additions and equipment, scholarships and various amounts for programs conducted by the College, reimbursement for custodial services, and pledged funds for capital improvement projects, totaling \$4,783,501 for the year ended June 30, 2012. The College has recorded a receivable from the Foundations of \$700,062 as of June 30, 2012. This amount differs from the Foundations' due to primary government payable of \$808,351 due to payments in transit at year-end.

The Foundations received contributions to fund scholarships and rent of \$1,470,380 from Kirkwood Community College during the year ended June 30, 2012.

The College has \$118,000 of receivables due from employees for computer purchases that are being paid through payroll deductions.

#### **Note 15. New and Pending Pronouncements**

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

*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.

## Kirkwood Community College

### Notes to Basic Financial Statements

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

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.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the College beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the College beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the College beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

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

## **Kirkwood Community College**

### **Notes to Basic Financial Statements**

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#### **Note 16. Commitments and Subsequent Event**

As of June 30, 2012, the College had construction commitments of approximately \$16,850,000 to complete the renovation of Linn Hall, \$656,000 for Eagle Tech Store, \$146,000 for the renovation of Benton Hall, and \$5,825,000 for CE Truck Driving Facility and CE Training Center.

Subsequent to fiscal year end, the College entered into an additional construction commitment of approximately \$6,100,000 for remodeling of the Kirkwood Linn County Regional Education Center.

**Kirkwood Community College**

**Required Supplementary Information  
Postemployment Medical Benefit Plan  
Schedule of Funding Progress  
Year Ended June 30, 2012**

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
July 1, 2011	-	19,241,586	(19,241,586)	-	39,917,162	48.2

The information presented in the required supplementary information schedule was determined as part of the actuarial valuation as of July 1, 2011. Additional information follows:

- a. The cost method used to determine the ARC is the projected unit credit actuarial cost method.
- b. There are no plan assets.
- c. Economic assumptions are as follows: investment return rate of 5%, salary increases of 4% and healthcare cost trend rates of 7% initially to 5% ultimately.
- d. The amortization method is level dollar on an open basis.

**Kirkwood Community College**

**Budgetary Comparison Schedule of Expenditures  
Year Ended June 30, 2012**

Funds/Levy	Final Budget	Actual	Variance Between Actual and Final Budget
Unrestricted	\$ 83,192,000	\$ 86,290,095	\$ (3,098,095)
Restricted	31,730,000	18,712,314	13,017,686
Unemployment	75,000	169,638	(94,638)
Tort liability	129,047	92,835	36,212
Insurance	900,000	2,643,641	(1,743,641)
Early retirement	1,548,031	1,066,272	481,759
Equipment replacement	1,690,879	1,097,479	593,400
<b>Total restricted</b>	<u>36,072,957</u>	<u>23,782,179</u>	<u>12,290,778</u>
Plant	23,000,455	44,067,148	(21,066,693)
	<u>\$ 142,265,412</u>	<u>\$ 154,139,422</u>	<u>\$ (11,874,010)</u>

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 prepares a budget annually 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, 2012, the College's total expenditures exceeded the total amount budgeted primarily due to plant additions.

**Kirkwood Community College**

**Schedule of Net Assets**

**All Funds**

**June 30, 2012**

<b>Assets</b>	<b>Current Funds</b>	
	<b>Unrestricted</b>	<b>Restricted</b>
<b>Current Assets:</b>		
Cash and investments	\$ 33,132,758	\$ 25,424,662
Receivables:		
Accounts, net	6,469,074	4,000
Property tax, succeeding year	7,927,438	8,977,666
Student loans	157,647	-
Due from other funds	65,844,560	2,715,704
Due from Kirkwood Community College Foundation	432,187	168,037
Due from Kirkwood Facilities Foundation	99,838	-
Due from other governments	2,031,656	-
Inventories	2,521,136	-
Prepaid expenses	438,898	-
<b>Total current assets</b>	<b>119,055,192</b>	<b>37,290,069</b>
<b>Noncurrent Assets:</b>		
Receivables:		
Iowa Industrial New Jobs Training Program	-	8,685,104
Student loans, net	1,069,126	-
Investments, restricted	2,887,393	-
Bond issuance costs	-	427,343
Capital assets, net of accumulated depreciation	-	-
<b>Total noncurrent assets</b>	<b>3,956,519</b>	<b>9,112,447</b>
<b>Total assets</b>	<b>\$ 123,011,711</b>	<b>\$ 46,402,516</b>

See Note to Other Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ 58,557,420
-	-	-	-	6,473,074
-	3,836,366	-	-	20,741,470
-	-	-	-	157,647
1,478,902	-	11,393	(70,050,559)	-
-	-	-	-	600,224
-	-	-	-	99,838
-	-	2,410,489	-	4,442,145
-	-	-	-	2,521,136
-	-	75,271	-	514,169
1,478,902	3,836,366	2,497,153	(70,050,559)	94,107,123
-	-	-	-	8,685,104
-	-	-	-	1,069,126
-	-	-	-	2,887,393
-	688,251	-	-	1,115,594
-	257,176,457	-	(81,097,612)	176,078,845
-	257,864,708	-	(81,097,612)	189,836,062
\$ 1,478,902	\$ 261,701,074	\$ 2,497,153	\$ (151,148,171)	\$ 283,943,185

Kirkwood Community College

Schedule of Net Assets (Continued)

All Funds

June 30, 2012

Liabilities and Net Assets	Current Funds	
	Unrestricted	Restricted
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 6,051,834	\$ 1,706
Salaries and benefits payable	6,800,567	29,613
Due to other funds	-	-
Interest payable	682,920	99,474
Unearned revenue:		
Succeeding year property tax	7,927,438	8,977,666
Other	7,836,468	2,679,548
Early retirement payable	714,604	-
Compensated absences	1,916,255	59,430
Current portion of:		
Certificates payable	-	4,240,000
Notes payable	3,766,902	-
Capital lease payable	170,095	-
Bonds payable	2,805,000	-
Certificates of participation	480,000	-
Deposits held in custody for others	-	-
<b>Total current liabilities</b>	<b>39,152,083</b>	<b>16,087,437</b>
Noncurrent liabilities:		
OPEB payable	-	6,052,300
Certificates payable	-	27,490,000
Notes payable	38,968,649	-
Capital lease payable	118,483	-
Bonds payable	12,420,000	-
Certificates of participation	25,470,000	-
Bond premium	-	200,842
Bond discount	-	(7,019)
U.S. government grants refundable	-	-
<b>Total noncurrent liabilities</b>	<b>76,977,132</b>	<b>33,736,123</b>
<b>Total liabilities</b>	<b>116,129,215</b>	<b>49,823,560</b>
Net Assets:		
Invested in capital assets, net of related debt	(55,361,736)	-
Restricted:		
Expendable:		
Cash reserve	-	621,989
Loans	-	-
New Jobs Training Program	-	950,458
Employee benefits	-	2,150,200
Other	-	1,328,558
Unrestricted	62,244,232	(8,472,249)
<b>Total net assets</b>	<b>6,882,496</b>	<b>(3,421,044)</b>
<b>Total liabilities and net assets</b>	<b>\$ 123,011,711</b>	<b>\$ 46,402,516</b>

See Note to Other Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ 682,498	\$ -	\$ 6,736,038
-	-	42,626	-	6,872,806
-	70,050,559	-	(70,050,559)	-
-	-	-	-	782,394
-	3,836,366	-	-	20,741,470
-	-	86,079	-	10,602,095
-	-	-	-	714,604
-	-	38,957	-	2,014,642
-	-	-	-	4,240,000
-	-	-	-	3,766,902
-	-	-	-	170,095
-	-	-	-	2,805,000
-	-	-	-	480,000
-	-	1,646,993	-	1,646,993
-	73,886,925	2,497,153	(70,050,559)	61,573,039
-	-	-	-	6,052,300
-	-	-	-	27,490,000
-	-	-	-	38,968,649
-	-	-	-	118,483
-	-	-	-	12,420,000
-	-	-	-	25,470,000
-	797,080	-	-	997,922
-	(244,406)	-	-	(251,425)
916,673	-	-	-	916,673
916,673	552,674	-	-	112,182,602
916,673	74,439,599	2,497,153	(70,050,559)	173,755,641
-	256,623,783	-	(81,097,612)	120,164,435
-	-	-	-	621,989
562,229	-	-	-	562,229
-	-	-	-	950,458
-	-	-	-	2,150,200
-	-	-	-	1,328,558
-	(69,362,308)	-	-	(15,590,325)
562,229	187,261,475	-	(81,097,612)	110,187,544
\$ 1,478,902	\$ 261,701,074	\$ 2,497,153	\$ (151,148,171)	\$ 283,943,185

**Kirkwood Community College**

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

**All Funds**

**Year Ended June 30, 2012**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>Revenues:</b>			
General:			
State appropriations	\$ 25,404,756	\$ 4,223,642	\$ -
Tuition and fees	53,871,378	3,388	-
Property tax	3,821,132	7,486,474	-
Federal appropriations	804,251	36,337,227	-
Sales and services	1,211,065	1,132,704	-
Interest on investments	144,427	168,781	-
Interest on student loans	-	-	14,517
Iowa Industrial New Jobs Training Program	-	5,382,812	-
Increase in plant investment due to plant expenditures, including \$4,784,543 in current fund expenditures	-	-	-
Increase in plant investment due to retirement of debt	-	-	-
Miscellaneous	1,442,809	3,031,565	32,094
	<u>86,699,818</u>	<u>57,766,593</u>	<u>46,611</u>
Auxiliary enterprises:			
Tuition and fees	2,275	-	-
Sales and services	11,837,108	-	-
Interest on investments	931	-	-
Miscellaneous	5,743,198	-	-
	<u>17,583,512</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>			
Education and support:			
Liberal arts and sciences	24,744,546	707,100	-
Vocational technical	19,050,884	3,935,649	-
Adult education	9,829,227	1,796,485	-
Cooperative services	780,354	4,162,868	-
Administration	6,474,221	3,972,386	-
Student services	6,349,795	79,054	-
Learning resources	1,847,826	804,658	-
Physical plant	7,891,114	1,124,242	-
General institution	9,322,128	7,199,737	-
<b>Total education and support</b>	<u>86,290,095</u>	<u>23,782,179</u>	<u>-</u>
Auxiliary enterprises	16,159,803	-	-
Scholarships and grants	-	30,565,374	-
Loan cancellations and bad debts, net of recoveries	-	-	(104,844)
Administrative and collection costs	-	-	32,871
Plant asset acquisitions	-	-	-
Retirement of indebtedness	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	998,338	1,297,519	-
Contributions and rent to component units	-	-	-
Loss on sale of capital assets	-	-	-
Depreciation	-	-	-
<b>Total expenditures</b>	<u>103,448,236</u>	<u>55,645,072</u>	<u>(71,973)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>835,094</u>	<u>2,121,521</u>	<u>118,584</u>
Transfers:			
Mandatory transfers	-	-	-
Nonmandatory transfers	(1,736,213)	27,452	-
	<u>(1,736,213)</u>	<u>27,452</u>	<u>-</u>
<b>Change in fund balances/net assets</b>	<u>(901,119)</u>	<u>2,148,973</u>	<u>118,584</u>
Fund balances/net assets:			
Beginning	7,783,615	482,283	443,645
Ending	<u>\$ 6,882,496</u>	<u>\$ 2,631,256</u>	<u>\$ 562,229</u>

See Note to Other Supplementary Information.

