

Kirkwood Community College

Financial and Compliance Report
June 30, 2013

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Kirkwood Community College

Officials

June 30, 2013

Name	Title	Term Expires
Board of Trustees		
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
Kris Riley	Executive Director of Finance



Independent Auditor's Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinions, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 17 to the basic financial statements, the College adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which restated the beginning net position of the business-type activities for items previously reported as assets.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 and Postretirement Medical Benefit Plan Schedule of Funding Progress on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.

Other Information

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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated November 15, 2013 on our consideration of the Kirkwood Community College's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kirkwood Community College's internal control over financial reporting and compliance.

McGladrey LLP

Davenport, Iowa
November 15, 2013

Kirkwood Community College

Management's Discussion and Analysis Year Ended June 30, 2013

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, 2013. 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

2013:

- Operating revenues for the College decreased 1.1% or \$948,589, primarily due to a decrease in federal appropriations.
- Tuition and fees increased during fiscal year 2013 because of a higher per credit hour tuition rate and approximately 6% lower scholarship allowances.
- The College's net nonoperating revenues increased by \$8,171,348 due to an increase in property tax revenue from increased taxable valuation, an increase in state appropriations and revenue for a capital project from the New Jobs Training Program.
- The College's net position increased by \$8,336,998, or 7.7% as a result of annual revenues exceeding expenditures due to increases in tuition, property taxes and state appropriations as noted above and continuing efforts to manage costs.

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 position 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.

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 position, a statement of revenues, expenses and changes in net position 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.

Kirkwood Community College

Management's Discussion and Analysis Year Ended June 30, 2013

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.

Reporting the College's Financial Activities

Statement of Net Position: The statement of net position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the College as a whole as of the end of the fiscal year. The statement of net position is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The statement of net position includes year-end information concerning current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources and net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net position. 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 Position

	June 30,		\$ Change	% Change
	2013	2012		
Current and other assets	\$ 100,586,364	\$ 106,748,746	\$ (6,162,382)	(5.8%)
Capital assets, net of accumulated depreciation	198,146,620	176,078,845	22,067,775	12.5
Total assets	298,732,984	282,827,591	15,905,393	5.6
Current liabilities	36,175,519	40,831,569	(4,656,050)	(11.4)
Noncurrent liabilities	124,038,835	112,318,061	11,720,774	10.4
Total liabilities	160,214,354	153,149,630	7,064,724	4.6
Deferred inflows of resources	21,245,141	20,741,470	503,671	2.4
Net position:				
Net investment in capital assets	131,774,060	120,028,976	11,745,084	9.8
Restricted	10,197,226	5,613,434	4,583,792	81.7
Unrestricted	(24,697,797)	(16,705,919)	(7,991,878)	47.8
Total net position	\$ 117,273,489	\$ 108,936,491	\$ 8,336,998	7.7

The net position of the College is mainly investment in capital assets (e.g. land, buildings and equipment). When the related debt is liquidated, it is done so with resources other than capital assets.

Kirkwood Community College

Management's Discussion and Analysis Year Ended June 30, 2013

Year Ended June 30, 2013: The net investment in capital assets increased due to capital asset addition purchases from operating funds.

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

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

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

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

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

The actuarial accrued liability for these benefits is \$19,241,586. The College will amortize over 30 years and the FY 2013 liability is \$7,774,667. See Note 13 for more detail.

GASB 65: As disclosed in Note 17 to the basic financial statements, the College implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended June 30, 2013. There was not a cash impact to the College as a result of the implementation of this Statement as the expenses related to bond issuance costs had been paid in previous years. Rather, the College's beginning net position was restated for the bond issuance costs previously reported as assets.

Kirkwood Community College

**Management's Discussion and Analysis
Year Ended June 30, 2013**

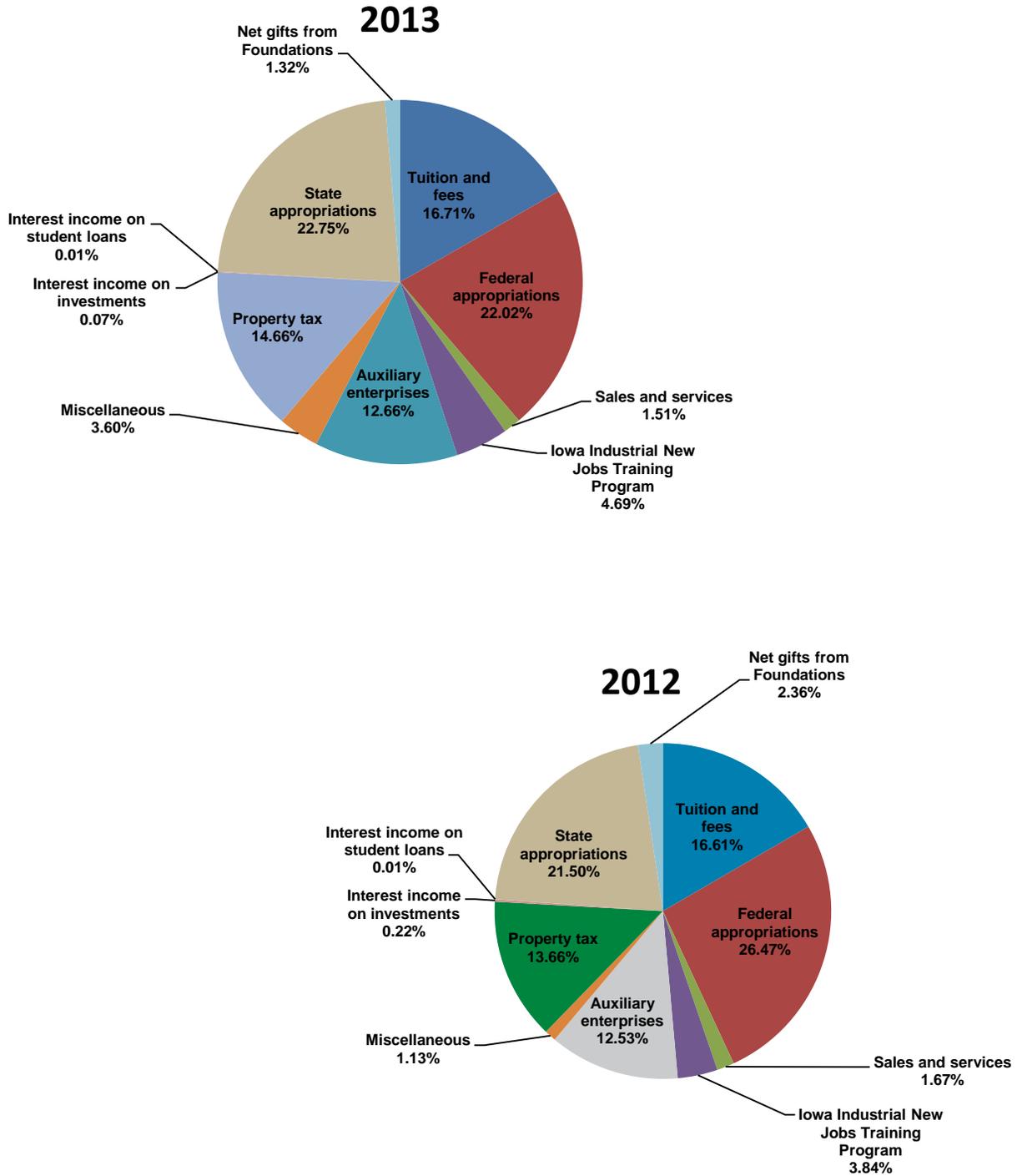
Change in Net Position

	Year Ended June 30,		\$ Change	% Change
	2013	2012		
Operating revenues:				
Tuition and fees, net	\$ 24,433,348	\$ 23,309,392	\$ 1,123,956	4.8%
Federal appropriations	32,202,315	37,141,478	(4,939,163)	(13.3)
Sales and services	2,212,006	2,345,049	(133,043)	(5.7)
Iowa Industrial New Jobs Training Program	6,861,240	5,382,812	1,478,428	27.5
Auxiliary enterprises	18,510,503	17,583,512	926,991	5.3
Miscellaneous	2,153,436	1,559,194	594,242	38.1
Total operating revenues	86,372,848	87,321,437	(948,589)	(1.1)
Total operating expenses	134,938,770	131,129,338	3,809,432	2.9
Operating loss	(48,565,922)	(43,807,901)	(4,758,021)	10.9
Nonoperating revenues (expenses):				
State appropriations	33,265,140	30,167,245	3,097,895	10.3
Property tax	21,439,409	19,165,569	2,273,840	11.9
Interest income on investments	99,507	313,208	(213,701)	(68.2)
Interest income on student loans	15,429	14,517	912	6.3
Net contributions and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	1,936,034	3,330,804	(1,394,770)	(41.9)
Gain (loss) on disposal of capital assets	269,180	(26,239)	295,419	(1,125.9)
Interest expense	(3,070,608)	(4,066,878)	996,270	(24.5)
Miscellaneous	3,115,483	-	3,115,483	100.0
Net nonoperating revenues	57,069,574	48,898,226	8,171,348	16.7
Transfers to agency fund	(166,654)	(144,952)	(21,702)	15.0
Increase in net position	8,336,998	4,945,373	3,391,625	68.6
Net position:				
Beginning, as restated	108,936,491	103,991,118	4,945,373	4.8
Ending	<u>\$ 117,273,489</u>	<u>\$ 108,936,491</u>	<u>\$ 8,336,998</u>	<u>7.7</u>
Total revenues, operating and nonoperating	<u>\$ 146,243,850</u>	<u>\$ 140,312,780</u>	<u>\$ 5,931,070</u>	<u>4.2</u>
Total expenses, operating and nonoperating	<u>\$ 137,906,852</u>	<u>\$ 135,367,407</u>	<u>\$ 2,539,445</u>	<u>1.9</u>

Kirkwood Community College

Management's Discussion and Analysis
Year Ended June 30, 2013

Revenues by Source



Kirkwood Community College

Management's Discussion and Analysis Year Ended June 30, 2013

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

Total Revenue by Source

In fiscal year 2013, 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 Iowa Industrial New Jobs Training Program increased 27.5% due to an increase in new projects.

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%.

<u>Operating Expenses</u>	<u>Year Ended June 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2013</u>	<u>2012</u>		
Education and support:				
Liberal arts and sciences	\$ 24,733,120	\$ 23,996,697	\$ 736,423	3.1%
Vocational technical	23,734,857	21,884,988	1,849,869	8.5
Adult education	12,628,276	11,033,493	1,594,783	14.5
Cooperative services	6,546,884	4,900,632	1,646,252	33.6
Administration	9,351,324	10,222,110	(870,786)	(8.5)
Student services	6,186,737	6,061,250	125,487	2.1
Learning resources	2,344,144	2,550,104	(205,960)	(8.1)
Physical plant	9,430,679	9,888,366	(457,687)	(4.6)
General institution	14,089,791	16,012,465	(1,922,674)	(12.0)
Auxiliary enterprises	17,294,831	16,159,803	1,135,028	7.0
Loan cancellations and bad debts, net of recoveries	(41,813)	(104,844)	63,031	(60.1)
Administrative and collection costs	52,322	32,871	19,451	59.2
Depreciation	8,587,618	8,491,403	96,215	1.1
	<u>\$ 134,938,770</u>	<u>\$ 131,129,338</u>	<u>\$ 3,809,432</u>	<u>2.9</u>

Total Expenses

In FY 2013, the total operating expenses increased as a result of the following factors:

- Increase in salaries and benefits.
- Addition of operating expenses related to opening of Eagle Tech.
- Increase in building occupancy costs related to new construction/added facilities.