Plant Funds					Restricted		
Unexpended	Retirement of Indebtedness	Investment in Plant	Adjustments	Subtotal	Other Postemployment Benefits	Total	
\$ 538,847	\$ -	\$ -	\$ -	\$ 30,167,245	\$ -	\$ 30,167,245	
-	-	-	(30,565,374)	23,309,392	-	23,309,392	
3,817,582	4,040,381	-	-	19,165,569	-	19,165,569	
-	-	-	-	37,141,478	-	37,141,478	
1,280	-	-	-	2,345,049	-	2,345,049	
-	-	-	-	313,208	-	313,208	
-	-	-	-	14,517	-	14,517	
-	-	-	-	5,382,812	-	5,382,812	
-	-	26,855,574	(26,855,574)	-	-	-	
-	-	18,287,478	(18,287,478)	-	-	-	
3,917	-	1,849,993	-	6,360,378	-	6,360,378	
4,361,626	4,040,381	46,993,045	(75,708,426)	124,199,648	-	124,199,648	
-	-	-	-	2,275	-	2,275	
-	-	-	-	11,837,108	-	11,837,108	
-	-	-	-	931	-	931	
-	-	-	-	5,743,198	-	5,743,198	
-	-	-	-	17,583,512	-	17,583,512	
-	-	-	(1,658,412)	23,793,234	203,463	23,996,697	
-	-	-	(1,276,815)	21,709,718	175,270	21,884,988	
-	-	-	(658,767)	10,966,945	66,548	11,033,493	
-	-	-	(52,300)	4,890,922	9,710	4,900,632	
-	-	-	(326,910)	10,119,697	102,413	10,222,110	
-	-	-	(425,571)	6,003,278	57,972	6,061,250	
-	-	-	(123,844)	2,528,640	21,464	2,550,104	
1,937,618	-	-	(1,106,323)	9,846,651	41,715	9,888,366	
-	-	-	(624,781)	15,897,084	115,381	16,012,465	
1,937,618	-	-	(6,253,723)	105,756,169	793,936	106,550,105	
-	-	-	-	16,159,803	-	16,159,803	
-	-	-	(30,565,374)	-	-	-	
-	-	-	-	(104,844)	-	(104,844)	
-	-	-	-	32,871	-	32,871	
22,071,031	-	-	(22,071,031)	-	-	-	
-	18,287,478	-	(18,287,478)	-	-	-	
-	-	83,865	(83,865)	-	-	-	
270,459	1,500,562	-	-	4,066,878	-	4,066,878	
-	-	-	1,470,380	1,470,380	-	1,470,380	
-	-	-	26,239	26,239	-	26,239	
-	-	-	8,491,403	8,491,403	-	8,491,403	
24,279,108	19,788,040	83,865	(67,273,449)	135,898,899	793,936	136,692,835	
(19,917,482)	(15,747,659)	46,909,180	(8,434,977)	5,884,261	(793,936)	5,090,325	
(15,747,659)	15,747,659	-	-	-	-	-	
1,563,809	-	-	-	(144,952)	-	(144,952)	
(14,183,850)	15,747,659	-	-	(144,952)	-	(144,952)	
(34,101,332)	-	46,909,180	(8,434,977)	5,739,309	(793,936)	4,945,373	
(54,558,932)	-	229,012,559	(72,662,635)	110,500,535	(5,258,364)	105,242,171	
\$ (88,660,264)	\$ -	\$ 275,921,739	\$ (81,097,612)	\$ 116,239,844	\$ (6,052,300)	\$ 110,187,544	

**Kirkwood Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Education and Support  
Year Ended June 30, 2012**

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
<b>Revenues:</b>				
State appropriations	\$ 10,531,070	\$ 9,810,985	\$ 5,029,438	\$ -
Tuition and fees	28,552,227	15,152,352	8,953,294	1,161,348
Property tax	-	-	-	-
Federal appropriations	-	-	-	-
Sales and services	174,980	80,724	308,822	-
Interest on investments	-	-	-	-
Miscellaneous	26,489	127,835	37,685	3,874
	<u>39,284,766</u>	<u>25,171,896</u>	<u>14,329,239</u>	<u>1,165,222</u>
Allocation of support services	3,082,874	2,734,287	1,029,194	-
<b>Total revenues</b>	<u>42,367,640</u>	<u>27,906,183</u>	<u>15,358,433</u>	<u>1,165,222</u>
<b>Expenditures:</b>				
Salaries and benefits	24,049,413	17,478,969	6,568,406	581,501
Services	202,511	326,246	2,168,490	128,443
Materials and supplies	207,255	557,337	947,249	53,849
Travel	285,123	189,034	118,028	16,561
Plant asset acquisitions	-	10,000	23,603	-
Cost of goods sold	-	143,312	-	-
Miscellaneous	244	345,986	3,451	-
	<u>24,744,546</u>	<u>19,050,884</u>	<u>9,829,227</u>	<u>780,354</u>
Allocation of support services	13,638,769	12,096,603	4,553,198	-
<b>Total expenditures</b>	<u>38,383,315</u>	<u>31,147,487</u>	<u>14,382,425</u>	<u>780,354</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	3,984,325	(3,241,304)	976,008	384,868
Transfers, nonmandatory transfers	52,098	(45,430)	713,817	-
<b>Change in fund balances/ net assets</b>	<u>\$ 4,036,423</u>	<u>\$ (3,286,734)</u>	<u>\$ 1,689,825</u>	<u>\$ 384,868</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	
\$ 32,923	\$ -	\$ 340	\$ -	\$ -	\$ 25,404,756	
-	52,154	-	-	3	53,871,378	
3,821,132	-	-	-	-	3,821,132	
359,673	444,578	-	-	-	804,251	
12,407	541,959	1,200	29,304	61,669	1,211,065	
144,427	-	-	-	-	144,427	
977,179	14,462	2,490	234,747	18,048	1,442,809	
5,347,741	1,053,153	4,030	264,051	79,720	86,699,818	
(5,347,741)	(1,053,153)	(4,030)	(264,051)	(79,720)	97,660	
-	-	-	-	-	86,797,478	
1,916,648	4,908,004	1,604,033	3,396,696	5,979,622	66,483,292	
2,248,001	378,969	24,650	3,402,354	1,963,641	10,843,305	
59,688	437,986	211,023	718,932	861,016	4,054,335	
100,994	102,171	8,120	4,696	109,388	934,115	
189,407	5,750	-	368,436	342,906	940,102	
-	-	-	-	-	143,312	
1,959,483	516,915	-	-	65,555	2,891,634	
6,474,221	6,349,795	1,847,826	7,891,114	9,322,128	86,290,095	
(6,474,221)	(6,349,795)	(1,847,826)	(7,891,114)	(9,322,128)	(1,596,514)	
-	-	-	-	-	84,693,581	
-	-	-	-	-	2,103,897	
(1,359,793)	453,052	(22,854)	(6,493)	(2,012)	(217,615)	
\$ (1,359,793)	\$ 453,052	\$ (22,854)	\$ (6,493)	\$ (2,012)	1,886,282	
						8,902,728
						<u>\$ 10,789,010</u>

**Kirkwood Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Auxiliary Enterprises  
Year Ended June 30, 2012**

	Farm Lab	Bookstore	Day Care Center	Other Vocational
<b>Revenues:</b>				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Federal appropriations	-	-	-	-
Sales and services	500,085	9,762,791	534	471,648
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>500,085</b>	<b>9,762,791</b>	<b>534</b>	<b>471,648</b>
<b>Expenditures:</b>				
Salaries and benefits	48,122	782,393	-	-
Services	47,060	223,511	-	19,635
Materials and supplies	411,952	41,405	-	59,884
Travel	168	12,755	-	4,017
Interest on indebtedness	-	-	-	-
Cost of goods sold	32,850	7,184,936	-	-
Miscellaneous	-	483	-	409,720
<b>Total expenditures</b>	<b>540,152</b>	<b>8,245,483</b>	<b>-</b>	<b>493,256</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(40,067)</b>	<b>1,517,308</b>	<b>534</b>	<b>(21,608)</b>
Transfers, nonmandatory transfers	-	(1,557,315)	-	54,083
<b>Change in fund balances/ net assets</b>	<b>(40,067)</b>	<b>(40,007)</b>	<b>534</b>	<b>32,475</b>
<b>Fund balances/net assets:</b>				
Beginning	(161,509)	-	-	(154,449)
Ending	\$ (201,576)	\$ (40,007)	\$ 534	\$ (121,974)

See Note to Other Supplementary Information.

Equestrian Center	Food Services	Workplace Development	The Hotel at Kirkwood Center	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ 2,275	\$ 2,275
-	-	-	-	-	-
354,760	-	630,029	-	117,261	11,837,108
-	-	931	-	-	931
-	-	-	5,563,670	179,528	5,743,198
354,760	-	630,960	5,563,670	299,064	17,583,512
220,638	-	466,645	3,090,996	413,172	5,021,966
23,494	10,540	129,785	45,638	140,182	639,845
19,047	170	3,096	928,873	97,581	1,562,008
4,204	-	31,434	21,828	154,105	228,511
-	-	-	998,338	-	998,338
69,079	-	-	884,349	74,562	8,245,776
1,379	-	-	39,670	10,445	461,697
337,841	10,710	630,960	6,009,692	890,047	17,158,141
16,919	(10,710)	-	(446,022)	(590,983)	425,371
-	-	(1,744,744)	-	1,729,378	(1,518,598)
16,919	(10,710)	(1,744,744)	(446,022)	1,138,395	(1,093,227)
94,382	7,487	1,744,744	(1,333,483)	(1,316,285)	(1,119,113)
\$ 111,301	\$ (3,223)	\$ -	\$ (1,779,505)	\$ (177,890)	\$ (2,212,340)

**Kirkwood Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Restricted Funds  
Year Ended June 30, 2012**

	Scholarships and Grants	Iowa Industrial New Jobs Training Program	Workforce Investment Act	Heritage Agency on Aging	Other Federal
<b>Revenues:</b>					
State appropriations	\$ 920,860	\$ -	\$ -	\$ 811,004	\$ 25,863
Tuition and fees	-	-	-	-	-
Property tax	-	54,776	-	-	-
Federal appropriations	27,135,943	-	2,281,990	2,829,117	4,367,524
Sales and services	17,392	-	-	738,741	-
Interest on investments	-	168,972	-	(264)	-
Iowa Industrial New Jobs Training Program	-	5,382,812	-	-	-
Miscellaneous	2,454,977	-	-	35,460	-
<b>Total revenues</b>	<b>30,529,172</b>	<b>5,606,560</b>	<b>2,281,990</b>	<b>4,414,058</b>	<b>4,393,387</b>
<b>Expenditures:</b>					
Salaries and benefits	-	-	1,383,500	1,135,578	1,829,178
Services	-	3,423,976	531,706	3,154,065	781,560
Materials and supplies	-	239,594	18,832	12,518	205,086
Travel	-	214,370	31,924	42,990	94,405
Plant asset acquisitions	-	-	255,134	-	1,062,000
Interest on indebtedness	-	1,297,519	-	-	-
Miscellaneous	-	159,746	122,760	-	405,638
Federal Pell grant program	26,738,250	-	-	-	-
Federal supplemental educational opportunity grant	407,948	-	-	-	-
Iowa College Student Aid Commission	964,199	-	-	-	-
Other federal grants	-	-	-	-	-
Private scholarships	2,454,977	-	-	-	-
<b>Total expenditures</b>	<b>30,565,374</b>	<b>5,335,205</b>	<b>2,343,856</b>	<b>4,345,151</b>	<b>4,377,867</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(36,202)</b>	<b>271,355</b>	<b>(61,866)</b>	<b>68,907</b>	<b>15,520</b>
Transfers, nonmandatory transfers	(47,371)	(199,906)	-	(68,507)	(118,825)
<b>Change in fund balances/ net assets</b>	<b>(83,573)</b>	<b>71,449</b>	<b>(61,866)</b>	<b>400</b>	<b>(103,305)</b>
<b>Fund balances/net assets:</b>					
Beginning	(5,513)	879,009	(103,083)	(105,693)	(26,889)
Ending	\$ (89,086)	\$ 950,458	\$ (164,949)	\$ (105,293)	\$ (130,194)