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

Kirkwood Community College

Management's Discussion and Analysis Year Ended June 30, 2013

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
	2013	2012	
Cash provided by (used in):			
Operating activities	\$ (40,390,436)	\$ (27,104,099)	\$ (13,286,337)
Noncapital financing activities	55,116,098	48,289,477	6,826,621
Capital and related financing activities	(19,889,030)	(13,887,034)	(6,001,996)
Investing activities	7,743,416	(9,224,387)	16,967,803
Net increase (decrease) in cash	2,580,048	(1,926,043)	4,506,091
Cash:			
Beginning	5,829,439	7,755,482	(1,926,043)
Ending	<u>\$ 8,409,487</u>	<u>\$ 5,829,439</u>	<u>\$ 2,580,048</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, 2013, the College had \$287,831,850 invested in capital assets, net of accumulated depreciation of \$89,685,230. Depreciation charges totaled \$8,587,618 for FY 2013. Details of capital assets are shown below:

	June 30,		Change
	2013	2012	
Land	\$ 6,573,567	\$ 6,701,427	\$ (127,860)
Construction in progress	38,200,595	11,684,593	26,516,002
Buildings	183,130,130	181,715,840	1,414,290
Other structures and improvements	39,236,260	37,692,857	1,543,403
Equipment and vehicles	20,691,298	19,381,740	1,309,558
	<u>\$ 287,831,850</u>	<u>\$ 257,176,457</u>	<u>\$ 30,655,393</u>

Kirkwood Community College

Management's Discussion and Analysis Year Ended June 30, 2013

The College's plant expenditures in FY 2013 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, 2013, the College had \$126,759,009 in long-term debt outstanding, excluding the early retirement payable, compensated absences and OPEB payable, an increase from June 30, 2012. The table below summarizes these amounts by type:

<u>Outstanding debt</u>	June 30,		Change
	2013	2012	
Certificates payable	\$ 32,800,000	\$ 31,730,000	\$ 1,070,000
Capital lease payable	100,360	288,578	(188,218)
Notes payable	48,968,649	42,735,551	6,233,098
Bonds payable	19,420,000	15,225,000	4,195,000
Certificates of participation	25,470,000	25,950,000	(480,000)
	<u>\$ 126,759,009</u>	<u>\$ 115,929,129</u>	<u>\$ 10,829,880</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, Iowa 52404.

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Kirkwood Community College

**Statement of Net Position
June 30, 2013**

Assets	Primary Government	Component Units
Current Assets:		
Cash and investments	\$ 53,651,269	\$ 697,270
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$5,896,165	4,761,656	24,492
Property taxes, succeeding year	21,245,141	-
Pledges, net of allowance for doubtful pledges of \$8,000	-	452,134
Student loans	129,151	-
Due from component units	1,539,481	-
Due from other governments	3,265,239	-
Other	100,000	-
Inventories	2,815,844	-
Prepaid expenses	274,570	3,183
Total current assets	87,782,351	1,177,079
Noncurrent Assets:		
Receivables:		
Iowa Industrial New Jobs Training Program	8,307,899	-
Student loans, net of allowance for uncollectible loans of \$284,738	866,431	-
Pledges, net of allowance for doubtful pledges	-	973,478
Investments, unrestricted	-	24,956,150
Investments, restricted	2,729,683	-
Cash value of life insurance	-	215,972
Other	900,000	26,611
Capital assets, nondepreciable	44,774,162	1,719,977
Capital assets, depreciable, net	153,372,458	9,220
Total noncurrent assets	210,950,633	27,901,408
Total assets	\$ 298,732,984	\$ 29,078,487

See Notes to Basic Financial Statements.

Liabilities, Deferred Inflows of Resources and Net Position	Primary Government	Component Units
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 6,887,685	\$ 158,791
Salaries and benefits payable	6,581,864	-
Due to primary government	-	1,299,754
Annuities payable	-	32,708
Interest payable	705,073	-
Unearned revenue	4,594,184	36,378
Other	100,000	-
Early retirement payable	1,318,628	-
Compensated absences	1,962,929	-
Current portion certificates payable	5,035,000	-
Current portion notes payable	4,905,402	-
Current portion capital lease payable	75,362	-
Current portion bonds payable	2,570,000	-
Current portion certificates of participation	495,000	-
Deposits held in custody for others	944,392	-
Total current liabilities	36,175,519	1,527,631
Noncurrent liabilities:		
Annuities payable	-	128,792
Other	900,000	-
OPEB payable	7,774,667	-
Certificates payable	27,765,000	-
Notes payable	44,063,247	-
Capital lease payable	24,998	-
Bonds payable	16,850,000	-
Certificates of participation	24,975,000	-
Bond premium	900,135	-
Bond discount	(105,887)	-
U.S. government grants refundable	891,675	-
Total noncurrent liabilities	124,038,835	128,792
	160,214,354	1,656,423
Deferred Inflows of Resources, unavailable revenue - property taxes	21,245,141	-
Net Position:		
Net investment in capital assets	131,774,060	1,229,196
Restricted:		
Expendable:		
Cash reserve	621,989	-
Loans	598,653	-
New Jobs Training Program	539,745	-
Employee benefits	5,893,879	-
Equipment replacement	1,198,710	-
Other	1,344,250	-
Unrestricted:		
Unrestricted (deficit)	(24,697,797)	3,113,980
Unrestricted, board designated	-	1,425,154
Unrestricted, donor advised	-	21,653,734
Total net position	117,273,489	27,422,064
Total liabilities, deferred inflows of resources and net position	\$ 298,732,984	\$ 29,078,487

Kirkwood Community College

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013**

	Primary Government	Component Units
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$28,364,453	\$ 24,433,348	\$ -
Federal appropriations	32,202,315	-
Sales and services	2,212,006	-
Iowa Industrial New Jobs Training Program	6,861,240	-
Auxiliary enterprises	18,510,503	-
Contributions, including in-kind contributions of \$546,964	-	4,906,017
Rental income and facility management	-	597,681
Royalties and commission	-	97,240
Contributions from primary government	-	1,736,978
Miscellaneous	2,153,436	56,888
Total operating revenues	86,372,848	7,394,804
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	24,733,120	-
Vocational technical	23,734,857	-
Adult education	12,628,276	-
Cooperative services	6,546,884	-
Administration	9,351,324	-
Student services	6,186,737	-
Learning resources	2,344,144	-
Physical plant	9,430,679	-
General institution	14,089,791	-
Auxiliary enterprises	17,294,831	-
Loan cancellations and bad debts, net of recoveries	(41,813)	-
Administrative and collection costs	52,322	-
Distributions to Kirkwood Community College	-	3,666,200
Facility operations	-	351,316
Program services	-	174,350
Management and general	-	860,782
Fundraising	-	156,003
Depreciation	8,587,618	6,430
Total operating expenses	134,938,770	5,215,081
Operating income (loss)	\$ (48,565,922)	\$ 2,179,723

	Primary Government	Component Units
Nonoperating revenues (expenses):		
State appropriations	\$ 33,265,140	\$ -
Property tax	21,439,409	-
Investment income	99,507	2,853,466
Actuarial adjustment of annuities payable	-	(25,708)
Interest income on student loans	15,429	-
Gifts from component units	3,717,388	-
Rent from primary government	-	44,376
Gift to affiliate	-	(51,188)
Contributions to component units	(1,781,354)	-
Gain on sale of plant assets	269,180	-
Contributions to other non-profit entities	-	(89,950)
Interest expense	(3,070,608)	-
Miscellaneous	3,115,483	-
Net nonoperating revenues	57,069,574	2,730,996
Transfers to agency fund	(166,654)	-
Change in net position	8,336,998	4,910,719
Net position:		
Beginning, as restated	108,936,491	22,511,345
Ending	\$ 117,273,489	\$ 27,422,064

See Notes to Basic Financial Statements.

Kirkwood Community College

Statement of Cash Flows

Year Ended June 30, 2013

	Primary Government
<hr/>	
Cash Flows from Operating Activities:	
Tuition and fees	\$ 25,142,997
Federal appropriations	33,379,221
Iowa Industrial New Jobs Training Program	4,488,804
Payments to employees for salaries and benefits	(75,643,756)
Payments to suppliers for goods and services	(45,106,112)
Payments to subrecipients	(5,742,782)
Loans issued, net of collections of loans from students	195,684
Auxiliary enterprise receipts	18,510,503
Other receipts/payments	4,385,005
Net cash (used in) operating activities	<u>(40,390,436)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	33,265,140
Property tax	21,439,409
Federal direct lending receipts	48,148,036
Federal direct lending disbursements	(48,148,036)
Contributions and rent paid to component units	(1,781,354)
Gifts from component units	3,170,424
Interest income on student loans	15,429
Proceeds from certificates payable	5,310,000
Principal paid on certificates payable	(4,240,000)
Interest paid on certificates payable	(1,193,695)
Transfers to agency fund	(166,654)
Agency receipts	7,111,980
Agency disbursements	(7,814,581)
Net cash provided by noncapital financing activities	<u>55,116,098</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(27,395,016)
Interest capitalized	(799,354)
Proceeds from sale of capital assets	400,000
Debt issued	28,800,000
Bond premiums	99,694
Principal paid on debt	(19,040,120)
Interest paid on debt	(1,954,234)
Net cash (used in) capital and related financing activities	<u>(19,889,030)</u>
Cash Flows from Investing Activities:	
Interest on investments	1,043,085
Purchases of investments	(65,960,278)
Proceeds from sale and maturities of investments	72,660,609
Net cash provided by investing activities	<u>7,743,416</u>
Increase in cash and cash equivalents	2,580,048
Cash and cash equivalents:	
Beginning	5,829,439
Ending	<u><u>\$ 8,409,487</u></u>

	Primary Government
<hr/>	
Reconciliation of Operating Loss to Net Cash (Used In)	
Operating Activities:	
Operating loss	<u>\$ (48,565,922)</u>
Adjustments to reconcile operating loss to net cash (used in) operating activities:	
Depreciation	8,587,618
Accretion, net of amortization	(187,402)
In-kind donations from component units	546,964
Changes in assets and liabilities:	
Decrease in accounts receivable	871,999
Decrease in student loans	231,191
Decrease in NJTP receivable	377,205
Decrease in due from other governments	1,176,906
(Increase) in inventories	(294,708)
Decrease in prepaid expenses	239,599
(Decrease) in accounts payable	(2,440,196)
(Decrease) in salaries payable	(290,942)
(Decrease) in unearned revenue	(2,892,428)
(Decrease) in compensated absences	(51,713)
Increase in early retirement payable	604,024
Increase in OPEB payable	1,722,367
(Decrease) in refundable advances on student loans	<u>(24,998)</u>
Total adjustments	<u>8,175,486</u>
 Net cash (used in) operating activities	 <u><u>\$ (40,390,436)</u></u>
Noncash:	
Capital and related financing activities, accounts payable for the acquisition of capital assets	\$ 2,591,843
Investing activities, decrease in fair value of investments	(943,578)

See Notes to Basic Financial Statements.

Kirkwood Community College

**Statement of Net Position/Net Assets
Discretely Presented Component Units
Year Ended June 30, 2013**

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Eliminations	Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 108,321	\$ 588,949	\$ -	\$ 697,270
Receivables:				
Accounts	24,492	-	-	24,492
Pledges, net of allowance for doubtful pledges of \$8,000	-	452,134	-	452,134
Due from Kirkwood Community College Foundation	128,325	-	(128,325)	-
Prepaid expenses	3,183	-	-	3,183
Total current assets	264,321	1,041,083	(128,325)	1,177,079
Noncurrent assets:				
Pledges, net of allowance for doubtful pledges	-	973,478	-	973,478
Investments	-	24,956,150	-	24,956,150
Cash value of life insurance	-	215,972	-	215,972
Other	-	26,611	-	26,611
Capital assets, nondepreciable	1,719,977	-	-	1,719,977
Capital assets, depreciable, net	9,220	-	-	9,220
Total noncurrent assets	1,729,197	26,172,211	-	27,901,408
Total assets	1,993,518	27,213,294	(128,325)	29,078,487
Liabilities and Net Position/Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	135,996	22,795	-	158,791
Due to Kirkwood Community College	607,845	202,837	-	810,682
Due to Kirkwood Facilities Foundation	-	128,325	(128,325)	-
Due to KCCK-FM Radio	-	489,072	-	489,072
Unearned revenue	36,378	-	-	36,378
Annuities payable	-	32,708	-	32,708
Total current liabilities	780,219	875,737	(128,325)	1,527,631
Noncurrent liabilities, annuities payable	-	128,792	-	128,792
Total liabilities	780,219	1,004,529	(128,325)	1,656,423
Net Position/Net Assets:				
Investment in capital assets	1,229,196	-	-	1,229,196
Unrestricted:				
Unrestricted	(15,897)	3,129,877	-	3,113,980
Unrestricted, board designated	-	1,425,154	-	1,425,154
Unrestricted, donor advised	-	21,653,734	-	21,653,734
Total net position/net assets	\$ 1,213,299	\$ 26,208,765	\$ -	\$ 27,422,064

See Notes to Basic Financial Statements.

Kirkwood Community College

**Statement of Revenues, Expenses and Changes in Net Position/Net Assets
Discretely Presented Component Units
Year Ended June 30, 2013**

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Total
Operating revenues:			
Contributions and pledges	\$ -	\$ 4,359,053	\$ 4,359,053
Contributions, in-kind	-	546,964	546,964
Rental income and facility management	597,681	-	597,681
Royalties and commissions	97,240	-	97,240
Contributions from Kirkwood Community College	-	1,736,978	1,736,978
Miscellaneous	34,121	22,767	56,888
Total operating revenues	729,042	6,665,762	7,394,804
Operating expenses:			
Distributions to Kirkwood Community College	-	3,666,200	3,666,200
Facility operations	351,316	-	351,316
Programs	-	174,350	174,350
Management and general	111,880	748,902	860,782
Fund raising	-	156,003	156,003
Depreciation	6,430	-	6,430
Total operating expenses	469,626	4,745,455	5,215,081
Operating income	259,416	1,920,307	2,179,723
Nonoperating revenues (expenses):			
Investment income, including appreciation of fair value of investments of \$2,396,930	16,323	2,837,143	2,853,466
Actuarial adjustments to annuities payable	-	(25,708)	(25,708)
Rent from Kirkwood Community College	44,376	-	44,376
Gifts to affiliates	(51,188)	-	(51,188)
Contributions to other nonprofit entities	(57,544)	(32,406)	(89,950)
Net nonoperating revenues (expenses)	(48,033)	2,779,029	2,730,996
Change in net position/net assets	211,383	4,699,336	4,910,719
Net position/net assets:			
Beginning	1,001,916	21,509,429	22,511,345
Ending	\$ 1,213,299	\$ 26,208,765	\$ 27,422,064

See Notes to Basic Financial Statements.

Kirkwood Community College

Notes to Basic Financial Statements

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 standards set 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, 2013 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

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 position, revenues, expenses and changes in net position 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.

The College adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

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 financial statements of the College are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

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

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, 2011 assessed property valuations for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax request contained in the budget certified to the appropriate county auditor in March 2012.

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, 2013, 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, 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 \$799,354 were capitalized for the year ended June 30, 2013.

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

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 cash that has been received, but the related revenue has not been recognized since it has not been earned or the cash has not been spent for its intended purpose restriction or, in the case of the Iowa NJTP program administrative fees, are amortized over the ten-year life of each project.

Deferred inflows of resources – unavailable revenue: Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period. For the College, the only deferred inflow of resources is unavailable revenue from property taxes, which will be recognized as inflows of resources (revenue) in the year they are intended to be used.

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, 2013.

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 position.

Bond premiums and discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Kirkwood Community College

Notes to Basic Financial Statements

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

Net position: Net position is classified according to restrictions or availability of assets for satisfaction of College obligations. Net investment in capital assets represents the net value of capital assets less the debt incurred to acquire or construct the assets. The debt related to the sinking fund accounts totaling \$2,729,683 are not included in this category. Restricted net position represent the amounts segregated for specific purposes as restricted 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 position includes 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 position is 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 position is available.

Auxiliary enterprise revenues and expenses: Auxiliary enterprise revenues and expenses primarily represent revenues generated by and expenses associated with the farm lab, bookstore, day care center, equestrian center, restaurant, 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, based on when classes are held.

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 educational 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 position, 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 position 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.

Kirkwood Community College

Notes to Basic Financial Statements

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

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 Federal Supplemental 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.

Note 2. Cash and Investments

As of June 30, 2013, the College's cash and investments consist of the following:

	Unrestricted	Restricted	Total
Cash	\$ 8,409,487	\$ -	\$ 8,409,487
Certificates of deposit	-	1,000,000	1,000,000
Investments	45,241,782	1,729,683	46,971,465
	<u>\$ 53,651,269</u>	<u>\$ 2,729,683</u>	<u>\$ 56,380,952</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
Iowa Schools Joint Investment Trust	\$ 45,241,782	\$ 45,241,782
Money Market Mutual Fund	1,729,683	1,729,683
	<u>\$ 46,971,465</u>	<u>\$ 46,971,465</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.

Kirkwood Community College

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

As of June 30, 2013, 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 and money market mutual 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, 2013, the carrying amount of the College's deposits, excluding \$17,683 of petty cash, totaled \$9,391,803 with a bank balance of \$9,333,313. The College's deposits in banks at June 30, 2013 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. External investment pools and money market mutual funds are not subject to custodial credit risk.

Note 3. Inventories

The College's inventories as of June 30, 2013 consisted of the following:

Supplies and materials	\$ 277,616
Agricultural enterprises	327,527
Hotel inventory	388,091
Merchandise held for resale	1,822,610
	<u>\$ 2,815,844</u>

Kirkwood Community College

Notes to Basic Financial Statements

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	June 30, 2012 Balance	Additions	Deletions and Transfers	June 30, 2013 Balance
Capital assets not being depreciated:				
Land	\$ 6,701,427	\$ 2,960	\$ 130,820	\$ 6,573,567
Construction in progress	11,684,593	29,557,527	3,041,525	38,200,595
Total capital assets not being depreciated	18,386,020	29,560,487	3,172,345	44,774,162
Capital assets being depreciated:				
Buildings	181,715,840	1,414,290	-	183,130,130
Improvements other than buildings	37,692,857	1,543,403	-	39,236,260
Equipment and vehicles	19,381,740	1,309,558	-	20,691,298
Total capital assets being depreciated	238,790,437	4,267,251	-	243,057,688
Less accumulated depreciation for:				
Buildings	53,578,227	4,618,847	-	58,197,074
Improvements other than buildings	11,861,856	2,469,311	-	14,331,167
Equipment and vehicles	15,657,529	1,499,460	-	17,156,989
Total accumulated depreciation	81,097,612	8,587,618	-	89,685,230
Total capital assets being depreciated, net	157,692,825	(4,320,367)	-	153,372,458
Capital assets, net	\$ 176,078,845	\$ 25,240,120	\$ 3,172,345	\$ 198,146,620

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, 2013 is as follows:

	June 30, 2012	Additions	Reductions	June 30, 2013	Amounts Due Within 1 Year
Early retirement payable (Note 12)	\$ 714,604	\$ 1,318,628	\$ 714,604	\$ 1,318,628	\$ 1,318,628
Compensated absences	2,014,642	1,962,929	2,014,642	1,962,929	1,962,929
OPEB payable (Note 13)	6,052,300	1,722,367	-	7,774,667	-
Certificates payable	31,730,000	5,310,000	4,240,000	32,800,000	5,035,000
Capital lease payable	288,578	-	188,218	100,360	75,362
Capital loan notes	42,735,551	10,000,000	3,766,902	48,968,649	4,905,402
Bonds payable	15,225,000	18,800,000	14,605,000	19,420,000	2,570,000
Certificates of participation	25,950,000	-	480,000	25,470,000	495,000
Total	\$ 124,710,675	\$ 39,113,924	\$ 26,009,366	\$ 137,815,233	\$ 16,362,321

Certificates payable:

In accordance with agreements dated between November 1, 2005 and June 11, 2013, the College issued certificates totaling \$53,625,000 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
2014	\$ 5,035,000	\$ 1,104,114	\$ 6,139,114
2015	5,810,000	921,596	6,731,596
2016	5,360,000	718,813	6,078,813
2017	4,700,000	517,983	5,217,983
2018	3,530,000	340,305	3,870,305
2019-2023	8,365,000	503,623	8,868,623
Total	\$ 32,800,000	\$ 4,106,434	\$ 36,906,434

Kirkwood Community College

Notes to Basic Financial Statements

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

Capital lease payable:

The College has leased various copiers for use throughout the campus under two capital lease agreements. The interest rates on these leases are 8.68% and 6.75% compounded monthly. The net book value of the copiers was \$120,112 as of June 30, 2013. Details of the College's June 30, 2013 capital lease indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2014	\$ 75,362	\$ 4,981	\$ 80,343
2015	24,998	281	25,279
	<u>\$ 100,360</u>	<u>\$ 5,262</u>	<u>\$ 105,622</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 1% 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 May 15, 2013, the College issued \$10,000,000 in capital loan notes with interest rates ranging from 1.00% to 2.00% 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 \$1,700,000. The economic loss resulting from the current refunding was approximately \$43,000, which is due to the College refunding this debt to obtain a longer maturity.

Details of the College's June 30, 2013 notes payable indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2014	\$ 4,905,402	\$ 1,367,790	\$ 6,273,192
2015	3,364,190	1,209,150	4,573,340
2016	3,442,979	1,161,542	4,604,521
2017	3,556,813	1,051,008	4,607,821
2018	3,670,694	936,878	4,607,572
2019-2023	12,223,571	2,862,303	15,085,874
2024-2027	17,805,000	1,177,063	18,982,063
	<u>\$ 48,968,649</u>	<u>\$ 9,765,734</u>	<u>\$ 58,734,383</u>

Kirkwood Community College

Notes to Basic Financial Statements

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 1% 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, 2013, \$14,260,000 was available to be drawn on these bond anticipation notes.

On April 18, 2013, the College issued \$1,800,000 in General Obligation School Refunding Bonds, Series 2013B with interest rates ranging from 1.0% to 1.1% to current refund \$1,800,000 of the General Obligation School Bonds, Series 2006 with interest rates ranging from 3.70% to 3.80%. The net proceeds related to the current refunding of \$1,800,000 were immediately applied to the redemption of the General Obligation School Bonds, Series 2006. The net change in cash flows related to the current refunding was approximately \$69,000. The economic gain resulting from the current refunding was approximately \$69,000.

Details of the College's June 30, 2013 bonds payable indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2014	\$ 2,570,000	\$ 112,586	\$ 2,682,586
2015	14,440,000	85,000	14,525,000
2016	2,410,000	48,200	2,458,200
	<u>\$ 19,420,000</u>	<u>\$ 245,786</u>	<u>\$ 19,665,786</u>

Kirkwood Community College

Notes to Basic Financial Statements

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, 2013 certificates of participation are as follows:

	Principal	Interest	Total
Year ending June 30:			
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	560,000	1,117,525	1,677,525
2019-2023	3,130,000	5,232,006	8,362,006
2024-2028	3,845,000	4,477,356	8,322,356
2029-2030	15,865,000	435,081	16,300,081
	<u>\$ 25,470,000</u>	<u>\$ 15,900,569</u>	<u>\$ 41,370,569</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 position.

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:			
2014	\$ 13,080,764	\$ 3,772,015	\$ 16,852,779
2015	24,149,188	3,383,871	27,533,059
2016	11,737,979	3,081,199	14,819,178
2017	8,796,813	2,704,560	11,501,373
2018	7,760,694	2,394,708	10,155,402
2019-2023	23,718,571	8,597,932	32,316,503
2024-2028	21,650,000	5,654,419	27,304,419
2029-2030	15,865,000	435,081	16,300,081
	<u>\$ 126,759,009</u>	<u>\$ 30,023,785</u>	<u>\$ 156,782,794</u>

Kirkwood Community College

Notes to Basic Financial Statements

Note 6. Operating Leases

The College has leased equipment and 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 2014 and 2022 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, 2013:

Year ending June 30:		
2014	\$	533,019
2015		402,164
2016		252,219
2017		241,356
2018		149,138
2019-2020		284,258
	\$	<u>1,862,154</u>

Rents for the year ended June 30, 2013 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$514,577.

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 5.78% of their annual covered salary and the College is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,447,309, \$1,274,678 and \$1,096,947, 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 5.78% and the College is required to contribute 8.67%. The College and employees required and actual contributions to TIAA-CREF for the year ended June 30, 2013 were \$3,044,091 and \$2,029,391, respectively.

Kirkwood Community College

Notes to Basic Financial Statements

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. There were no significant incurred liabilities not reimbursed as of June 30, 2013.

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, 2013 was \$6,269,943.

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, 2013, 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 33rd 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 475 projects, with 163 currently receiving project funding. The remaining 312 projects have been completed, of which 50 are in the repayment process and 262 have been fully repaid.

Kirkwood Community College

Notes to Basic Financial Statements

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 15th.

The liability as of June 30, 2013 for the 30 employees who have elected early retirement during fiscal year 2013 was \$1,318,628. 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, 2013 was \$1,305,199.

As of June 30, 2013, the potential liability, if all eligible employees accepted early retirement, is approximately \$12,000,000.