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
\$ 2,465,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,223,642	\$ -	\$ 4,223,642
-	-	-	-	-	-	3,388	3,388	-	3,388
-	1,701,433	1,992,916	3,571,109	166,240	-	-	7,486,474	-	7,486,474
6,269	-	-	-	-	-	(283,616)	36,337,227	-	36,337,227
28,378	-	-	-	-	-	348,193	1,132,704	-	1,132,704
-	-	-	73	-	-	-	168,781	-	168,781
-	-	-	-	-	-	-	5,382,812	-	5,382,812
81,642	-	-	-	-	-	459,486	3,031,565	-	3,031,565
2,582,204	1,701,433	1,992,916	3,571,182	166,240	-	527,451	57,766,593	-	57,766,593
1,294,975	-	-	1,066,272	169,638	-	525,575	7,404,716	793,936	8,198,652
1,019,572	3,804	2,736,476	-	-	-	139,446	11,790,605	-	11,790,605
218,373	941,220	-	-	-	-	58,762	1,694,385	-	1,694,385
36,402	-	-	-	-	-	5,405	425,496	-	425,496
189,818	152,455	-	-	-	-	85,207	1,744,614	-	1,744,614
-	-	-	-	-	-	-	1,297,519	-	1,297,519
34,139	-	-	-	-	-	80	722,363	-	722,363
-	-	-	-	-	-	-	26,738,250	-	26,738,250
-	-	-	-	-	-	-	407,948	-	407,948
-	-	-	-	-	-	-	964,199	-	964,199
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,454,977	-	2,454,977
2,793,279	1,097,479	2,736,476	1,066,272	169,638	-	814,475	55,645,072	793,936	56,439,008
(211,075)	603,954	(743,560)	2,504,910	(3,398)	-	(287,024)	2,121,521	(793,936)	1,327,585
-	-	-	-	-	-	462,061	27,452	-	27,452
(211,075)	603,954	(743,560)	2,504,910	(3,398)	-	175,037	2,148,973	(793,936)	1,355,037
639,167	296,512	(1,201,256)	(354,710)	(126,650)	621,989	(30,600)	482,283	(5,258,364)	(4,776,081)
\$ 428,092	\$ 900,466	\$ (1,944,816)	\$ 2,150,200	\$ (130,048)	\$ 621,989	\$ 144,437	\$ 2,631,256	\$ (6,052,300)	\$ (3,421,044)

**Kirkwood Community College**

**Schedule of Changes in Deposits Held in Custody for Others  
Agency Funds  
Year Ended June 30, 2012**

	Student Activities	Other Agency Programs
Balances, beginning of year	\$ 212,208	\$ 447,949
Additions:		
State appropriations	-	-
Federal appropriations	-	-
Sales and services	-	36,345
Interest on investments	-	-
Partnership loan program	-	915,252
Miscellaneous	219,943	339,277
Transfers	205,700	35,404
<b>Total additions</b>	<b>425,643</b>	<b>1,326,278</b>
Deductions:		
Salaries and benefits	863	411
Services	95,336	1,231,953
Materials and supplies	137,281	5,384
Travel	81,958	5,132
Living allowances	-	-
Miscellaneous	84,988	8,869
<b>Total deductions</b>	<b>400,426</b>	<b>1,251,749</b>
Balance, end of year	<b>\$ 237,425</b>	<b>\$ 522,478</b>

See Note to Other Supplementary Information.

Retraining Program	Direct Loan Program	Community Colleges for International Development, Inc.	Total
\$ 93,768	\$ -	\$ 511,723	\$ 1,265,648
872,062	-	-	872,062
-	56,155,616	6,674,168	62,829,784
-	-	593,883	630,228
-	-	-	-
-	-	-	915,252
-	-	479,679	1,038,899
131,886	-	(228,039)	144,951
1,003,948	56,155,616	7,519,691	66,431,176
-	-	954,563	955,837
548,691	56,155,616	4,156,076	62,187,672
-	-	32,885	175,550
-	-	1,269,458	1,356,548
-	-	1,115,909	1,115,909
-	-	164,458	258,315
548,691	56,155,616	7,693,349	66,049,831
\$ 549,025	\$ -	\$ 338,065	\$ 1,646,993

## 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, 2012**

	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Category:						
Arts and sciences	214,794	-	214,794	3,717,633	-	3,717,633
Vocational education	165,876	-	165,876	3,297,272	-	3,297,272
Adult education/continuing education	-	-	-	1,001,043	240,191 *	1,241,234
	<u>380,670</u>	<u>-</u>	<u>380,670</u>	<u>8,015,948</u>	<u>240,191</u>	<u>8,256,139</u>

\*Includes 240 hour adjustment of 7,020 hours and 300 hour adjustment of 4,840 and 700 hours, respectively.

Kirkwood Community College

Schedule of Tax and Intergovernmental Revenues  
For the Last Nine Years

	2012	2011	2010
Local (property tax)	\$ 19,165,569	\$ 16,948,563	\$ 14,656,336
State	30,167,245	29,935,435	28,816,574
Federal	37,141,478	38,439,167	42,885,130
<b>Total</b>	<b>\$ 86,474,292</b>	<b>\$ 85,323,165</b>	<b>\$ 86,358,040</b>

2009	2008	2007	2006	2005	2004
\$ 14,213,443	\$ 13,676,607	\$ 13,660,902	\$ 2,568,795	\$ 9,680,332	\$ 9,684,349
35,217,723	32,273,982	27,490,516	25,915,880	22,463,115	22,800,650
27,653,493	22,529,611	22,305,003	22,116,516	23,118,975	21,248,789
<u>\$ 77,084,659</u>	<u>\$ 68,480,200</u>	<u>\$ 63,456,421</u>	<u>\$ 50,601,191</u>	<u>\$ 55,262,422</u>	<u>\$ 53,733,788</u>

**Kirkwood Community College**

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

	2012	2011	2010
<b>Revenues:</b>			
State appropriations	\$ 29,628,398	\$ 29,401,047	\$ 28,083,242
Tuition and fees	53,874,766	52,501,781	46,375,772
Property tax	11,307,606	9,732,022	8,225,119
Federal appropriations	37,141,478	38,439,167	42,885,130
Sales and services	2,343,769	2,066,391	1,752,758
Interest on investments	313,208	133,262	152,887
Iowa Industrial New Jobs Training Program	5,382,812	5,342,554	5,557,046
Auxiliary enterprises	17,583,512	17,201,557	14,655,595
Miscellaneous	4,474,374	7,248,846	7,443,116
	<u>\$ 162,049,923</u>	<u>\$ 162,066,627</u>	<u>\$ 155,130,665</u>
<b>Expenditures:</b>			
Liberal arts and sciences	\$ 25,451,646	\$ 25,287,854	\$ 23,212,694
Vocational technical	22,986,533	27,726,823	24,480,610
Adult education	11,625,712	11,458,772	12,225,309
Cooperative services	4,943,222	5,251,854	6,367,030
Administration	10,446,607	7,886,751	8,746,375
Student services	6,428,849	5,338,610	4,923,975
Learning resources	2,652,484	3,135,268	3,591,600
Physical plant	9,015,356	11,889,788	9,732,519
General institution	16,521,865	13,251,962	16,299,666
Auxiliary enterprises	16,159,803	17,419,860	14,151,261
Scholarships and grants	30,565,374	31,657,078	27,603,927
Interest on indebtedness	2,295,857	1,326,639	1,434,493
	<u>\$ 159,093,308</u>	<u>\$ 161,631,259</u>	<u>\$ 152,769,459</u>

	2009	2008	2007	2006	2005	2004
\$	33,384,393	\$ 31,981,435	\$ 27,205,433	\$ 25,638,680	\$ 22,463,115	\$ 22,183,697
	39,940,159	40,554,897	38,403,435	36,752,189	35,721,127	32,848,006
	7,921,323	7,447,646	7,424,645	6,583,697	6,748,392	6,796,528
	27,653,493	22,529,611	22,282,011	22,090,755	23,091,673	21,220,452
	2,191,639	2,197,490	2,223,437	1,873,393	1,637,166	1,695,418
	728,126	1,542,557	836,125	919,371	225,142	232,394
	8,904,244	7,090,463	6,730,448	3,862,336	3,769,596	6,113,743
	12,326,871	14,255,095	10,610,667	10,881,211	10,795,368	9,861,698
	6,066,590	12,563,084	4,276,507	3,761,062	4,433,201	3,454,293
\$	<u>139,116,838</u>	<u>\$ 140,162,278</u>	<u>\$ 119,992,708</u>	<u>\$ 112,362,694</u>	<u>\$ 108,884,780</u>	<u>\$ 104,406,229</u>

\$	21,883,425	\$ 20,182,685	\$ 19,474,466	\$ 17,946,972	\$ 16,473,191	\$ 15,116,294
	22,569,627	21,916,227	20,987,006	19,832,467	17,749,248	18,785,712
	12,564,230	12,754,415	12,083,618	11,505,437	11,021,620	8,659,955
	7,648,550	7,692,088	6,510,936	3,675,755	3,036,589	6,262,188
	7,373,832	6,449,287	5,959,842	5,568,530	5,799,867	4,562,206
	5,049,306	4,843,325	4,452,042	4,426,463	3,951,657	3,682,512
	3,716,761	2,819,282	3,009,443	3,311,387	2,784,817	2,368,509
	9,673,772	9,554,947	8,339,637	7,091,729	7,410,386	7,005,425
	15,243,432	12,734,901	11,148,919	10,507,101	10,476,619	8,875,303
	11,817,598	10,486,620	10,176,203	9,983,281	10,086,115	12,779,711
	17,021,516	15,413,906	13,670,260	13,068,240	14,141,826	13,448,214
	1,452,386	1,307,554	1,238,043	1,321,131	1,472,513	1,791,281
\$	<u>136,014,435</u>	<u>\$ 126,155,237</u>	<u>\$ 117,050,415</u>	<u>\$ 108,238,493</u>	<u>\$ 104,404,448</u>	<u>\$ 103,337,310</u>