Note 13. Postemployment Medical Benefit Plan

Plan description: The College sponsors a single-employer other postemployment benefit plan that provides medical benefits to all active (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, 2013, 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	302,615
Adjustment to annual required contribution	(374,964)
Annual OPEB cost (expense)	<u>2,293,190</u>
Contributions and payments made	(570,823)
Increase in net OPEB obligation	<u>1,722,367</u>
Net OPEB obligation, beginning of year	<u>6,052,300</u>
Net OPEB obligation, end of year	<u><u>\$ 7,774,667</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 2013 follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 2,293,190	24.89%	\$ 7,774,667
June 30, 2012	2,286,384	65.28	6,052,300
June 30, 2011	2,216,658	37.65	5,258,364

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

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 \$3,879,223 for the year ended June 30, 2013. The College has recorded a receivable from the Foundations of \$1,539,481 as of June 30, 2013. This amount differs from the Foundations' due to primary government payable of \$1,299,754 due to payments in transit at year-end.

The Foundations received contributions to fund scholarships and rent of \$1,781,354 from Kirkwood Community College during the year ended June 30, 2013.

The College has \$208,723 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 statement not yet implemented by the College. This Statement may impact the College as follows:

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 will need to record the portion of the pension liability attributable to the College, but that amount has not yet been determined.

Kirkwood Community College

Notes to Basic Financial Statements

Note 16. Commitments and Subsequent Events

As of June 30, 2013, the College had construction commitments of approximately \$7,424,000 to complete the renovation of Linn Hall, \$532,000 for remodeling Linn County Regional Center, \$6,311,000 for Washington County Regional, \$3,631,000 for remodeling Ballantyne Auditorium and \$105,000 for CE Truck Driving Facility. These projects will be funded through additional draws on the Bond Anticipation Notes and the notes described below.

In July 2013, the College issued \$9,500,000 of Taxable Lease Purchase Anticipation Project Notes, Series 2013. These notes bear interest at the 30-day LIBOR rate plus 0.65%, but not less than 0.95%, and mature on June 1, 2015.

Note 17. Restatement

As a result of the adoption of GASB Statement No. 65, the beginning net position of the business-type activities was restated as follows:

	Business-Type Activities
Net position June 30, 2012, as previously reported	\$ 110,187,544
Bond issuance costs previously reported as assets	(1,251,053)
Net position June 30, 2012, as restated	<u>\$ 108,936,491</u>

Prior to adoption of GASB Statement No. 65, bond issuance costs were capitalized and amortized over the life of the debt. Amortization expense that was recognized during the year ended June 30, 2012 was \$183,132.

Kirkwood Community College

**Required Supplementary Information
Postemployment Medical Benefit Plan
Schedule of Funding Progress
Year Ended June 30, 2013**

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, 2013**

Funds/Levy	Final Budget	Actual	Variance Between Actual and Final Budget
Unrestricted	\$ 99,515,608	\$ 86,466,383	\$ 13,049,225
Restricted	19,191,405	17,715,745	1,475,660
Unemployment	150,000	123,765	26,235
Tort liability	106,741	1,914	104,827
Insurance	1,980,321	3,326,501	(1,346,180)
Early retirement	2,800,000	1,642,092	1,157,908
Equipment replacement	1,761,731	1,472,379	289,352
Total restricted	25,990,198	24,282,396	1,707,802
Plant	36,800,000	48,096,539	(11,296,539)
	\$ 162,305,806	\$ 158,845,318	\$ 3,460,488

See Note to Budgetary Comparison Schedule of Expenditures.

Kirkwood Community College

Note to Budgetary Comparison Schedule of Expenditures

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, 2013, the College's total expenditures did not exceed the total amount budgeted.

Kirkwood Community College

Schedule of Net Position

All Funds

June 30, 2013

Assets	Current Funds	
	Unrestricted	Restricted
Current Assets:		
Cash and investments	\$ 27,924,741	\$ 25,726,528
Receivables:		
Accounts, net	4,761,656	-
Property tax, succeeding year	8,238,984	9,029,730
Student loans	129,151	-
Due from other funds	79,142,028	4,802,247
Due from Kirkwood Community College Foundation	442,564	489,072
Due from Kirkwood Facilities Foundation	607,845	-
Due from other governments	2,707,205	-
Other	100,000	-
Inventories	2,815,844	-
Prepaid expenses	269,060	-
Total current assets	127,139,078	40,047,577
Noncurrent Assets:		
Receivables:		
Iowa Industrial New Jobs Training Program	-	8,307,899
Student loans, net	866,431	-
Investments, restricted	2,729,683	-
Other	900,000	-
Capital assets, net of accumulated depreciation	-	-
Total noncurrent assets	4,496,114	8,307,899
Total assets	\$ 131,635,192	\$ 48,355,476

See Note to Other Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ 53,651,269
-	-	-	-	4,761,656
-	3,976,427	-	-	21,245,141
-	-	-	-	129,151
1,490,328	-	1,007,935	(86,442,538)	-
-	-	-	-	931,636
-	-	-	-	607,845
-	-	558,034	-	3,265,239
-	-	-	-	100,000
-	-	-	-	2,815,844
-	-	5,510	-	274,570
1,490,328	3,976,427	1,571,479	(86,442,538)	87,782,351
-	-	-	-	8,307,899
-	-	-	-	866,431
-	-	-	-	2,729,683
-	-	-	-	900,000
-	287,831,850	-	(89,685,230)	198,146,620
-	287,831,850	-	(89,685,230)	210,950,633
\$ 1,490,328	\$ 291,808,277	\$ 1,571,479	\$ (176,127,768)	\$ 298,732,984

Kirkwood Community College

Schedule of Net Position (Continued)

All Funds

June 30, 2013

Liabilities and Net Assets	Current Funds	
	Unrestricted	Restricted
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 6,412,204	\$ 3,676
Salaries and benefits payable	6,522,381	25,497
Due to other funds	-	-
Interest payable	619,782	85,291
Unearned revenue	4,298,300	218,759
Other	100,000	-
Early retirement payable	1,318,628	-
Compensated absences	1,861,686	57,072
Current portion of:		
Certificates payable	-	5,035,000
Notes payable	4,905,402	-
Capital lease payable	75,362	-
Bonds payable	2,570,000	-
Certificates of participation	495,000	-
Deposits held in custody for others	-	-
Total current liabilities	29,178,745	5,425,295
Noncurrent liabilities:		
Other	900,000	-
OPEB payable	-	7,774,667
Certificates payable	-	27,765,000
Notes payable	44,063,247	-
Capital lease payable	24,998	-
Bonds payable	16,850,000	-
Certificates of participation	24,975,000	-
Bond premium	-	185,285
Bond discount	-	(4,271)
U.S. government grants refundable	-	-
Total noncurrent liabilities	86,813,245	35,720,681
Total liabilities	115,991,990	41,145,976
Deferred Inflows of Resources, unavailable revenue - property taxes	8,238,984	9,029,730
Net Position:		
Net investment in capital assets	(65,759,326)	-
Restricted:		
Expendable:		
Cash reserve	-	621,989
Loans	-	-
New Jobs Training Program	-	539,745
Employee benefits	-	5,893,879
Equipment replacement	-	1,198,710
Other	-	1,344,250
Unrestricted	73,163,544	(11,418,803)
Total net position	7,404,218	(1,820,230)
Total liabilities, deferred inflows of resources and net position	\$ 131,635,192	\$ 48,355,476

See Note to Other Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ 471,805	\$ -	\$ 6,887,685
-	-	33,986	-	6,581,864
-	86,442,538	-	(86,442,538)	-
-	-	-	-	705,073
-	-	77,125	-	4,594,184
-	-	-	-	100,000
-	-	-	-	1,318,628
-	-	44,171	-	1,962,929
-	-	-	-	5,035,000
-	-	-	-	4,905,402
-	-	-	-	75,362
-	-	-	-	2,570,000
-	-	-	-	495,000
-	-	944,392	-	944,392
-	86,442,538	1,571,479	(86,442,538)	36,175,519
-	-	-	-	900,000
-	-	-	-	7,774,667
-	-	-	-	27,765,000
-	-	-	-	44,063,247
-	-	-	-	24,998
-	-	-	-	16,850,000
-	-	-	-	24,975,000
-	714,850	-	-	900,135
-	(101,616)	-	-	(105,887)
891,675	-	-	-	891,675
891,675	613,234	-	-	124,038,835
891,675	87,055,772	1,571,479	(86,442,538)	160,214,354
-	3,976,427	-	-	21,245,141
-	287,218,616	-	(89,685,230)	131,774,060
-	-	-	-	621,989
598,653	-	-	-	598,653
-	-	-	-	539,745
-	-	-	-	5,893,879
-	-	-	-	1,198,710
-	-	-	-	1,344,250
-	(86,442,538)	-	-	(24,697,797)
598,653	200,776,078	-	(89,685,230)	117,273,489
\$ 1,490,328	\$ 291,808,277	\$ 1,571,479	\$ (176,127,768)	\$ 298,732,984

Kirkwood Community College

Schedule of Revenues, Expenditures and Changes in Net Position

All Funds

Year Ended June 30, 2013

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Revenues:			
General:			
State appropriations	\$ 27,568,568	\$ 4,892,047	\$ -
Tuition and fees	52,785,142	12,659	-
Property tax	3,969,960	9,280,083	-
Federal appropriations	768,943	31,433,372	-
Sales and services	1,176,362	1,035,527	-
Interest on investments	1,218	16,869	-
Interest on student loans	-	-	15,429
Iowa Industrial New Jobs Training Program	-	6,861,240	-
Increase in plant investment due to plant expenditures, including \$4,131,025 in current fund expenditures	-	-	-
Increase in plant investment due to retirement of debt	-	-	-
Miscellaneous	2,008,311	3,831,006	31,504
	<u>88,278,504</u>	<u>57,362,803</u>	<u>46,933</u>
Auxiliary enterprises:			
Sales and services	11,475,755	-	-
Interest on investments	22,810	-	-
Miscellaneous	7,011,938	-	-
	<u>18,510,503</u>	<u>-</u>	<u>-</u>
Expenditures:			
Education and support:			
Liberal arts and sciences	24,396,083	658,749	-
Vocational technical	19,720,933	4,067,817	-
Adult education	10,980,529	1,521,841	-
Cooperative services	894,104	5,792,850	-
Administration	4,262,493	5,094,272	-
Student services	6,057,629	70,904	-
Learning resources	1,900,392	681,259	-
Physical plant	7,538,140	-	-
General institution	10,716,080	6,394,704	-
Total education and support	<u>86,466,383</u>	<u>24,282,396</u>	<u>-</u>
Auxiliary enterprises	17,294,831	-	-
Scholarships and grants	-	28,364,453	-
Loan cancellations and bad debts, net of recoveries	-	-	(41,813)
Administrative and collection costs	-	-	52,322
Plant asset acquisitions	-	-	-
Retirement of indebtedness	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	989,338	1,179,511	-
Contributions and rent to component units	-	-	-
(Gain) on sale of capital assets	-	-	-
Depreciation	-	-	-
Total expenditures	<u>104,750,552</u>	<u>53,826,360</u>	<u>10,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,038,455</u>	<u>3,536,443</u>	<u>36,424</u>
Transfers:			
Mandatory transfers	-	-	-
Nonmandatory transfers	(1,516,733)	214,081	-
	<u>(1,516,733)</u>	<u>214,081</u>	<u>-</u>
Change in net position	<u>521,722</u>	<u>3,750,524</u>	<u>36,424</u>
Net position:			
Beginning, as restated	6,882,496	2,203,913	562,229
Ending	<u>\$ 7,404,218</u>	<u>\$ 5,954,437</u>	<u>\$ 598,653</u>

See Note to Other Supplementary Information.