**Kirkwood Community College**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture:</b>			
Indirect through Iowa Workforce Development:			
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0447-309-PFFB-2495-BLNK	\$ 1,675
<b>U.S. Department of Housing and Urban Development:</b>			
Indirect through Linn County:			
Community Development Block Grants/ Entitlement Grants	14.218	N/A	5,588
<b>U.S. Department of Interior:</b>			
Indirect through Iowa Department of Natural Resources:			
Sport Fish Restoration Program	15.605	N/A	7,510
<b>U.S. Department of Labor:</b>			
Indirect through Iowa Workforce Development:			
ARRA - Unemployment Insurance	17.225	B-12-01-R10	39,038
Trade Adjustment Assistance	17.245	B-12-01-R10	1,381
WIA Pilots, Demonstrations and Research Projects	17.261	B-12-01-R10	1,105
Employment Services Cluster:			
ARRA - Employment Service / Wagner Peyser	17.207	B-12-01-R10	13,920
Disabled Veterans' Outreach Program (DVOP)	17.801	B-12-01-R10	6,020
Indirect through Office of the Assistant Secretary for Veterans Employment and Training:			
Local Veterans' Employment Representative Program	17.804	N/A	3,416
<b>Total Employment Service Cluster</b>			<b>23,356</b>
Indirect through Iowa Workforce Development:			
Workforce Investment Act (WIA) cluster:			
Adult Program	17.258	7-W-10-FR-0	256,332
Youth Activities	17.259	7-W-10-FR-0	444,028
Dislocated Workers	17.278	7-W-10-FR-0	558,336
<b>Total Workforce Investment Act Cluster</b>			<b>\$ 1,258,696</b>

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Labor (continued):</b>			
Indirect through Office of the Assistant Secretary for Veterans Employment and Training (continued):			
ARRA- Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	11-I-PF-EG-0-08	\$ 298,179
Workforce Investment Act (WIA) National Emergency Grants	17.277	11-W-DE-P1-0-18	62,004
Indirect through Iowa Department of Education:			
Incentive Grants, WIA Section 503	17.267	G20758	62,561
<b>Total U.S. Department of Labor</b>			<u>1,746,320</u>
<b>U.S. Department of State:</b>			
Direct:			
Community College Summit Initiative Program	19.000	N/A	1,343,099
Academic Exchange Programs - Undergraduate Programs - Community College Summit Initiative Program	19.009	N/A	5,394,246
<b>Total Community College Summit Initiative Program</b>			<u>6,737,345</u>
Academic Exchange Programs - Teachers - Community College Summit Initiative Program	19.408	N/A	470,505
<b>Total U.S. Department of State</b>			<u>7,207,850</u>
<b>National Science Foundation:</b>			
Education and Human Resources (direct)	47.076	N/A	382,248
<b>U.S. Small Business Administration:</b>			
Indirect through Iowa State University:			
Small Business Development Center	59.037	N/A	141,460
<b>U.S. Department of Energy:</b>			
Indirect through Iowa Economic Development Authority:			
ARRA- State Energy Program	81.041	SEP09-104	1,050,000
Indirect through Iowa Department of Administrative Services			
ARRA- State Alternative Energy Revolving Loan Program	81.041	EL-11-003	2,930,370
<b>Total State Energy Programs</b>			<u>3,980,370</u>
Indirect through City of Cedar Rapids			
ARRA- Energy Efficiency and Conservation Block Grant Program	81.128	N/A	12,000
<b>Total U.S. Department of Energy</b>			<u>\$ 3,992,370</u>

**Kirkwood Community College**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Direct:			
Federal Supplemental Educational Opportunity Grants, includes \$41,169 of administrative cost allowance	84.007	N/A	\$ 407,948
Federal Work-Study Program	84.033	N/A	441,162
Perkins Loan Cancellations	84.037	N/A	9,359
Federal Pell Grant Program	84.063	N/A	26,738,250
Federal Direct Student Loans	84.268	N/A	<u>56,155,616</u>
<b>Total Student Financial Assistance Cluster</b>			<u>83,752,335</u>
TRIO - Student Support Services	84.042	N/A	259,010
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325N	N/A	143,687
Indirect through Iowa Department of Education:			
Adult Education, Basic Grants to States	84.002	G20021,36,51,66,81	344,349
Career and Technical - Basic Grants to States	84.048	57-9910	763,979
Indirect through Iowa Department of Corrections:			
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	N/A	29,663
Indirect through Indian Hills Community College:			
Fund for the Improvement of Postsecondary Education	84.116Z	N/A	552
Indirect through University of Northern Iowa:			
Fund for the Improvement of Postsecondary Education	84.116	S5457B	<u>16,878</u>
<b>Total U.S. Department of Education</b>			<u>85,310,453</u>
<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	<u>9,145</u>
Special Programs for the Aging Cluster:			
Title III Part B - Grants for Supportive Services and Senior Centers	93.044	N/A	377,799
Title III Part C - Nutrition Services	93.045	N/A	1,420,172
Nutrition Services Incentive Program	93.053	N/A	<u>396,710</u>
<b>Total Aging Cluster</b>			<u>\$ 2,194,681</u>

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services (continued):</b>			
Indirect through Iowa Department of Elder Affairs (continued):			
National Family Caregiver Support Title III, Part E Medical Assistance Program	93.052	N/A	\$ 152,794
ARRA - Special Program for the Aging - Title IV and Title II - Discretionary Projects	93.778	N/A	264,443
	93.048	N/A	51,270
Affordable Care Act -Aging and Disability Resource Center	93.517	N/A	135,190
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	N/A	19,128
Indirect through Iowa Workforce Development:			
Temporary Assistance for Needy Families	93.558	9-W-10-FN-0	701,097
Indirect through Cuyahoga Community College:			
ARRA: Health Information Technology Professionals in Health Care	93.721	N/A	188,274
<b>Total U.S. Department of Health and Human Services</b>			<b>3,716,022</b>
<b>U.S. Department of Homeland Security:</b>			
Direct:			
Urban Areas Security Initiative	97.008	N/A	57,904
Competitive Training Grants	97.068	N/A	274,128
<b>Total U.S. Department of Homeland Security</b>			<b>332,032</b>
<b>U.S. Agency for International Development:</b>			
Indirect through Georgetown University:			
Scholarships for Education and Economic Development (SEED)	98.000	N/A	265,982
<b>Total federal awards expended</b>			<b>\$ 103,109,510</b>

See Notes to Schedule of Expenditures of Federal Awards.

## Kirkwood Community College

### Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

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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, 2012, Kirkwood Community College has Perkins Loan Program receivables of \$1,421,773. No loans were made during the year ended June 30, 2012.

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	\$ 1,206,013
Community College Summit Initiative Program - Academic Exchange Program - Undergrad	19.009	4,877,896
Community College Summit Initiative Program - Academic Exchange Program - Teachers	19.408	465,749
Special Programs for the Aging-Title III Part D - Disease Prevention and Health Promotion Services	93.043	1,650
Special Programs for the Aging Cluster: Title III Part B - Grants for Supportive Services and Senior Centers	93.044	63,531
Title III Part C - Nutrition Services	93.045	748,703
Nutrition Services Incentive Program	93.053	396,710
National Family Caregiver Support	93.052	70,547

**Kirkwood Community College**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2012**

Comment Number	Comment	Corrective Action Taken
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**Findings Related to the Financial Statement Audit as Reported in Accordance with Generally Accepted Government Auditing Standards:**

**Significant Deficiencies and Material Weakness in Internal Control over Financial Reporting**

11-II-A	Some capital assets additions were not timely identified and as a result were not timely reconciled.	Condition still exists. See 12-II-A.
11-II-B	Inadequate segregation of duties over the payroll cycle.	Partially corrected. See 12-II-B.
11-II-C	Inadequate segregation of duties over the cash disbursements cycle.	Fully corrected.
11-II-D	Inadequate controls over journal entry posting.	Condition still exists. See 12-II-C.
11-II-E	Inadequate post closing and financial reporting process.	Condition still exists. See 12-II-D.
11-II-F	Inadequate segregation of duties over cash receipts cycle.	Fully corrected.
11-II-G	Inadequate segregation of duties over New Jobs Training Program.	Condition still exists. See 12-II-E.
11-II-H	The Continuing Education department of the College implemented a new software system that has resulted in tuition revenue and receivables in that department not to be reported properly.	Fully corrected.

**Findings and Questioned Costs for Federal Awards:**

**Significant Deficiencies in Internal Control over Federal Awards**

11-III-A	COD records were only reconciled to the General Ledger at the end of the year.	Condition still exists. See 12-III-A.
11-III-B	There was no evidence that certain Pcard purchases and mileage expenditures were authorized and approved by the Program Director.	Fully corrected.
11-III-C	Inadequate segregation of duties over student registration and awarding of financial aid.	Fully corrected.

**Kirkwood Community College**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2012**

Comment Number	Comment	Corrective Action Taken
<b>Compliance Findings</b>		
11-III-D	The College used the incorrect EFC for determining students' financial need.	Corrected.
11-III-E	Student was incorrectly awarded and disbursed an unsubsidized Federal Direct Student Loan when the student was eligible for a subsidized loan.	Corrected.
11-III-F	Student was incorrectly disbursed a Pell Grant for a term the student enrolled but did not attend.	Corrected.
11-III-G	Student Right-to-Know Graduation rate disclosures not reported, and also did not include the required athletic graduation rates by the required deadline.	Corrected.
11-III-H	Federal Pell Grant funds were not returned in a timely manner.	Corrected.
11-III-I	Incorrect withdrawal date used in a Title IV refund calculation.	Corrected.
11-III-J	Student who had withdrawn not reported timely to the National Student Loan Data System.	Partially corrected. See 12-III-H.
11-III-K	No documentation that exit interviews were mailed to students.	Condition still exists. See 12-III-M.
11-III-L	No Federal Perkins Loan promissory note for a loan that is still outstanding.	Corrected.
11-III-M	Students' account status not updated for change in loan status.	Condition still exists. See 12-III-N.
11-III-N	No efforts to collect a Perkins Loan after student had not been paying for over a year.	Corrected.
11-III-O	No approval of Personnel Action Forms for certain employees and other employees pay allocations, including adjunct pay, did not agree to the approved Personnel Action Form.	Corrected.

**Kirkwood Community College**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2012**

Comment Number	Comment	Corrective Action Taken
<b>Other Findings Related to Required Statutory Reporting:</b>		
IV-G-11	The public hearings scheduled for May 5, 2011 and June 9, 2011 were published more than 20 days before the date of the hearing.	Condition still exists. See IV-G-12.
IV-I-11	Errors in contact hour report.	Condition still exists. See IV-I-12.



**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, 2012, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 27, 2013. 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**

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

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 12-II-A, 12-II-D and 12-II-E to be material weaknesses.

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 consider the deficiencies described in the accompanying schedule of findings and questions costs as items 12-II-B, 12-II-C and 12-II-F to be significant deficiencies.

## 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We 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, 2012 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 also noted certain matters that we reported to management of Kirkwood Community College in a separate letter dated March 27, 2013.

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 LLP*

Davenport, Iowa  
March 27, 2013



**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 OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on Kirkwood Community College's major federal programs for the year ended June 30, 2012. 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, 2012. 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 12-III-F through 12-III-T.

**Internal Control Over Compliance**

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kirkwood Community College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

*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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 12-III-B to be a material weakness.

*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 12-III-A, 12-III-C, 12-III-D and 12-III-E to be significant deficiencies.

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 LLP*

Davenport, Iowa  
March 27, 2013

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

**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
	Workforce Investment Act (WIA) Cluster:
17.258	Workforce Investment Act Adult Program
17.259	Workforce Investment Act Youth Activities
17.278	Workforce Investment Act Dislocated Worker Formula Grants
	Community College Summit Initiative Programs:
19.000	Community College Summit Initiative Program
19.009	Academic Exchange Programs – Undergraduate Programs – Community College Summit Initiative Program
	State Energy Programs:
81.041	State Energy Program
81.041	State Alternative Energy Revolving Loan Program

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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CFDA Number	Name of Federal Program
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.037	Perkins Loans Cancellations
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
	Aging Cluster:
93.044	Title III Part B – Grants for Supportive Services and Senior Centers
93.045	Title III Part C – Nutrition Services
93.053	Nutrition Services Incentive Program

Dollar threshold used to distinguish between  
type A and type B programs \$580,000

Auditee qualified as low-risk auditee?  Yes  No

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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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

**12-II-A**

Finding: Some capital asset additions were not identified timely and as a result were not reconciled timely. One material asset was not properly recorded.