Plant Funds				Restricted Other Postemployment Benefits		Total
Unexpended	Retirement of Indebtedness	Investment in Plant	Adjustments	Subtotal		
\$ 804,525	\$ -	\$ -	\$ -	\$ 33,265,140	\$ -	\$ 33,265,140
-	-	-	(28,364,453)	24,433,348	-	24,433,348
3,966,162	4,223,204	-	-	21,439,409	-	21,439,409
-	-	-	-	32,202,315	-	32,202,315
117	-	-	-	2,212,006	-	2,212,006
81,420	-	-	-	99,507	-	99,507
-	-	-	-	15,429	-	15,429
-	-	-	-	6,861,240	-	6,861,240
-	-	30,117,678	(30,117,678)	-	-	-
-	-	18,851,902	(18,851,902)	-	-	-
3,115,486	-	-	-	8,986,307	-	8,986,307
7,967,710	4,223,204	48,969,580	(77,334,033)	129,514,701	-	129,514,701
-	-	-	-	11,475,755	-	11,475,755
-	-	-	-	22,810	-	22,810
-	-	-	-	7,011,938	-	7,011,938
-	-	-	-	18,510,503	-	18,510,503
-	-	-	(747,768)	24,307,064	426,056	24,733,120
-	-	-	(416,354)	23,372,396	362,461	23,734,857
-	-	-	(33,902)	12,468,468	159,808	12,628,276
-	-	-	(161,623)	6,525,331	21,553	6,546,884
-	-	-	(229,690)	9,127,075	224,249	9,351,324
-	-	-	(72,058)	6,056,475	130,262	6,186,737
-	-	-	(285,827)	2,295,824	48,320	2,344,144
2,356,225	-	-	(555,751)	9,338,614	92,065	9,430,679
-	-	-	(3,278,586)	13,832,198	257,593	14,089,791
2,356,225	-	-	(5,781,559)	107,323,445	1,722,367	109,045,812
-	-	-	-	17,294,831	-	17,294,831
-	-	-	(28,364,453)	-	-	-
-	-	-	-	(41,813)	-	(41,813)
-	-	-	-	52,322	-	52,322
25,986,653	-	-	(25,986,653)	-	-	-
-	18,851,902	-	(18,851,902)	-	-	-
-	-	130,820	(130,820)	-	-	-
-	901,759	-	-	3,070,608	-	3,070,608
-	-	-	1,781,354	1,781,354	-	1,781,354
-	-	(269,180)	-	(269,180)	-	(269,180)
-	-	-	8,587,618	8,587,618	-	8,587,618
28,342,878	19,753,661	(138,360)	(68,746,415)	137,799,185	1,722,367	139,521,552
(20,375,168)	(15,530,457)	49,107,940	(8,587,618)	10,226,019	(1,722,367)	8,503,652
(15,530,457)	15,530,457	-	-	-	-	-
1,135,998	-	-	-	(166,654)	-	(166,654)
(14,394,459)	15,530,457	-	-	(166,654)	-	(166,654)
(34,769,627)	-	49,107,940	(8,587,618)	10,059,365	(1,722,367)	8,336,998
(89,483,974)	-	275,921,739	(81,097,612)	114,988,791	(6,052,300)	108,936,491
\$ (124,253,601)	\$ -	\$ 325,029,679	\$ (89,685,230)	\$ 125,048,156	\$ (7,774,667)	\$ 117,273,489

Kirkwood Community College

**Schedule of Revenues, Expenditures and Changes in Net Position
Unrestricted Current Funds, Education and Support
Year Ended June 30, 2013**

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
Revenues:				
State appropriations	\$ 11,504,825	\$ 10,725,010	\$ 5,305,682	\$ -
Tuition and fees	26,725,462	14,966,356	9,550,194	1,484,095
Property tax	-	-	-	-
Federal appropriations	-	-	-	-
Sales and services	134,640	94,177	466,207	62
Interest on investments	-	-	-	-
Miscellaneous	39,198	179,666	35,311	2,817
	<u>38,404,125</u>	<u>25,965,209</u>	<u>15,357,394</u>	<u>1,486,974</u>
Allocation of support services	3,053,964	2,727,948	1,282,890	-
Total revenues	<u>41,458,089</u>	<u>28,693,157</u>	<u>16,640,284</u>	<u>1,486,974</u>
Expenditures:				
Salaries and benefits	23,745,189	18,003,637	7,292,481	599,666
Services	244,083	408,598	1,983,346	110,761
Materials and supplies	208,833	615,803	1,306,539	135,488
Travel	194,556	229,938	138,059	23,579
Plant asset acquisitions	-	21,267	122,011	-
Cost of goods sold	-	113,364	-	-
Miscellaneous	3,422	328,326	138,093	24,610
	<u>24,396,083</u>	<u>19,720,933</u>	<u>10,980,529</u>	<u>894,104</u>
Allocation of support services	13,173,581	11,767,278	5,533,876	-
Total expenditures	<u>37,569,664</u>	<u>31,488,211</u>	<u>16,514,405</u>	<u>894,104</u>
Excess (deficiency) of revenues over (under) expenditures	3,888,425	(2,795,054)	125,879	592,870
Transfers, nonmandatory transfers	-	-	-	-
Change in net position	<u>\$ 3,888,425</u>	<u>\$ (2,795,054)</u>	<u>\$ 125,879</u>	<u>\$ 592,870</u>

Net position:

Beginning

Ending

See Note to Other Supplementary Information.

		Support			Education and Support	
General Administration	Student Services	Learning Resources	Physical Plant	General Institution	Total	
\$ 33,051	\$ -	\$ -	\$ -	\$ -	\$	27,568,568
-	59,055	-	-	(20)		52,785,142
3,969,960	-	-	-	-		3,969,960
342,293	426,650	-	-	-		768,943
1,600	395,799	2,731	28,987	52,159		1,176,362
1,218	-	-	-	-		1,218
1,285,438	11,596	2,652	439,821	11,812		2,008,311
5,633,560	893,100	5,383	468,808	63,951		88,278,504
(5,633,560)	(893,100)	(5,383)	(468,808)	(63,951)		-
-	-	-	-	-		88,278,504
1,836,879	5,023,481	1,626,874	3,467,272	6,550,337		68,145,816
1,920,625	550,183	51,665	3,245,553	2,982,879		11,497,693
51,085	257,803	213,226	552,416	568,284		3,909,477
125,441	103,786	8,627	7,484	101,387		932,857
-	49,119	-	233,076	342,404		767,877
-	-	-	-	-		113,364
328,463	73,257	-	32,339	170,789		1,099,299
4,262,493	6,057,629	1,900,392	7,538,140	10,716,080		86,466,383
(4,262,493)	(6,057,629)	(1,900,392)	(7,538,140)	(10,716,080)		-
-	-	-	-	-		86,466,383
-	-	-	-	-		1,812,121
(1,218,238)	100,000	-	-	-		(1,118,238)
\$ (1,218,238)	\$ 100,000	\$ -	\$ -	\$ -		693,883

9,094,836
\$ 9,788,719

Kirkwood Community College

**Schedule of Revenues, Expenditures and Changes in Net Position
Unrestricted Current Funds, Auxiliary Enterprises
Year Ended June 30, 2013**

	Farm Lab	Retail Operations	Other Vocational	Equestrian Center
Revenues:				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Federal appropriations	-	-	-	-
Sales and services	474,463	9,342,536	492,699	319,534
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	474,463	9,342,536	492,699	319,534
Expenditures:				
Salaries and benefits	74,365	1,044,310	-	225,504
Services	130,979	172,853	26,900	18,199
Materials and supplies	287,963	116,317	67,942	24,974
Travel	680	27,950	5,367	76
Plant acquisitions	-	29,114	-	-
Interest on indebtedness	-	-	-	-
Cost of goods sold	(40,852)	6,767,666	111,792	58,212
Miscellaneous	-	48,328	295,554	1,263
Total expenditures	453,135	8,206,538	507,555	328,228
Excess (deficiency) of revenues over (under) expenditures	21,328	1,135,998	(14,856)	(8,694)
Transfers, nonmandatory transfers	-	(1,135,998)	92,729	-
Change in net position	21,328	-	77,873	(8,694)
Net position:				
Beginning	(201,576)	(40,007)	(121,974)	111,301
Ending	\$ (180,248)	\$ (40,007)	\$ (44,101)	\$ 102,607

See Note to Other Supplementary Information.

Workplace Development	The Hotel at Kirkwood Center	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -
-	-	-	-
715,264	10,459	120,800	11,475,755
224	22,586	-	22,810
-	6,812,674	199,264	7,011,938
<u>715,488</u>	<u>6,845,719</u>	<u>320,064</u>	<u>18,510,503</u>
514,278	3,032,780	433,003	5,324,240
172,454	37,928	325,663	884,976
7,397	1,168,995	119,033	1,792,621
22,518	19,359	159,059	235,009
-	159,246	5,450	193,810
-	989,338	-	989,338
-	1,459,947	63,213	8,419,978
-	79,175	19,877	444,197
<u>716,647</u>	<u>6,946,768</u>	<u>1,125,298</u>	<u>18,284,169</u>
(1,159)	(101,049)	(805,234)	226,334
-	-	644,774	(398,495)
(1,159)	(101,049)	(160,460)	(172,161)
-	(1,782,728)	(177,356)	(2,212,340)
<u>\$ (1,159)</u>	<u>\$ (1,883,777)</u>	<u>\$ (337,816)</u>	<u>\$ (2,384,501)</u>

Kirkwood Community College

**Schedule of Revenues, Expenditures and Changes in Net Position
Restricted Funds
Year Ended June 30, 2013**

	Scholarships and Grants	Iowa Industrial New Jobs Training Program	Workforce Investment Act	Heritage Agency on Aging	Other Federal
Revenues:					
State appropriations	\$ 1,340,398	\$ -	\$ -	\$ 810,904	\$ -
Tuition and fees	-	-	-	-	-
Property tax	-	-	-	-	-
Federal appropriations	24,288,184	-	1,594,104	2,840,452	2,710,632
Sales and services	-	-	-	969,448	-
Interest on investments	-	16,621	-	(110)	-
Iowa Industrial New Jobs Training Program	-	6,861,240	-	-	-
Miscellaneous	2,799,998	-	-	23,938	-
Total revenues	28,428,580	6,877,861	1,594,104	4,644,632	2,710,632
Expenditures:					
Salaries and benefits	-	-	809,266	1,155,486	1,424,990
Services	-	5,210,316	447,089	3,349,253	659,952
Materials and supplies	-	272,316	187,201	28,305	66,462
Travel	-	112,217	17,729	42,447	71,028
Plant asset acquisitions	-	-	-	-	21,889
Interest on indebtedness	-	1,179,511	-	-	-
Miscellaneous	-	86,871	81,092	638	469,686
Federal Pell grant program	23,634,954	-	-	-	-
Federal supplemental educational opportunity grant	508,923	-	-	-	-
Iowa College Student Aid Commission	1,420,828	-	-	-	-
Other federal grants	750	-	-	-	-
Private scholarships	2,798,998	-	-	-	-
Total expenditures	28,364,453	6,861,231	1,542,377	4,576,129	2,714,007
Excess (deficiency) of revenues over (under) expenditures	64,127	16,630	51,727	68,503	(3,375)
Transfers, nonmandatory transfers	-	-	-	(68,918)	-
Change in net position	64,127	16,630	51,727	(415)	(3,375)
Net position:					
Beginning, as restated	(89,086)	523,115	(164,949)	(105,293)	(130,194)
Ending	\$ (24,959)	\$ 539,745	\$ (113,222)	\$ (105,708)	\$ (133,569)

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
\$ 2,740,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,892,047	\$ -	\$ 4,892,047
-	-	-	-	-	-	12,659	12,659	-	12,659
-	1,770,623	1,849,300	5,385,413	274,747	-	-	9,280,083	-	9,280,083
-	-	-	-	-	-	-	31,433,372	-	31,433,372
60,265	-	-	-	-	-	5,814	1,035,527	-	1,035,527
-	-	-	358	-	-	-	16,869	-	16,869
-	-	-	-	-	-	-	6,861,240	-	6,861,240
30,538	-	157,253	-	-	-	819,279	3,831,006	-	3,831,006
2,831,548	1,770,623	2,006,553	5,385,771	274,747	-	837,752	57,362,803	-	57,362,803
1,138,231	-	-	1,642,092	123,765	-	523,413	6,817,243	1,722,367	8,539,610
893,806	-	3,328,415	-	-	-	128,491	14,017,322	-	14,017,322
167,470	1,110,104	-	-	-	-	25,119	1,856,977	-	1,856,977
37,839	105	-	-	-	-	8,880	290,245	-	290,245
129,039	362,170	-	-	-	-	-	513,098	-	513,098
-	-	-	-	-	-	-	1,179,511	-	1,179,511
147,438	-	-	-	-	-	1,786	787,511	-	787,511
-	-	-	-	-	-	-	23,634,954	-	23,634,954
-	-	-	-	-	-	-	508,923	-	508,923
-	-	-	-	-	-	-	1,420,828	-	1,420,828
-	-	-	-	-	-	-	750	-	750
-	-	-	-	-	-	-	2,798,998	-	2,798,998
2,513,823	1,472,379	3,328,415	1,642,092	123,765	-	687,689	53,826,360	1,722,367	55,548,727
317,725	298,244	(1,321,862)	3,743,679	150,982	-	150,063	3,536,443	(1,722,367)	1,814,076
(1)	-	-	-	-	-	283,000	214,081	-	214,081
317,724	298,244	(1,321,862)	3,743,679	150,982	-	433,063	3,750,524	(1,722,367)	2,028,157
428,092	900,466	(1,944,816)	2,150,200	(130,048)	621,989	144,437	2,203,913	(6,052,300)	(3,848,387)
\$ 745,816	\$ 1,198,710	\$ (3,266,678)	\$ 5,893,879	\$ 20,934	\$ 621,989	\$ 577,500	\$ 5,954,437	\$ (7,774,667)	\$ (1,820,230)

Kirkwood Community College

**Schedule of Changes in Deposits Held in Custody for Others
Agency Funds
Year Ended June 30, 2013**

	Student Activities	Other Agency Programs
Balances, beginning of year	\$ 237,425	\$ 571,346
Additions:		
State appropriations	-	-
Federal appropriations	-	35,607
Sales and services	43,989	109,719
Interest on investments	-	-
Partnership loan program	-	677,210
Miscellaneous	206,737	36,064
Transfers	228,255	(51,525)
Total additions	478,981	807,075
Deductions:		
Salaries and benefits	1,561	-
Services	93,715	779,287
Materials and supplies	171,972	88,188
Travel	134,874	3,658
Living allowances	-	-
Miscellaneous	54,150	(27,035)
Total deductions	456,272	844,098
Balance, end of year	\$ 260,134	\$ 534,323

See Note to Other Supplementary Information.