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, some capital assets additions were not identified in a timely manner. Additionally, due to lack of review by appropriate personnel a material asset was not recorded in accordance with generally accepted accounting principles. Adjustments were required during the audit process to correct the additional capital assets identified and properly adjust a building's value that required an adjustment of approximately \$2.1 million.

Criteria: A good system of financial reporting should ensure all adjustments are made to balances at year-end.

Context: Systemic to capital asset system.

Cause: The College's current policies do not require reconciliations to be done throughout the year. The individual responsible for review of the journal entries to record the building asset did not perform the necessary research to ensure the asset was recorded properly.

Effect: Material misstatement of the financial statements did occur.

Recommendation: We recommend the College develop appropriate policies and procedures 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. During the year, the accounting department experienced key staff turnover and re-implemented the College's chart of accounts (COA). The following actions have been taken:

- Various issues were encountered with the implementation of the new projects accounting module as part of the COA conversion. The COA conversion went live on June 1, 2012. During July through December 2012, the project accounting module issues were resolved.
- A new Executive Director of Finance was hired in September 2012 to replace the predecessor that relocated out of state.
- A lean mapping of the purchasing/accounts payable cycle was held on January 23 – 25, 2013. Changes to process and information were developed through the process.

## Kirkwood Community College

### Schedule of Findings and Questioned Costs Year Ended June 30, 2012

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- The accounting team developed in December 2012 detailed monthly close procedures to identify and prioritize the necessary functions to close the College's financial statements within 30 days following each month end.
- Specific accountability measures have been put into place for the individual responsible for capital asset accounting.

#### 12-II-B

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

Condition: 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, and access to add/change employees' ACH information for direct deposit. During the fiscal year, the College implemented reviews of payroll registers on a regular basis by an individual outside of payroll processing but payroll change reports are not generated or reviewed.

Criteria: 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.

Context: Systemic over payroll transaction cycle.

Cause: Assigned duties of employees conflict with proper segregation of duties.

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

Recommendation: The College should develop policies and procedures to strengthen internal controls by realigning or reassigning duties where practical. An independent individual should also review payroll change reports including changes to direct deposit accounts to verify that all payroll changes are authorized.

Response and corrective action plan: In January 2012, the College implemented a new Time & Attendance process and program that significantly increased the level of nonpayroll department review of payroll data. With the changes made, the College does not feel that additional efforts related to the payroll process are cost justified.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**12-II-C**

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 prior to posting. 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.

Criteria: A good system of internal control and financial reporting should address all major account balances to ensure all adjustments are made to balances at year-end and ensure all entries posted are proper through a review by someone other than the person that posted the entry.

Context: Systemic over journal entries.

Cause: Assigned duties of employees conflict with proper segregation of duties.

Effect: Misappropriation of assets or 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 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. As noted in prior year comment, this item was expected to be repeated and the solution put into place in FY13. Changes in personnel and resolution of COA issues have slowed the implementation of the solution. As part of the monthly close process, built-in Datatel system controls related to journal entry control will be utilized. 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 appropriate accounting manager or Executive Director of Finance for approval. The Executive Director of Finance will not have access to enter journal entries.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**12-II-D**

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: 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: adjusting of certain accounts receivable and revenue, New Jobs Training program close-out of receivables and deferred revenue and adjusting for improper recording between funds, recording and adjusting capital assets, and recording \$3 million of debt.

Criteria: A system of financial reporting should address all major account balances to ensure all adjustments are made to balances at year-end.

Context: Systemic over the financial reporting system.

Cause: Lack of independent review over significant transactions and lack of a system that effectively addresses all accounts.

Effect: Material misstatement of the financial statements.

Recommendation: Given some of these items are more complex in nature; we recommend the College look for ways to improve its financial reporting system by assigning reconciliations and reviews to various individuals. We also recommend VP - Chief Financial/Operations Officer perform a detail review over significant transactions and complex journal entries and review monthly financial statements for proper recording of transactions.

Response and corrective action plan: See responses to 12-II-A and 12-II-C.

**12-II-E**

Finding: The College has inadequate segregation of duties over the New Jobs Training Program (NJTP). The individual responsible for the NJTP accounting function did not have the administrative capacity to properly reconcile and close-out the program for the year and determine the proper funds or accounts to post journal entries to without the assistance of the auditors.

Condition: 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. It became evident during the College's chart of account conversion, the individual performing the NJTP accounting function did not have a proper understanding of the College's financial statements or NJTP accounting and there were no reviews performed over the posting of NJTP transactions or their effect on the financial statements.

## Kirkwood Community College

### Schedule of Findings and Questioned Costs Year Ended June 30, 2012

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Criteria: 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. A good system of internal control also includes making sure employees have the technical ability to perform their job duties.

Context: Pervasive to New Jobs Training Program transactions.

Cause: Assigned duties of employees conflict with proper segregation of duties and lack of system of review and lack of proper understanding of NJTP accounting.

Effect: Misappropriation of assets could occur and material undetected errors and misstatement of the financial statements did 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. The individual responsible for the accounting of NJTP should receive additional training to understand the College's financial statements and NJTP accounting to ensure transactions are properly recorded and recorded in the proper funds. Additionally, the College should identify an individual to perform reviews over this area to ensure proper presentation and recording in the financial statements.

Response and corrective action plan: Kirkwood again does not completely acknowledge this repeat finding from prior year. 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. Additional segregation of duties would require adding personnel which is not feasible or practical. Subsequent to year-end, the NJTP accounting position was eliminated and reassigned to more senior and qualified accounting staff in the department.

#### 12-II-F

Finding: The College performed a chart of accounts conversion during the year that was not properly tested or implemented.

Condition: The chart of accounts conversion was implemented near the end of the fiscal year and the testing performed was not adequate to identify significant issues. The following issues were identified:

- Data was converted to improper funds and improper accounts that required numerous reclassifying entries prior to the audit and during the audit and could have been prevented if account level and fund level testing was performed.
- Variances between pre-conversion and post-conversion net income occurred and were not identified until after the conversion due to the fact the tie-out of net income was not tested during the conversion.
- The College was not able to fully reconcile fund balance which resulted in an adjusting entry during the audit that could have been prevented or posted prior to the audit if a reconciliation of funds was performed during the conversion.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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Criteria: A system of financial reporting should address all major account transactions to ensure all adjustments are determined at year-end.

Context: Pervasive to all financial statement transactions.

Cause: New chart of accounts was implemented without proper testing and reviews of the end product and proper reviews of the internal financial statements.

Effect: Significant misstatement of the financial statements.

Recommendation: When the College implements a new financial system process it should determine the proper amount and level of testing to perform and have the implementation reviewed by independent supervising personnel. Additionally, a detail review of the financial statements should be performed after implementation and internal financial statements should be reviewed on a monthly basis and at year-end to ensure they are properly stated.

Response and corrective action plan: Kirkwood does not agree that the COA conversion was not properly tested or implemented. The College does acknowledge that a significantly small number of accounts were inadvertently mapped to the wrong new account creating issues noted above. This is a one-time occurrence and no further action will be taken.

(B) Compliance Findings

No matters reported.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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

(A) Significant Deficiencies and Material Weakness in Internal Control

**12-III-A**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Pell Grant Program (CFDA 84.063)  
Federal Direct Loan Program (CFDA 84.268)  
Academic Competitiveness Grant (CFDA 84.375)  
Federal Award Year: 2011-2012**

Finding: Common Origination and Disbursement (COD) records were only reconciled to the General Ledger at the end of the year.

Condition: The College only reconciles the COD school account statements to the General Ledger at the end of each year. Monthly reconciliations only included reconciling COD disbursements to the Financial Aid subsidiary ledger.

Criteria: The Department of Education's Direct Loan Guide requires schools as a matter of good internal control to reconcile the COD records to the general ledger monthly.

Context: Pervasive to Pell, Direct Loan and Academic Competitiveness Grant transactions.

Cause: The College does not have processes in place to perform reconciliations throughout the year.

Effect: Differences could occur between COD system and the College's general ledger.

Recommendation: The College should reconcile COD to Financial Aid subsidiary ledger and then reconcile the Financial Aid subsidiary ledger to the General Ledger on a monthly basis to ensure properly recording all activity.

Response and corrective action plan: The College has implemented a reconciliation process that includes Pell and Direct Loan reconciliation between accounts receivable, the general ledger and COD on a monthly basis. Academic Competitiveness Grants are no longer being awarded.

## Kirkwood Community College

### Schedule of Findings and Questioned Costs Year Ended June 30, 2012

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#### 12-III-B

Finding: A federal loan program was not identified by the College as federal funds to be included on the Schedule of Expenditures of Federal Awards (SEFA) and the College improperly included and recorded prior year grant expenditures in the current year.

Condition: A \$2.9 million federal loan passed through from the Department of Energy was not identified as American Recovery and Reinvestment Act funds and was not included on the College's SEFA. During the testing of a major program, Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors, it was determined approximately \$15,000 of expenditures were recorded in the wrong year, which caused the program to no longer be considered a major program for testing.

Criteria: All federally funded programs are required to be reported on the SEFA and expenditures are to be reported in the year the expense is incurred.

Context: Pervasive to federal expenditures.

Cause: The College does not have process in place to ensure all new agreements are reviewed by appropriate personnel for determination of federal awards. The College did not have a process in place to identify federal expenditures recorded in the wrong award year.

Effect: Material misstatement of SEFA did occur.

Recommendation: The College should have qualified individuals review all new agreements to determine the funding source for proper inclusion or exclusion on the SEFA. The College should implement a review process of federal expenditures at the time of the expenditure for proper recording in the correct fiscal year.

Response and corrective action plan: Kirkwood acknowledges that the DOE funds should have been on the SEFA. Responsibilities and personnel within the grants accounting area have been reassigned since year-end to facilitate improved recordkeeping.

#### 12-III-C

Finding: The College performed a chart of accounts conversion during the year that was not properly tested or implemented which caused improper reporting of federal expenditures. Also see significant deficiency 12-II-F.

Condition: The chart of accounts conversion was implemented at the end of the fiscal year and the testing performed was not adequate to identify significant issues of which one directly affected federal expenditure transactions. After the conversion, project related data for grant programs was not being posted to the appropriate subledger within the accounting system for the period of May 29, 2012 through June 29, 2012, which caused reports submitted to federal agencies during this time to improperly report expenditures due to missing expenditures.

Criteria: A system of compliance reporting should address all account transactions to ensure expenditures are being recorded and reported accurately.

Context: Pervasive to all grant related expenditures during that time period and reports issued for the same time period.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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Cause: New chart of accounts was implemented without proper testing and reviews of the end product and reviews of the internal financial statements.

Effect: Noncompliance and potential noncompliance with federal compliance requirements.

Prevalence: One report for Workforce investment Act cluster program tested was missing \$40,000 of expenditures; see finding 12-III-O below. Potential effect on all grants with reports due during the identified time frame or grants that had expenditures during the identified time frame.