Retraining Program	Direct Loan Program	Community Colleges for International Development, Inc.	Total
\$ 549,025	\$ -	\$ 289,197	\$ 1,646,993
211,530	-	-	211,530
-	48,148,036	4,509,972	52,693,615
-	-	616,525	770,233
-	-	-	-
-	-	-	677,210
-	-	497,973	740,774
-	-	(10,076)	166,654
211,530	48,148,036	5,614,394	55,260,016
-	-	940,505	942,066
572,362	48,148,036	2,849,499	52,442,899
-	-	47,273	307,433
-	-	1,221,403	1,359,935
-	-	799,843	799,843
-	-	83,326	110,441
572,362	48,148,036	5,941,849	55,962,617
\$ 188,193	\$ -	\$ (38,258)	\$ 944,392

Kirkwood Community College

Note to Other Supplementary Information

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

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

Unrestricted Fund – The 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, 2013

	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Category:						
Arts and sciences	195,513	-	195,513	3,352,385	-	3,352,385
Vocational education	150,043	-	150,043	2,994,512	-	2,994,512
Adult education/continuing education	-	-	-	1,060,602	347,647 *	1,408,249
	<u>345,556</u>	<u>-</u>	<u>345,556</u>	<u>7,407,499</u>	<u>347,647</u>	<u>7,755,146</u>

*Includes 240 hour adjustment of 4,260 hours and 300 hour adjustment of 1,460 hours, respectively.

Kirkwood Community College

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

	2013	2012	2011
Local (property tax)	\$ 21,439,409	\$ 19,165,569	\$ 16,948,563
State	33,265,140	30,167,245	29,935,435
Federal	32,202,315	37,141,478	38,439,167
Total	\$ 86,906,864	\$ 86,474,292	\$ 85,323,165

2010	2009	2008	2007	2006	2005
\$ 14,656,336	\$ 14,213,443	\$ 13,676,607	\$ 13,660,902	\$ 2,568,795	\$ 9,680,332
28,816,574	35,217,723	32,273,982	27,490,516	25,915,880	22,463,115
42,885,130	27,653,493	22,529,611	22,305,003	22,116,516	23,118,975
<u>\$ 86,358,040</u>	<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>

Kirkwood Community College

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

	2013	2012	2011
Revenues:			
State appropriations	\$ 32,460,615	\$ 29,628,398	\$ 29,401,047
Tuition and fees	52,797,801	53,874,766	52,501,781
Property tax	13,250,043	11,307,606	9,732,022
Federal appropriations	32,202,315	37,141,478	38,439,167
Sales and services	2,211,889	2,343,769	2,066,391
Interest on investments	18,087	313,208	133,262
Iowa Industrial New Jobs Training Program	6,861,240	5,382,812	5,342,554
Auxiliary enterprises	18,510,503	17,583,512	17,201,557
Miscellaneous	5,839,317	4,474,374	7,248,846
	<u>\$ 164,151,810</u>	<u>\$ 162,049,923</u>	<u>\$ 162,066,627</u>
Expenditures:			
Liberal arts and sciences	\$ 25,054,832	\$ 25,451,646	\$ 25,287,854
Vocational technical	23,788,750	22,986,533	27,726,823
Adult education	12,502,370	11,625,712	11,458,772
Cooperative services	6,686,954	4,943,222	5,251,854
Administration	9,356,765	10,446,607	7,886,751
Student services	6,128,533	6,428,849	5,338,610
Learning resources	2,581,651	2,652,484	3,135,268
Physical plant	7,538,140	9,015,356	11,889,788
General institution	17,110,784	16,521,865	13,251,962
Auxiliary enterprises	17,294,831	16,159,803	17,419,860
Scholarships and grants	28,364,453	30,565,374	31,657,078
Interest on indebtedness	2,168,849	2,295,857	1,326,639
	<u>\$ 158,576,912</u>	<u>\$ 159,093,308</u>	<u>\$ 161,631,259</u>

	2010	2009	2008	2007	2006	2005
\$	28,083,242	\$ 33,384,393	\$ 31,981,435	\$ 27,205,433	\$ 25,638,680	\$ 22,463,115
	46,375,772	39,940,159	40,554,897	38,403,435	36,752,189	35,721,127
	8,225,119	7,921,323	7,447,646	7,424,645	6,583,697	6,748,392
	42,885,130	27,653,493	22,529,611	22,282,011	22,090,755	23,091,673
	1,752,758	2,191,639	2,197,490	2,223,437	1,873,393	1,637,166
	152,887	728,126	1,542,557	836,125	919,371	225,142
	5,557,046	8,904,244	7,090,463	6,730,448	3,862,336	3,769,596
	14,655,595	12,326,871	14,255,095	10,610,667	10,881,211	10,795,368
	7,443,116	6,066,590	12,563,084	4,276,507	3,761,062	4,433,201
\$	<u>155,130,665</u>	<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>

\$	23,212,694	\$ 21,883,425	\$ 20,182,685	\$ 19,474,466	\$ 17,946,972	\$ 16,473,191
	24,480,610	22,569,627	21,916,227	20,987,006	19,832,467	17,749,248
	12,225,309	12,564,230	12,754,415	12,083,618	11,505,437	11,021,620
	6,367,030	7,648,550	7,692,088	6,510,936	3,675,755	3,036,589
	8,746,375	7,373,832	6,449,287	5,959,842	5,568,530	5,799,867
	4,923,975	5,049,306	4,843,325	4,452,042	4,426,463	3,951,657
	3,591,600	3,716,761	2,819,282	3,009,443	3,311,387	2,784,817
	9,732,519	9,673,772	9,554,947	8,339,637	7,091,729	7,410,386
	16,299,666	15,243,432	12,734,901	11,148,919	10,507,101	10,476,619
	14,151,261	11,817,598	10,486,620	10,176,203	9,983,281	10,086,115
	27,603,927	17,021,516	15,413,906	13,670,260	13,068,240	14,141,826
	1,434,493	1,452,386	1,307,554	1,238,043	1,321,131	1,472,513
\$	<u>152,769,459</u>	<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>

Kirkwood Community College

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Indirect through Iowa Workforce Development: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0447-309-PFFB-2495-BLNK	\$ 8,641
U.S. Department of Housing and Urban Development:			
Indirect through Linn County: Community Development Block Grants/ Entitlement Grants	14.218	None	5,979
U.S. Department of Interior:			
Indirect through Iowa Department of Natural Resources: Sport Fish Restoration Program	15.605	None	4,020
U.S. Department of Labor:			
Indirect through Office of the Assistant Secretary for Veterans Employment and Training: Local Veterans' Employment Representative Program	17.804	None	10,744
Indirect through Iowa Workforce Development: Workforce Investment Act (WIA) cluster:			
Adult Program	17.258	7-W-10-FR-0	240,775
Youth Activities	17.259	7-W-10-FR-0	426,204
Dislocated Workers	17.278	7-W-10-FR-0	408,156
Total Workforce Investment Act Cluster			<u>1,075,135</u>
Indirect through Office of the Assistant Secretary for Veterans Employment and Training (continued): Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	11-I-PF-EG-0-08	116,431
Indirect through Des Moines Area Community College Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	N/A	235,106
Total U.S. Department of Labor			<u>1,437,416</u>
U.S. Department of State:			
Direct:			
Community College Summit Initiative Program	19.000	N/A	68,628
Academic Exchange Programs - Undergraduate Programs - Community College Summit Initiative Program	19.009	N/A	4,567,203
Total Community College Summit Initiative Program			<u>4,635,831</u>
Academic Exchange Programs - Teachers - Investing in People in The Middle East and North Africa	19.021	N/A	76,560
Community College Summit Initiative Program	19.408	N/A	426,906
Total U.S. Department of State			<u>\$ 5,139,297</u>

(Continued)

Kirkwood Community College

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
National Science Foundation:			
Direct:			
Education and Human Resources	47.076	N/A	\$ 110,082
U.S. Small Business Administration:			
Indirect through Iowa State University:			
Small Business Development Center	59.037	None	68,318
U.S. Department of Education			
Direct:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	508,923
Federal Work-Study Program (including \$42,165 administrative cost allowance)	84.033	N/A	431,889
Perkins Loan Cancellations	84.037	N/A	6,360
Federal Pell Grant Program	84.063	N/A	23,634,954
Federal Direct Student Loans	84.268	N/A	48,148,036
Total Student Financial Assistance Cluster			72,730,162
TRIO - Student Support Services	84.042	N/A	275,462
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325N	N/A	119,830
Indirect through Iowa Department of Education:			
Adult Education, Basic Grants to States	84.002	G20021,36,51,66,81	311,187
Career and Technical - Basic Grants to States	84.048	57-9910	708,086
Indirect through Iowa Department of Corrections:			
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	None	34,709
Indirect through University of Northern Iowa:			
Fund for the Improvement of Postsecondary Education	84.116	S5457B	15,608
Total U.S. Department of Education			74,195,044
U.S. Department of Health and Human Services:			
Indirect through Iowa Department of Elder Affairs:			
Special Programs for the Aging-Title VII Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation			
	93.041	5285	470
Disease Prevention and Health Promotion Services	93.043	3265	7,984
Special Programs for the Aging Cluster:			
Title III Part B - Grants for Supportive Services and Senior Centers	93.044	3245	435,881
Title III Part C - Nutrition Services	93.045	3450 & 3455	691,793
Nutrition Services Incentive Program	93.053	3475	321,787
Total Aging Cluster			\$ 1,449,461

(Continued)

Kirkwood Community College

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services (continued):			
Indirect through Iowa Department of Elder Affairs (continued):			
National Family Caregiver Support Title III, Part E	93.052	3263	\$ 181,942
Medical Assistance Program	93.778	N/A	292,264
Special Program for the Aging - Title IV and Title II - Discretionary Projects	93.048	5197	121,982
Affordable Care Act -Aging and Disability Resource Center	93.517	5197	73,648
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	5196	19,484
Indirect through Iowa Workforce Development:			
Temporary Assistance for Needy Families	93.558	9-W-10-FN-0	135,133
Indirect through Cuyahoga Community College:			
Health Information Technology Professionals in Health Care	93.721	90CC0079KCC52406	<u>5,717</u>
Total U.S. Department of Health and Human Services			<u><u>2,288,085</u></u>
U.S. Agency for International Development:			
Indirect through Georgetown University:			
Scholarships for Education and Economic Development (SEED)	98.001	KCC-RX2050-705-12-G	665,723
Total federal awards expended			<u><u>\$ 83,922,605</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

Kirkwood Community College

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

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, 2013, Kirkwood Community College has Perkins Loan Program receivables of \$1,253,762. No loans were made during the year ended June 30, 2013.

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	\$ 69,581
Community College Summit Initiative Program - Academic Exchange Program - Undergrad	19.009	3,984,059
Community College Summit Initiative Program - Academic Exchange Program - Teachers	19.408	426,906
Special Programs for the Aging Cluster:		
Title III Part B - Grants for Supportive Services and Senior Centers	93.044	122,499
Title III Part C - Nutrition Services	93.045	691,793
Nutrition Services Incentive Program	93.053	321,787
National Family Caregiver Support	93.052	126,157

Kirkwood Community College

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013**

Comment Number	Comment	Corrective Action Taken
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		
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.	Condition still exists. See 2013-001.
12-II-B	The College has inadequate segregation of duties over the payroll transaction cycle.	Condition still exists. See 2013-002.
12-II-C	The College has inadequate controls over journal entry posting.	Condition still exists. See 2013-003.
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.	Partially corrected. See 2013-001.
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.	Partially corrected. See 2013-004.
12-II-F	The College performed a chart of accounts conversion during the year that was not properly tested or implemented.	Fully corrected.

Findings and Questioned Costs for Federal Awards:

Significant Deficiencies 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.	Fully corrected.
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.	Fully corrected.

Kirkwood Community College

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013**

Comment Number	Comment	Corrective Action Taken
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.	Fully corrected.
12-III-D	General non-compliance with Perkins Loan due diligence requirements.	Condition still exists. See 2013-006.
12-III-E	The College did not verify the vendors used for this project were not suspended or debarred.	Fully corrected.

Compliance Findings

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.	Corrected.
12-III-G	The College did not properly document when exit counseling material was provided to students.	Corrected
12-III-H	Incorrect withdrawal dates were reported to the National Student Loan Data System (NSLDS) and one student was not properly reported.	Condition still exists. See 2013-007.
12-III-I	The incorrect amount of disbursed loans and institutional charges was used in a Title IV refund calculation.	Condition still exists. See 2013-008.
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.	Corrected.
12-III-K	A student was under awarded Pell Grant.	Corrected.
12-III-L	Credit balances on students' accounts were not refunded within the required fourteen days.	Corrected.
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.	Condition still exists. See 2013-009.

Kirkwood Community College

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013**

Comment Number	Comment	Corrective Action Taken
12-III-N	The College did not report the proper loan status of Perkins students.	Corrected.
12-III-O	General non-compliance with Perkins Loan due diligence requirements. See 12-III-D above.	Condition still exists. See 2013-011.
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.	Corrected.
12-III-Q	The College did not submit weekly certified payrolls by the deadline.	Corrected.
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.	Corrected.
12-III-S	The College reported incorrect amounts on a monthly report, quarterly report, and the final report.	Corrected.
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.	Corrected.

Other Findings Related to Required Statutory Reporting:

IV-A-12	Expenditures exceeded amounts budgeted in total.	Corrected.
IV-G-12A	The public hearings were published more than 20 days before the date of the hearing.	Condition still exists. See IV-A-13.
IV-G-12B	The Certified Annual report improperly excluded \$1,503,077 of revenue.	Condition still exists. See IV-A-13.
IV-I-12	Errors in contact hour report.	Condition still exists. See IV-B-13.



**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**

Independent Auditor's Report

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

We have audited, in accordance with the 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 financial statements of Kirkwood Community College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Kirkwood Community College's basic financial statements, and have issued our report thereon dated November 15, 2013.

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kirkwood Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kirkwood Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Kirkwood Community College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-001 through 2013-005 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kirkwood Community College's financial statements are free from 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.

Kirkwood Community College's Response to Findings

Kirkwood Community College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Kirkwood Community College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Davenport, Iowa
November 15, 2013



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Kirkwood Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Kirkwood Community College's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kirkwood Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Kirkwood Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Kirkwood Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-007 through 2013-0014. Our opinion on each major federal program is not modified with respect to these matters

Kirkwood Community College's responses to the noncompliance findings identified in our audit are described in the schedule of findings and questioned costs. Kirkwood Community College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Kirkwood Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kirkwood Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-006 that we consider to be a significant deficiency.

Kirkwood Community College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questions costs. Kirkwood Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Davenport, Iowa
November 15, 2013

Kirkwood Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

- ◆ 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
	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
98.001	Scholarships for Education and Economic Development (SEED)
19.408	Academic Exchange Programs – Teachers Community College Summit Initiative Program

Dollar threshold used to distinguish between type A and type B programs \$335,700

- Auditee qualified as low-risk auditee? Yes No

Kirkwood Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

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

(A) Significant Deficiencies in Internal Control

2013-001

Finding: Some capital asset additions were not properly identified and also were not reconciled throughout the year.

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 properly identified. Adjustments were required to correct the additional capital assets identified, remove capital assets capitalized in error and properly record retainage from construction in process of \$1.3 million.

Criteria: A good system of financial reporting includes appropriate policies and procedures to 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 capital assets were recorded properly.

Effect: Significant misstatement of the financial statements could 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: During the year, the college made personnel changes to finance staff responsible for capital asset accounting. Significant improvements were made during the year and the accounting team will continue to enhance the monthly close procedures to include a reconciliation of fixed asset related activity. This will include a centralized review of fixed assets and construction projects by the Executive Director of Finance. Additional training will also be provided to the staff accountant responsible for fixed assets to ensure comprehensive understanding of all components of the fixed asset system and transactions.

Kirkwood Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

2013-002

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

Condition: Payroll manager 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 hired an HR specialist to be able to do some of the processes and it was also determined this individual has too much system access to allow for proper segregation of duties for her position and did not mitigate the segregation of duties over the payroll manager. Further payroll change reports are still not being 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 including creating a fictitious employee that may not be identified timely.

Recommendation: The College should develop policies and procedures to strengthen internal controls by realigning or reassigning duties where practical and modifying IT access rights. An independent individual should also review payroll change reports including changes to direct deposit accounts to verify that all payroll changes are authorized. IT should make creating the payroll change reports a top priority as this is a key mitigating control.

Response and corrective action plan: As part of addressing overall IT system access rights (see 2013-005), access within the payroll system will also be reviewed and changes implemented where appropriate. Additionally, HR personnel will continue to work with IT to develop payroll change reports. These reports may be reviewed by finance department personnel to ensure adequate segregation of duties in the process. In addition, the administrative services group will evaluate its organizational structure to determine if any changes could be made to facilitate additional segregation of duty concerns.

2013-003

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

Condition: Several individuals throughout Business Services Department have access to post journal entries. During the year, the College has attempted to implement some changes but not all journal entries were approved on an individual basis with a review of the supporting documentation prior to posting. At the end of the month, the Accounting Manager reviews and approves a month-end report of journal entries; however she also has rights to enter journal entries into the system. The Executive Director of Finance then approves the journal entries posted by the Accounting Manager.

Kirkwood Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

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 and limit the number of individuals that have abilities to post journal entries.

Response and corrective action plan: Mid-year FY13 access to posting journal entries was limited to 4 positions within Finance, with one staff serving as backup. Additionally, 1 HAAA staff member has been granted access to assist with year-end processing and reconciliation of Heritage activity only. Neither the Accounting Manager nor Executive Director of Finance is posting journal entries. As part of the monthly close process, Finance has continued to work with IT to utilize built in capability of the Datatel system to automate the journal entry approval process. 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. Finance will continue to work with IT in FY14 to accomplish automation of journal entry approval.

2013-004

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

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. Although some segregation of duties have been addressed starting January 2013, they have not been implemented for the entire year and not all areas were mitigated.

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.

Kirkwood Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Effect: Misappropriation of assets could occur and material undetected errors and misstatement of the financial statements could occur.

Recommendation: The College should look for ways to strengthen internal controls by realigning or reassigning duties where practical. Appropriate individuals, who are independent of the NJTP process, should collect and process payments, review and approve reimbursable expenses and post journal entries.

Response and corrective action plan: In January 2013, staffing was realigned to provide increased efforts not only from a day-to-day standpoint, but also from an internal control standpoint. In addition, enhanced review and approval procedures were implemented. With the complexity of this program, the College feels the current assignments of staff are appropriate.

2013-005

Finding: The College has several employees with improper IT system access rights to various create, edit, inquiry and report functions within the accounting system. The College also has several employees that have improper administrative access, which grants access to the entire accounting system. Of significant concern, is that the College has inadequate segregation of duties over the accounts payable transaction cycle.

Condition: The College has numerous employees in the accounting department that have access to create, edit, inquiry and report functions within the accounting system including the financial module, human resource module, and student services module that do not align with their job duties. The College has several employees that have improper administrative access, which grants access to the entire accounting system. One individual has administrative access to the financial module and all aspects of the accounts payable transaction cycle within Datatel including adding/changing vendors and invoices and printing checks. Further, this individual also has access to blank check stock and reviewing check disbursements.

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: Improper access to various edit screens, inquiry screens, report functions, and administrative access within the accounting system that do not align with employees' job duties. Systematic over the entire accounting system.

Cause: Security access of employees conflicts with proper segregation of duties.

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

Recommendation: The College should review and implement changes to employees' access to the accounting system so their access level properly aligns with each employee's job duties, specifically in the financial, human resource, and student services modules. Further, the College should review access rights periodically, to ensure when hiring or when internal employees change jobs or duties, their access is changed according to their current position and duties.

Kirkwood Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Response and corrective action plan: Technology Service will be evaluating access rights to Colleague by Financial Accounting, Human Resources and all other resources that have access to the identified areas in the finding. Historically access rights for specific Colleague modules have been determined by the Functional Owner, IT then carries out the provisioning of rights. This model is beginning to shift to be a Technology Services responsibility. Technology Services will use standard project practices to remedy the finding. The first phase will be to have a project kickoff so that all stakeholders understand the project scope and requirements. The project will then go through development, which will include a review of all access to the Human Resources and Financial Accounting Colleague modules. Colleague and how resources are assigned access will then be modified to meet the needs for access control. Once the access has been assigned testing will occur to ensure that the proper access is limited but does not interfere with a resources ability to complete their core job responsibilities. Any deviation from the access scope of the project will be documented and verified with the audit team. The project will also include updating the policy, procedures and any decision documentation on user access controls. The timeline for this process will be to start in November with gathering requirements from McGladrey and the Finance team. The preliminary schedule has the effort lasting through the end of February. There is a second effort that has started up to evaluate all access controls to software throughout Kirkwood. This team will be implementing a bi-annual review of access control points, the access controls addressed in this finding will be included in the review. The review will be used to identify any access that need to be rectified.

(B) Compliance Finding

No matters reported.

Kirkwood Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

III. Findings and Questioned Costs for Federal Awards

(A) Significant Deficiency in Internal Control

2013-006

**U.S. Department of Education
Student Financial Assistance Programs Cluster
Federal Perkins Loan Program (CFDA 84.038)
Federal Award Year: 2012-2013**

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

Condition: Personnel responsible for the oversight of Perkins Loan due diligence have not had adequate training in order to perform effective oversight of the Perkins Loan program. Further, there is not a clear understanding of the roles of the College vs. the roles of the service organization used by the College. The lack of effective oversight caused student enrollment status and Perkins Loan status changes to go undetected. Further, the College did not maintain proper contact with defaulted borrowers that were no longer placed with collection agencies.

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, updating enrollment status of borrower, and making annual collection attempts with the borrower until the loan is collected, assigned to the United States, or written off.

Context: All Perkins due diligence activities.

Cause: The College did not provide adequate training and support to personnel in order to comply with Perkins requirements and the College does not understand its responsibilities related to due diligence procedures.

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.

Recommendation: The College should provide adequate training for the individual responsible for Perkins or hire someone with appropriate experience in order to effectively manage Perkins loans. We also recommend the Perkins department works with the Enrollment Office and its service provider to ensure compliance requirements are being met.

Response and corrective action plan: Kirkwood acknowledges the finding. The finance department will research options for adequate training for the individual(s) responsible for Perkins loan administration. Further, the department will evaluate the current service provider to ensure compliance requirements are being met or explore other options for service providers. Kirkwood does not feel hiring an individual for the sole purpose of monitoring the small pool of Perkins loans to be cost effective for the college. Rather, finance leadership will continue to evaluate overall department staffing levels to determine how these responsibilities may be shared with another position.

Kirkwood Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

(B) Compliance Findings

2013-007

**U.S. Department of Education
Student Financial Assistance Programs Cluster
Federal Direct Loan Program (CFDA 84.268)
Federal Award Year: 2012-2013**

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

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

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: Nineteen of the 76 students tested had incorrect withdrawal dates reported to NSLDS. One of the 14 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 and enrollment 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: In the 2012-13 award year, KCC changed its method of calculating Return to Title IV for unofficial withdrawals, to using the 50% point of the semester rather than the last date of attendance. In doing so, we should have changed our method for reporting the withdrawal date for the student to the National Student Clearinghouse, to use the same date. That change will be made for enrollment reporting for 2013 Fall and forward.