Recommendation: When the College implements a new financial system chart of accounts it should determine the proper amount and level of testing to perform and have the implementation reviewed by independent supervising personnel. Additionally, a detail review of the project level grant reports should be performed after implementation and on a monthly basis and at year-end to ensure they are accurate.

Response and corrective action plan: Kirkwood does not agree that the COA conversion was not properly tested or implemented. The College does acknowledge that a significantly small number of accounts were inadvertently mapped to the wrong new account creating issues noted above. This is a one-time occurrence and no further action will be taken.

**12-III-D**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Award Year: 2011-2012**

Finding: General non-compliance with Perkins Loan due diligence requirements.

Condition: After the departure of the individual responsible for Perkins Loan due diligence from the College, new personnel were not given adequate training and instruction in order to perform the required tasks. The status of Perkins loan students were not evaluated after the departure, therefore no status updates were performed, and no exit counseling materials were sent.

Criteria: Per 34 CFR 674.41(a), each institution shall exercise due diligence in collecting loans by complying with the provisions in subpart C including providing exit counseling or exit counseling materials and updating enrollment status of borrower.

Context: All Perkins due diligence activities except for signing of promissory notes from July 1, 2012 through October 30, 2012

Cause: The College did not provide adequate training and support to personnel in order to comply with Perkins requirements.

Effect: Proper procedures over Perkins loans were not performed; therefore these loans may potentially not be able to be assigned to the Department of Education if student defaults.

## Kirkwood Community College

### Schedule of Findings and Questioned Costs Year Ended June 30, 2012

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Recommendation: We recommend that the College define the roles of each person within the Perkins department, and provide adequate training in order to effectively manage Perkins loans. We also recommend the Perkins department works with the Enrollment Office to ensure compliance requirements are being met.

Response and corrective action plan: Kirkwood acknowledges finding. The prior individual was terminated and there was not an acceptable level of cross training that had occurred. The monthly process lifecycle is currently being developed and documented for administrative use beginning in January 2013.

#### 12-III-E

#### **U.S. Department of Energy State Energy Program and State Alternative Energy Loan Program (CFDA 81.041) Federal Award Year: 2011-2012**

Finding: The College did not verify the vendors used for this project were not suspended or debarred.

Condition: The College did not verify that the vendors who worked on the wind turbine project were not suspended or debarred. The College also did not include in the agreements with vendors that subcontractor could not be suspended or debarred.

Criteria: Per 2 CFR 180.320 participant(s) are responsible for determining whether any of your principals of your covered transactions is excluded or disqualified from participating in the transaction. You may decide the method and frequency by which you do so. You may, but you are not required to, check the EPLS. Per 2 CFR 180.330, before entering into a covered transaction with a participant at the next lower tier, you must require that participant to (a) Comply with this subpart as a condition of participation in the transaction. You may do so using any method(s), unless the regulation of the Federal agency responsible for the transaction requires you to use specific methods. (b) Pass the requirement to comply with this subpart to each person with whom the participant enters into a covered transaction at the next lower tier.

Context: All vendors and subcontractors were not checked.

Cause: The College does not have proper controls in place to check that vendors were not suspended or debarred and did not include in agreements with vendors that subcontractors could not be suspended or debarred.

Effect: Noncompliance with federal compliance requirements.

Recommendation: The College should implement procedures to check suspension and debarment for every vendor for federal programs. In addition, the College should include verbiage in every contract with vendors doing work on a federal program to check that their subcontractors are not suspended or debarred.

Response and corrective action plan: Kirkwood acknowledges the findings. The support received from the Department of Administrative Services related to this grant contributed to the various issues related to this grant. Administrative responsibility changed state departments in the middle of the grant cycle process that resulted in Kirkwood needing to make various decisions based on available information.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
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(B) Compliance Findings

**12-III-F**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Supplemental Educational Opportunity Grants (CFDA 84.007)  
Federal Work-Study Program (CFDA 84.033)  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Pell Grant Program (CFDA 84.063)  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2011-2012**

Finding: Electronic notifications for annual security report and posting of graduation rates were missing required components. Electronic notifications for annual security report were not sent timely to employees. Electronic notifications for annual security report and posting of graduation rates were not sent to students.

Condition: Annual security report notification was not sent to employees by required deadline of October 1, 2011 and did not include that a paper copy would be provided upon request and how a paper copy could be obtained. Notification for posting of graduation rates on the College's website was not sent. Annual security report notification, which was required by October 1, 2011, was not sent to students.

Criteria: 34 CFR 668.41 (b) and (c), the institution that discloses information through the internet to enrolled students must include in the notice to the students a statement that the institution will provide a paper copy of the information on request. (e)(3). If an institution chooses to distribute its annual security report to current employees by posting the disclosure or disclosures on an Internet Web site or an Intranet Web site, the institution must, by October 1 of each year, distribute to all current employees a notice that includes a statement that the institution will provide a paper copy of the report upon request.

Questioned costs: None

Prevalence: Certain required information was not provided to students and employees.

Cause: Electronic notifications were not reviewed for compliance with regulatory requirements prior to sending. The individual responsible for sending out the electronic notifications to employees for annual security report did not prepare and send the notification timely. The College did not designate an individual to prepare and send the annual security report notification to students or the graduation rates notification.

Effect: Required notifications were not done or not done timely.

Recommendation: Electronic notifications should be reviewed prior to sending to ensure they include all required information and they should be sent timely to employees and students in accordance with on the federal regulations.

Response and corrective action plan: The College has developed a master calendar of required disclosure information that will be utilized by multiple personnel to assure that all notifications are completed timely.

**Kirkwood Community College**

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Year Ended June 30, 2012**

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**12-III-G**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2011-2012**

Finding: The College did not properly document when exit counseling material was provided to students.

Condition: Graduating students had the option to pick up their exit counseling material at the graduation fair held on campus. The College has assumed which students received their materials in this manner and did not properly document which students received their materials in this manner and the date provided.

Criteria: 685.304(b)(7), the school must maintain documentation substantiating the school's compliance with exit counseling for each student borrower.

Questioned costs: None

Prevalence: Two of the 60 students tested and pervasive to all students graduating.

Cause: The College is not properly document when the exit counseling material was picked up in each students file.

Effect: No evidence that student was provided exit counseling in the required timeframe.

Recommendation: Distribution of exit counseling materials should be documented, including the date provided, in each student's file.

Response and corrective action plan: The exit counseling materials that were provided to all graduating students will be documented in the Colleague system. Note: materials were distributed to students as required, and documentation is available. It was not in the Colleague system for the auditors to review, but will be added, going forward. The College takes issue with this as a finding.

**12-III-H**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2011-2012**

Finding: Incorrect withdrawal dates were reported to the National Student Loan Data System (NSLDS) and one student was not properly reported.

Condition: Two students had incorrect withdrawal dates reported to NSLDS. One student who had an outstanding loan balance was not reported as enrolled or withdrawn to NSLDS.

**Kirkwood Community College**

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Criteria: Per 34 CFR 685.305(c), the institution shall use the date of determination for the withdrawal date as the date reported to the Secretary. Per 34 CFR 685.309(b), a school shall—(1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and (2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who is enrolled or changed in enrollment.

Questioned costs: None

Prevalence: Two of the sixty students tested had incorrect withdrawal dates reported to NSLDS. One of the sixty students tested was not properly reported.

Cause: The College did not use the date coded for withdrawal in the system but used a different date for students reported. For student not reported, the student was reported to the National Student Loan Clearinghouse (service provider) by the College but the information was not properly transmitted from the National Student Loan Clearinghouse to NSLDS. The student should have been manually reported due to the student not being shown properly in the NSLDS System.

Effect: Student withdrawals were not reported properly.

Recommendation: The date used as the official withdrawal date for the Title IV refund calculations should be used for reporting to the NSLDS. We recommend the College monitor the performance of its service provider, National Student Loan Clearinghouse, to ensure they are complying with the federal regulations.

Response and corrective action plan: The College now requires that all student withdrawals be initiated upon notification from the student. The preferred method is that students will drop themselves using EagleNet, but where that is not possible, staff will initiate the withdraw. This will eliminate the need to backdate withdrawals, to allow for travel time for the drop form and ensure that drop dates are accurate.

The student was reported, and we provided documentation of such. Enrollment verification was not requested by the lender for this student. The College could not have prevented this, nor could our servicer, the National Student Loan Clearinghouse.

**12-III-I**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2011-2012**

Finding: The incorrect amount of disbursed loans and institutional charges was used in a Title IV refund calculation.

Condition: The College used the incorrect amount for disbursed loans in their Title IV refund calculation due to the exclusion of unsubsidized loan and use of an adjusted subsidized loan amount. An incorrect amount of institutional charges was used due to using reduced charges determined after the student withdrew.

**Kirkwood Community College**

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Criteria: Per 34 CFR 668.22(e)(1)(ii), the amount of title IV grant or loan assistance that is earned by the student is calculated by applying the percentage of title IV grant or loan assistance that has been earned by the student to the total amount of the title IV grant or loan assistance that was disbursed (and that could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date. Per 34 CFR 668.22(g)(2): institutional charges [used in return of title IV calculation] are tuition, fees, room and board (if the student contracts with the institution for room and board) and other educational-related expenses assessed by the institution. Also as clarified by DCL GEN 00-24, the adjustment or elimination of a student's institutional charges, changes to the student's enrollment status, or other administrative determinations made by the institution after the withdrawal have no bearing on the applicability of the requirements in 668.22.

Questioned costs: None (\$55 too much was returned in subsidized loan funds)

Prevalence: One of the sixty students tested.

Cause: The inputs used in the calculation were not properly reviewed for compliance with the federal regulations.

Effect: An additional amount of subsidized loans earned by the student was returned to the Department of Education.

Recommendation: We recommend the inputs used for the return of Title IV funds calculations are reviewed to ensure amounts calculated and returned is accurate.

Response and corrective action plan: The College will review the tuition amount used in the return to Title IV calculations to ensure accuracy.

**12-III-J**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2011-2012**

Finding: The College returned to the Department of Education a credit balance of loan funds that resulted from return of Title IV calculation on behalf of a student without prior authorization from the student.

Condition: The College returned unsubsidized loan credit balance to the Department of Education that was a result of return of Title IV calculation. The College did not receive authorization from the student to return the credit balance.

Criteria: Per 34 CFR 668.164(e), institution must pay the resulting credit balance directly to the student as soon as possible but no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period. Per Federal Student Financial Aid Handbook Vol 5, Chpt 2, within 14 days of the date the institution performs the return calculation, an institution must pay any remaining Title IV credit balance funds in one or more ways, including, with the student's authorization, to reduce the student's Title IV loan debt.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
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Questioned costs: None (\$384 was returned without student authorization)

Prevalence: One of sixty students tested for return of Title IV refund calculation.

Cause: The College's policies and procedures for credit balances that result from return of Title IV calculations was not in compliance with the federal regulations.

Effect: Inaccurate amount of aid was returned.

Recommendation: The College should obtain proper authorization from the student prior to returning Direct Loan credit balances on behalf of the student to the Department of Education.

Response and corrective action plan: For students who withdrew prior to receiving their credit balance, the College resolved the credit balance by reducing the students' loans in an effort to reduce unnecessary student borrowing. Students will be notified that this is the College procedure and given the alternative of requesting that the credit balance be issued prior to the return calculation. Pell credit balances will be resolved prior to calculating the return to Title IV.

**12-III-K**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Pell Grant Program (CFDA 84.063)  
Federal Award Year: 2011-2012**

Finding: A student was under awarded Pell Grant.

Condition: The student was not properly marked in the system as enrolled in a course by the professor and as a result the student was not disbursed Pell for this course and the student's Pell Grant was reduced.

Criteria: Per 34 CFR 690.62 (a), the amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

Questioned costs: None (\$325 should have been awarded)

Prevalence: One of sixty students tested for the Pell Grant Award.

Cause: Improper awarding and disbursing determinations made by the College.

Effect: Student was under awarded Pell Grant by \$325.

Recommendation: We recommend the College implement a process to ensure a student's course enrollment is properly recorded in the system and Pell Grant awards are based on actual enrollment.

Response and corrective action plan: A report has been implemented to identify students with a passing final grade and no reported attendance so that attendance can be updated and awards recalculated.

**Kirkwood Community College**

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**12-III-L**

**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)  
Federal Award Year: 2011-2012**

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

Condition: Credit balances on students' accounts were not refunded within the required fourteen days during the fall semester due to a delay in the processing.

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

Prevalence: 4 students of 60 students tested. 1,121 students of 7,637 total students issued credit balance at the beginning of fall semester.

Cause: The credit balance was posted to the student's account statement within the required fourteen days but the check or direct deposit was not provided to the student until after the required fourteen day timeframe (seventeen days after creation).

Effect: Students were not provided their credit balances timely.

Recommendation: We recommend that the College designate an individual to provide oversight of this process to ensure both bill adjustments and payments of credit balance refunds are done timely.

Response and corrective action plan: The initial check run utilizing Direct Deposit was not initiated soon enough to ensure that funds were in the student account within the 14 day requirement. The funds and instructions were at the financial institution timely; however, the College's timing did not consider the two day turnaround time by the bank to process. Initiation has been moved up in order to comply. This was a onetime occurrence. The College misinterpreted the regulation as it applies to ACH disbursements. Once it was determined the interpretation was incorrect (which was after the disbursement main 2011FA check release) the timeline of the check/ACH release process was modified to meet the auditor's interpretation. The interpretation error was interpreting the electronic file to the bank to initiate the EFT as date, while the auditor's interpretation was the earliest the bank could make the funds available to institutions (2 day turnaround).

**Kirkwood Community College**

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**12-III-M**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Award Year: 2011-2012**

Finding: Exit interview materials were not sent in a timely manner to students who had Perkins Loans that graduated or withdrew. Incorrect separation dates were reported for students that graduated or withdrew.

Condition: Exit interview materials were not sent to students within the required 30 days, some due to incorrect separation dates and some due to other reasons. Incorrect separation dates were reported for students that graduated or withdrew.

Criteria: Per 34 CFR 674.42 (b), the institution must ensure that exit counseling is conducted with each borrower either in person, by audiovisual presentation, or by interactive electronic means within 30 days of known separation. Per 34 CFR 674.41(b), Coordination of information, an institution shall ensure that information available in its offices (including the admissions, business, alumni, placement, financial aid and registrar's offices) is provided to those offices responsible for billing and collecting loans, in a timely manner, as needed to determine—(1) The enrollment status of the borrower; (2) The expected graduation or termination date of the borrower; (3) The date the borrower withdraws, is expelled or ceases enrollment on at least a half-time basis; and (4) The current name, address telephone number and Social Security number of the borrower.

Questioned Costs: None

Prevalence: Two out of forty students tested for Perkins Due Diligence had incorrect separation dates but exit materials were sent timely. Four out of forty students had correct separation dates but exit materials were not sent timely. Five out of forty students had incorrect separation dates and exit materials were not sent timely.

Cause: The College is not identifying and reporting changes in student enrollment status correctly or in a timely manner, which is causing exit interview materials to be sent late. The College did not have a process in place to identify and report correct separation dates.

Effect: Students are not reminded of their obligations and loans may potentially not be able to be assigned to the Department of Education if student defaults. For reporting incorrect separation dates, the timing of students' grace period and repayment period is inaccurate.

Recommendation: Management of the Business Office should implement a system to receive accurate and timely communication regarding student enrollment and attendance from the rest of the College and ensure this information is reported to the College's service provider correctly and timely. In addition, the College should implement a system to ensure that exit interview materials are sent within the required timeframe.

**Kirkwood Community College**

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Response and corrective action plan: Kirkwood acknowledges the finding. The finance department has obtained two sets of queries from the enrollment/financial aid department to run on a monthly basis to identify students who no longer meet the eligibility requirements (graduated, dropped below half-time, a complete drop within the current term, or did not return since the prior term). Output from the queries will be reviewed to determine applicable separation dates to report to UAS for processing. The finance department is working to adopt current processes used by the enrollment/financial aid department in separation date calculation/determination.

**12-III-N**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Award Year: 2011-2012**

Finding: The College did not report the proper loan status of Perkins students.

Condition: One student was reported as separated when the student was still enrolled. One student returned to enrolled status but was not enrolled at the College or another institution.

Criteria: Per 34 CFR 674.48 (b), an institution that contracts for performance of any duties remains responsible for compliance with the requirements in performing these duties, including decisions regarding cancellation, postponement, or deferment of repayment, extension of repayment period, other billing and collection matters, and the safeguarding of all funds collected by its employees and contractors.

Questioned Costs: None

Prevalence: Two out of forty students tested for Perkins loan due diligence.

Cause: The College improperly updated loan statuses for students.

Effect: One student entered repayment status and was billed for payments when they should have been in deferment. The other student entered deferment status when they should have been billed for payments.

Recommendation: We recommend that the College review Perkins students' enrollment records on a frequent basis and compare to students' loan status to determine if accurate loan status is reported.

Response and corrective action plan: Kirkwood acknowledges the finding. The finance department has built a monthly process to identify separated students to initiate the exit interview process. The finance department will be building a new process to identify Perkins students that have returned to Kirkwood carrying a class load meeting deferment status. The process will be performed and UAS will be notified monthly.

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**12-III-O**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Award Year: 2011-2012**

Finding: General non-compliance with Perkins Loan due diligence requirements.  
See 12-III-D above.

Questioned costs: None

Prevalence: Pervasive to Perkins loan due diligence during the period of July 1, 2012-  
October 31, 2012.

**12-III-P**

**U.S. Department of Labor  
Workforce Investment Act Program (CFDA 17.258, 17.259, 17.278)  
Federal Award Year: 2011-2012**

Finding: A monthly expenditure report for the WIA Program was not submitted within the  
required timeframe and a different monthly expenditure report incorrectly reported  
expenditures due to significant deficiency in internal control at 12-III-C.

Condition: The College inadvertently submitted the September monthly expenditure report  
for the WIA Program after the required deadline. The May monthly expenditure report was  
missing expenditures due to error in the financial accounting system from a chart of  
accounts conversion.

Criteria: Per the grant agreement, accurate monthly expenditure report files are to be  
completed and e-mailed by an individual who is approved by the Regional Grantee and Iowa  
Workforce Development by the 20<sup>th</sup> of each month.

Questioned costs: None

Prevalence: One out of two monthly expenditure reports tested was not submitted timely  
and one had incorrect amount of expenditures reported.

Cause: The College did not have proper controls in place to ensure monthly expenditure  
report was submitted timely. There was no review over the financial accounting system after  
the chart of accounts conversion to determine all expenditures were included in the various  
reporting systems.

Effect: Inaccurate or late reporting.

Recommendation: The College should put procedures in place to ensure timely submission  
of monthly expenditure reports and implement review procedures over expenditures  
reported.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
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Response and corrective action plan: Kirkwood acknowledges the finding and will implement the recommendation. Procedures will be put in place to ensure timely and accurate submission of monthly expenditure reports. A review will be conducted by Grants Accounting and the WIA Fiscal Operations Supervisor monthly.

**12-III-Q**

**U.S. Department of Energy  
State Energy Program and State Alternative Energy Loan Program (CFDA 81.041)  
Federal Award Year: 2011-2012**

Finding: The College did not submit weekly certified payrolls by the deadline.

Condition: The College did not collect certified payrolls from the contractors and get them submitted within the required deadline.

Criteria: Per the grant agreement, the College is required to submit weekly certified payrolls by the following Friday.

Questioned costs: None

Prevalence: All of the nine payroll periods tested were not submitted by the deadline.

Cause: The College does not have a process in place to collect certified payrolls from contractors and get the documentation submitted by the deadline.

Effect: Noncompliance with federal compliance requirements.

Recommendation: The College should implement a process and designate an individual to collect certified payrolls from contractors and verify the certified payrolls are submitted before the deadline.

Response and corrective action plan: See 12-III-E.

**12-III-R**

**U.S. Department of Energy  
State Energy Program and State Alternative Energy Loan Program (CFDA 81.041)  
Federal Award Year: 2011-2012**

Finding: The College did not identify \$2.9 million of expenditures as part of this CFDA number due to significant deficiency in internal control at 12-III-B.

Condition: The College received a \$2.9 million loan that was funded by American Recovery and Reinvestment Act (ARRA) that was not identified by the College as federal funds or a federal program. The expenditures related to this loan program were not tracked separately as federal expenditures or as ARRA expenditures. The equipment that was funded by these programs did not have the proper percentage of federal funds included in the equipment's records due to exclusion of the loan program expenditures.

Criteria: The College is responsible for identifying and reporting all federal funds received and tracking the expenditures, including ARRA expenditures separately.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
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Questioned costs: None

Prevalence: Pervasive to this program.

Cause: The College did not identify these new agreements as possible federal awards.

Effect: Inaccurate reporting and improper tracking of federal funds.

Recommendation: The College should have qualified individuals review all new agreements to determine the funding source for proper inclusion or exclusion on the SEFA.

Response and corrective action plan: See 12-III-B and 12-III-E.

**12-III-S**

**U.S. Department of Energy  
State Energy Program and State Alternative Energy Loan Program (CFDA 81.041)  
Federal Award Year: 2011-2012**

Finding: The College reported incorrect amounts on a monthly report, quarterly report, and the final report.

Condition: The College did not report correct amounts on one monthly and one quarterly report. The College also submitted an incorrect amount on the final report.

Criteria: Per the grant agreement, the College is required to submit monthly, quarterly and a final report which contain financial information about the grant and loan.

Questioned costs: None

Prevalence: One of the four monthly reports tested. One of the two quarterly reports tested. The final report was also incorrect.

Cause: For the quarterly report, expenditures were not properly coded within the system to ensure accurate and complete reporting. For the monthly and final report, there was a lack of communication between individuals as to the expenditures that existed at the time the reports were submitted.

Effect: Inaccurate reporting.

Recommendation: All reports should be reviewed by a person who is knowledgeable about the program but is independent of the person who obtained and entered the data to ensure accurate amounts are reported. In addition, the College should implement a process to ensure communication is taking place between all individuals involved in the reporting and processing of expenditures and requesting of funds for federal programs.

Response and corrective action plan: See 12-III-B and 12-III-E.

**Kirkwood Community College**

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**12-III-T**

**U.S. Department of Energy  
State Energy Program (CFDA 81.041)  
Federal Award Year: 2011-2012**

Finding: The College did not include requirements in all the vendor agreements for the Wind Turbine project that they and any subcontractors need to follow the Buy American provisions.

Condition: The College did not include requirements in all the vendor agreements for the Wind Turbine project that they and any subcontractors need to follow the Buy American provisions of the American Recovery and Reinvestment Act (ARRA).

Criteria: Per section 1605 of the ARRA, none of the funds appropriated or otherwise made available by this Act may be used for a project for the construction, alternation, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States.

Questioned cost: None

Prevalence: One of five vendors selected for testing.

Cause: The College accidentally excluded the provisions of Buy American requirement from certain vendor contracts.

Effect: Potential noncompliance with federal compliance requirements.

Recommendation: The College should make sure vendors are notified of all specific requirements of grant or loan agreements such as the Buy American provision.

Response and corrective action plan: See 12-III-E.

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**Other Findings Related to Required Statutory Reporting**

IV-A-12 Certified Budget

Finding: Expenditures during the year ended June 30, 2012 exceeded the amounts budgeted in total.

Recommendation: College management should monitor the budget to actual results closely throughout the year so that expenditures do not exceed budget.

Response: Kirkwood acknowledges the finding. Due to unplanned capital purchases and debt refinancing, the plant expenditures caused the over spend.

Conclusion: Response accepted.

IV-B-12 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-12 Travel Expense

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

IV-D-12 Business Transactions

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

IV-E-12 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-12 Board Minutes

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

## Kirkwood Community College

### Schedule of Findings and Questioned Costs Year Ended June 30, 2012

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#### IV-G-12 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 A: The public hearing scheduled for April 12, 2012, for the Midland Forge Roof Replacement, was published on March 10, 2012 and March 17, 2012, and the public hearing scheduled for May 10, 2012, for the Kirkwood Eagle Tech Store and Truck Driver Facility, was published on April 14, 2012 and April 21, 2012, and the public hearing scheduled for August 9, 2012, for Continuing Education Training Center, was published on July 14, 2012 and July 21, 2012, and the public hearing scheduled for November 10, 2011 was published on October 1, 2011 and October 8, 2011 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.

Conclusion: Response accepted.

Finding B: The Certified Annual report improperly excluded \$1,503,077 of revenue.

Recommendation: College management should review the Certified Annual Report with the trial balance before submission.

Response: Kirkwood acknowledges the finding. The exclusion related to a transfer account that was not included in the report due to the COA conversion.

Conclusion: Response accepted.

#### IV-H-12 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.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

IV-I-12 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:

Category	Total Per Supporting Documentation	Credit Hours Reported	Over (Under) Reported Difference	Total Per Supporting Documentation	Contact Hours Reported	Over (Under) Reported Difference
<b>Vocational Education</b>						
Stress Management	1.00	1.25	0.25	24.00	24.00	-
Nurse Aide	6.00	6.56	0.56	144.00	178.20	34.20
Professionals in Health	2.00	2.96	0.96	40.00	47.36	7.36
Kitchen Essentials	1.50	1.88	0.38	40.00	40.00	-
Pipe Joining Methods	3.00	3.00	-	80.00	64.00	(16.00)
Microcomputer Literacy	1.00	1.00	-	24.00	20.80	(3.20)
<b>Arts and Sciences</b>						
ECE Field Experience	3.00	3.85	0.85	112.00	132.00	20.00
<b>Adult and Continuing Education</b>						
CRWD: Vapor Boiler Control Training	-	-	-	-	3.50	3.50
KICK Camp: Hands-on PC: Design, Build and Maintain	-	-	-	-	11.70	11.70
LC: HazMat Ops Refresher-Newhall FD	-	-	-	-	2.00	2.00
OWI 12 Hour Program	-	-	-	-	13.10	13.10
Secrets of Better Photography	-	-	-	-	24.00	24.00
Tai Chi Basics	-	-	-	-	9.60	9.60
Beginning Chinese CR	-	-	-	-	16.20	16.20
OWI 12 Hour Program	-	-	-	-	13.10	13.10
CPR for Health Care Provider Renewal	-	-	-	-	4.00	4.00
Using the Internet	-	-	-	-	3.30	3.30
Writing Effective Grant Proposals	-	-	-	-	24.00	24.00
Arc Flash	-	-	-	-	6.50	6.50

**Recommendation:** The College should verify that the number of credit and contact hours reported for each course agrees to the class schedule and the calculation performed is in accordance with State Code. Additionally, the College should verify the accuracy of the credit and contact hours data before remitting it to the State.

**Response:** Kirkwood agrees with the calculations. It is our understanding that we are required to meet the minimum number of contact hours, and that those with excess contact hours are not an issue. We will continue to monitor schedule building to verify that minimum contact hours are met. A committee will be formed for additional oversight of this process, made up of the Vice President of Academic Affairs, the Associate Vice President of Academic Affairs, the Registrar and the Executive Director of Enrollment Management. Schedules have been built for the 2012-13 academic year. This oversight committee will begin by reviewing sections to be built for the 2013-14 academic year. The oversight committee will work to ensure that this does not happen again, going forward.

**Conclusion:** Response accepted.

## Kirkwood Community College

### Corrective Action Plan Year Ended June 30, 2012

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Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
<b>Findings Relating to Financial Statement Audit:</b>				
<b>Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting</b>				
12-II-A	Some capital asset additions were not identified timely and as a result were not reconciled timely. One material asset was not properly recorded.	See corrective action plan at 12-II-A.	Jim Choate VP-CFO/COO	June 2013
12-II-B	The College has inadequate segregation of duties over the payroll transaction cycle.	See corrective action plan at 12-II-B.	Jim Choate VP-CFO/COO	June 2013
12-II-C	The College has inadequate controls over journal entry posting.	See corrective action plan at 12-II-C.	Jim Choate VP-CFO/COO	June 2013
12-II-D	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.	See corrective action plan at 12-II-D.	Jim Choate VP-CFO/COO	June 2013
12-II-E	The College has inadequate segregation of duties over the New Jobs Training Program (NJTP). The individual responsible for the NJTP accounting function did not have the administrative capacity to properly reconcile and close-out the program for the year and determine the proper funds or accounts to post journal entries to without the assistance of the auditors.	See corrective action plan at 12-II-E.	Jim Choate VP-CFO/COO	June 2013
12-II-F	The College performed a chart of accounts conversion during the year that was not properly tested or implemented.	See corrective action plan at 12-II-F.	Jim Choate VP-CFO/COO	June 2013

**Kirkwood Community College**

**Corrective Action Plan  
Year Ended June 30, 2012**

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
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**Findings and Questioned Costs for Federal Awards:**

**Significant Deficiencies and Material Weakness in Internal Control over Federal Awards:**

12-III-A	Common Origination and Disbursement (COD) records were only reconciled to the General Ledger at the end of the year.	See corrective action plan at 12-III-A.	Jim Choate VP-CFO/COO	June 2013
12-III-B	A federal loan program was not identified by the College as federal funds to be included on the Schedule of Expenditures of Federal Awards and the College improperly included and recorded prior year grant expenditures in the current year.	See corrective action plan at 12-III-B.	Jim Choate VP-CFO/COO	June 2013
12-III-C	The College performed a chart of accounts conversion during the year that was not properly tested or implemented which caused improper reporting of federal expenditures. Also see significant deficiency 12-II-F.	See corrective action plan at 12-III-C.	Jim Choate VP-CFO/COO	June 2013
12-III-D	General non-compliance with Perkins Loan due diligence requirements.	See corrective action plan at 12-III-D.	Jim Choate VP-CFO/COO	June 2013
12-III-E	The College did not verify the vendors used for this project were not suspended or debarred.	See corrective action plan at 12-III-E.	Tom Kaldenberg Assoc VP of Facilities	June 2013

**Kirkwood Community College**

**Corrective Action Plan  
Year Ended June 30, 2012**

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
<b>Compliance:</b>				
12-III-F	Electronic notifications for annual security report and posting of graduation rates were missing required components. Electronic notifications for annual security report were not sent timely to employees. Electronic notifications for annual security report and posting of graduation rates were not sent to students.	See corrective action plan at 12-III-F.	Kristie Fisher VP of Enrollment Services	June 2013
12-III-G	The College did not properly document when exit counseling material was provided to students.	See corrective action plan at 12-III-G.	Kristie Fisher VP of Enrollment Services	June 2013
12-III-H	Incorrect withdrawal dates were reported to the National Student Loan Data System (NSLDS) and one student was not properly reported.	See corrective action plan at 12-III-H.	Kristie Fisher VP of Enrollment Services	June 2013
12-III-I	The incorrect amount of disbursed loans and institutional charges was used in a Title IV refund calculation.	See corrective action plan at 12-III-I.	Kristie Fisher VP of Enrollment Services	June 2013
12-III-J	The College returned to the Department of Education a credit balance of loan funds that resulted from return of Title IV calculation on behalf of a student without prior authorization from the student.	See corrective action plan at 12-III-J.	Kristie Fisher VP of Enrollment Services	June 2013
12-III-K	A student was under awarded Pell Grant.	See corrective action plan at 12-III-K.	Kristie Fisher VP of Enrollment Services	June 2013
12-III-L	Credit balances on students' accounts were not refunded within the required fourteen days.	See corrective action plan at 12-III-L.	Jim Choate VP-CFO/COO	June 2013

**Kirkwood Community College**

**Corrective Action Plan  
Year Ended June 30, 2012**

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
12-III-M	Exit interview materials were not sent in a timely manner to students who had Perkins Loans that graduated or withdrew. Incorrect separation dates were reported for students that graduated or withdrew.	See corrective action plan at 12-III-M.	Jim Choate VP-CFO/COO	June 2013
12-III-N	The College did not report the proper loan status of Perkins students.	See corrective action plan at 12-III-N.	Jim Choate VP-CFO/COO	June 2013
12-III-O	General non-compliance with Perkins Loan due diligence requirements. See 12-III-D above.	See corrective action plan at 12-III-D.	Jim Choate VP-CFO/COO	June 2013
12-III-P	A monthly expenditure report for the WIA Program was not submitted within the required timeframe and a different monthly expenditure report incorrectly reported expenditures due to significant deficiency in internal control at 12-III-C.	See corrective action plan at 12-III-P.	Kim Johnson VP of Continuing Education	June 2013
12-III-Q	The College did not submit weekly certified payrolls by the deadline.	See corrective action plan at 12-III-Q.	Tom Kaldenberg Assoc VP of Facilities	June 2013
12-III-R	The College did not identify \$2.9 million of expenditures as part of this CFDA number due to significant deficiency in internal control at 12-III-B.	See corrective action plan at 12-III-R.	Jim Choate VP-CFO/COO	June 2013
12-III-S	The College reported incorrect amounts on a monthly report, quarterly report, and the final report.	See corrective action plan at 12-III-S.	Jim Choate VP-CFO/COO	June 2013
12-III-T	The College did not include requirements in all the vendor agreements for the wind turbine project that they and any subcontractors need to follow the Buy American provisions.	See corrective action plan at 12-III-T	Tom Kaldenberg Assoc VP of Facilities	June 2013

**Kirkwood Community College**

**Corrective Action Plan  
Year Ended June 30, 2012**

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
<b>Statutory Reporting:</b>				
IV-G-12A	The public hearings were published more than 20 days before the date of the hearing.	See corrective action plan at IV-G-12A.	Sheryl Cook Secretary of the Board	June 2013
IV-G-12B	The Certified Annual report improperly excluded \$1,503,077 of revenue.	See corrective action plan at IV-G-12B.	Sheryl Cook Secretary of the Board	June 2013
IV-I-12	Errors in contact hour report.	See corrective action plan at IV-I-12.	Bill Lamb VP of Academic Affairs	June 2013