Kirkwood Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

2013-008

**U.S. Department of Education
Student Financial Assistance Programs Cluster
Federal Direct Loan Program (CFDA 84.268)
Federal Award Year: 2012-2013**

Finding: The incorrect amount institutional charges were used in a Title IV refund calculation.

Condition: The College used an incorrect amount of institutional charges due to using charges based on the student's enrollment prior to dropping a course that preceded the withdrawal and the College should have used the adjusted charges in the calculation.

Criteria: 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 (\$119 too much was returned in subsidized loan funds).

Prevalence: One of the 76 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: Correct inputs should be used in the return of Title IV funds calculations.

Response and corrective action plan: Return to Title IV calculations will be reviewed after calculations are completed. Enrollment Services will work with IT to determine ways to query for possible errors.

2013-009

**U.S. Department of Education
Student Financial Assistance Programs Cluster
Federal Perkins Loan Program (CFDA 84.038)
Federal Award Year: 2012-2013**

Finding: Borrower enrollment status was not properly updated and exit materials were not provided to the borrower.

Condition: One student was reported as enrolled despite withdrawing during the award year.

Kirkwood Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

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.

Questioned Costs: None

Prevalence: One out of forty students tested for Perkins Loan due diligence.

Cause: The College did not perform timely reviews of student enrollment changes. As a result, the College's service provider, University Accounting Service, was not notified of the enrollment change and exit materials were not sent to the borrower.

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.

Recommendation: We recommend that the Perkins department review the status of Perkins borrowers on a more frequent basis in order to more timely determine status changes. We also recommend that the Perkins department improve communications with the Enrollment Office to ensure compliance requirements are being met.

Response and corrective action plan: The finance department will incorporate review of the separation date reports created in current fiscal year into its monthly processes. The process will be performed by the manager of the Perkins administration process and UAS will be notified monthly.

2013-010

**U.S. Department of Education
Student Financial Assistance Programs Cluster
Federal Perkins Loan Program (CFDA 84.038)
Federal Award Year: 2012-2013**

Finding: The College did not maintain proper contact with defaulted borrowers that are no longer placed with a collection agency or borrowers that have declared bankruptcy. Further, the College did not retain a borrower's file that is pending assignment to the Department of Education.

Condition: The College is not making the required annual collection attempts for defaulted or bankrupt borrowers. As the College's service provider (University Accounting Service) does not continue to make collection attempts after defaulted borrowers have completed the collection agency cycle or have declared bankruptcy, the responsibility lies with the College. Further, the College is unable to locate the borrower file for an account that is pending assignment. As the account has not been assigned, the College is responsible to maintain the file.

Kirkwood Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Criteria: Per 34 CFR 674.45 (d), if the institution is unable to place the loan in repayment after all collection efforts have been made per 34 CFR 674.45 (c), the institution shall continue to make annual attempts to collect from the borrower until the loan is recovered, it is assigned to the United States, or the account is written off. For those borrowers in bankruptcy, the College must make an annual effort to determine the borrower is still in bankruptcy. Per 34 CFR 674.38, the institution must determine the continued eligibility of a borrower for a deferment at least annually. Further, the College is required to retain the student's file for all outstanding loans. Per 34 CFR 674.19 (e), an institution shall keep the original promissory notes and repayment schedules until the loans are satisfied.

Questioned Costs: None

Prevalence: Seven out of forty students tested for Perkins Loan due diligence were not contacted within the last year. The college was not able to provide the student file for one out of forty students tested.

Cause: The College does not have a procedure in place to ensure that contact is being made with defaulted or bankrupt borrowers. Also, see finding 2013-006 for general noncompliance over the Perkins program.

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.

Recommendation: Personnel in charge of the Perkins loan portfolio should review borrower statuses as reported by University Accounting Service in order to determine those students that are no longer with collection agencies or that are in bankruptcy. For students where collection efforts are required, the College should make annual attempts at collection, such as sending past due letters to those students.

Response and corrective action plan: The finance department will research options for adequate training for the individual(s) responsible for Perkins loan administration. Further, the department will evaluate the current service provider to ensure compliance requirements are being met or explore other options for service providers. Kirkwood does not feel hiring an individual for the sole purpose of monitoring the small pool of Perkins loans to be cost effective for the college. Rather, finance leadership will continue to evaluate overall department staffing levels to determine how these responsibilities may be shared with another position.

2013-011

**U.S. Department of Education
Student Financial Assistance Programs Cluster
Federal Perkins Loan Program (CFDA 84.038)
Federal Award Year: 2012-2013**

Finding: General non-compliance with Perkins Loan due diligence requirements.
See 2013-006 above.

Questioned costs: None

Kirkwood Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

2013-012

**U.S. Department of Education
Student Financial Assistance Programs Cluster
Federal Direct Loan Program (CFDA 84.268)
Federal Award Year: 2012-2013**

Finding: Two students were incorrectly awarded and disbursed unsubsidized Federal Direct Student Loans when the students were eligible for subsidized loans.

Condition: Two students had financial need that was incorrectly met with an unsubsidized Federal Direct Student Loan when the students should have received a subsidized Federal Direct Student Loan.

Criteria: Per 34 CFR 685.200(a) and the 2012-2013 Federal Student Financial Aid Handbook, a School may not originate an unsubsidized Stafford Loan without first determining the student's need for a subsidized Stafford loan.

Questioned Costs: None

Prevalence: Two students out of 41 students tested for Federal Direct Student Loans.

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

Effect: Improper disbursing of federal aid could result in financial sanctions or lack of future funding.

Recommendation: Student awards and disbursements should be reviewed and adjusted accordingly to ensure a student is not under awarded need based aid.

Response and corrective action plan: The two students in the audit sample that had this issue will be corrected in the following ways. In the case of Graber, the incorrect award was adjusted when the external scholarship was added. The awarding of external scholarships has been moved from the foundation office to the financial aid office to provide oversight on this process. The second student was awarded a full time Pell award for the summer term and could have received additional subsidized loan. Enrollment Services has consulted with Ellucian and has implemented a setting in Colleague that will prevent this from happening in the future.

2013-013

**U.S. Department of Education
Student Financial Assistance Programs Cluster
Federal Direct Loan Program (CFDA 84.268)
Federal Award Year: 2012-2013**

Finding: The College used the incorrect enrollment period for awarding Title IV aid and calculating Title IV refunds.

Condition: Student awarding and refund calculations were prepared incorrectly due to overlapping terms. Based on communications with Department of Education, the Department of Education will evaluate the details and determine the corrections for the error.

Kirkwood Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Criteria: Awarding defined by 34 CFR 668, Subpart A-C and treatment of Title IV funds when student withdraws defined by 34 CFR 668.22.

Questioned Costs: None

Prevalence: All students who enrolled in classes with overlapping terms.

Cause: Financial aid personnel did not determine the proper calculation required for this newer situation of having overlapping terms.

Effect: Improper awarding and return of Title IV funds could result in financial sanctions or lack of future funding.

Recommendation: When changes in class schedules creates unique situations in awarding or returning Title IV funds, the College should contact the Department of Education to determine the appropriate course of action. For students known to be in error in the current year, the College should work with the Department of Education to correct the students known to be in error.

Response and corrective action plan: Sections ending after the term end date were changed for Fall 2013, and future terms, to eliminate overlapping terms. All sections will now end on or before the standard term end date.

2013-014

**U.S. Department of Labor
Workforce Investment Act Program (CFDA 17.258, 17.259, 17.278)
Federal Award Year: 2012-2013**

Finding: The incorrect allocation percentage was used to allocate expenses to different programs.

Condition: The College used the incorrect allocation percentage to allocate wage and benefit expenses to the different programs.

Criteria: Per 20 CFR 667.200, OMB Circular A-21 applies. Per OMB Circular A-21 section C 4d(3), "if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit."

Questioned Costs: \$70

Prevalence: Three out of 25 expenditures tested were not properly allocated to the correct program.

Cause: The College's process did not identify the proper allocation percentages.

Effect: Improper expenditures could result in financial sanctions or lack of future funding.

Kirkwood Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Recommendation: The College should put additional procedures in place to ensure proper allocation of expenses is based on actual hours worked.

Response and corrective action plan: The College is currently working with our software provider and there is an update scheduled for implementation in November of 2013 to reduce identified system limitations. With this update, payroll allocations for projects will be stored in the system.

Kirkwood Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

IV. Other Findings Related to Required Statutory Reporting

IV-A-13 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 October 18, 2012, for Kirkwood Linn County Regional Education Center, was published on September 22, 2012, and the public hearing scheduled for March 28, 2013, for Washington Regional Education Center, was published on February 22, 2013, March 3, 2013, and March 9, 2013, and the public hearing scheduled for June 13, 2013, for Ballantyne Auditorium Renovation, was published on May 18, 2013 and May 25, 2013 when notice of the hearing should be published not less than 4 nor more than 20 days before the date of the hearing.

Recommendation: As this is a repeat finding, the College management should assign a supervising individual to oversee the publishing of notices to ensure they are published within the required number of days for each type of publication.

Response: Kirkwood acknowledges the finding.

Conclusion: Response accepted.

Finding B: The Certified Annual report was materially incorrect.

Recommendation: College management should understand the financial components that are to be included in the Certified Annual report and should compare the Certified Annual Report with the trial balance before submission.

Response: Finance department has implemented new financial reporting software which will automatically create Certified Annual reports. Additionally, timely completion of annual audit will provide for adequate time to ensure final accurate trial balance is used for creation of the report.

Conclusion: Response accepted.

Kirkwood Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

IV-B-13 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 Reported Difference	Total Per Supporting Documentation	Contact Hours Reported	Over Reported Difference
Vocational Education						
Microcomputer Literacy	1.00	1.00	-	22.40	24.00	1.60
Arts and Sciences						
Introductory Biology w/ lab	2.70	3.00	0.30	57.60	64.00	6.40

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 will continue to improve the number of discrepancies between contact hours reported to the state and in the college's published meeting times. Academic Affairs and Enrollment Services have requested an audit report to identify classes with schedule deficiencies. The reports will be used to verify discrepancies prior to fall, spring and summer registration so the class meeting times can be corrected before student schedules are built.

Conclusion: Response accepted.

IV-C-13 Bank Depository

The College approved Bank Depository resolution, as required by Section 12C.2 of the Code of Iowa.

Finding: The College's June 30, 2013 bank balance at one financial institution exceeded the maximum approved limit.

Recommendation: College management should review bank balances when approving Bank Depository Resolution.

Response: Finance management will review bank balances prior to submission of Bank Depository Resolution for Board approval.

Conclusion: Response accepted.

Kirkwood Community College

**Corrective Action Plan
Year Ended June 30, 2013**

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

Significant Deficiencies in Internal Control over Financial Reporting

2013-001	Some capital asset adjustments were not properly identified and also were not reconciled throughout the year.	See corrective action plan at 2013-001.	Jim Choate VP-CFO/COO	June 2014
2013-002	The College has inadequate segregation of duties over the payroll transaction cycle.	See corrective action plan at 2013-002.	Jim Choate VP-CFO/COO	June 2014
2013-003	The College has inadequate controls over journal entry posting.	See corrective action plan at 2013-003.	Jim Choate VP-CFO/COO	June 2014
2013-004	The College has inadequate segregation of duties over the New Jobs Training Program (NJTP).	See corrective action plan at 2013-004.	Jim Choate VP-CFO/COO	June 2014
2013-005	The College has several employees with improper IT system access rights to various create, edit, inquiry and report functions within the accounting system. The College also has several employees that have improper administrative access, which grants access to the entire accounting system. Of significant concern, is that the College has inadequate segregation of duties over the accounts payable transaction cycle.	See corrective action plan at 2013-005.	Jim Choate VP-CFO/COO	June 2014

Findings and Questioned Costs for Federal Awards:

Significant Deficiency in Internal Control over Federal Awards:

2013-006	General non-compliance with Perkins Loan due diligence requirements.	See corrective action plan at 2013-006.	Jim Choate VP-CFO/COO	June 2014
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Kirkwood Community College

**Corrective Action Plan
Year Ended June 30, 2013**

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
Compliance:				
2013-007	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 2013-007.	Kristie Fisher VP, Student Services	June 2014
2013-008	The incorrect amount institutional charges were used in a Title IV refund calculation.	See corrective action plan at 2013-008.	Kristie Fisher VP, Student Services	June 2014
2013-009	Borrower enrollment status was not properly updated and exit materials were not provided to the borrower.	See corrective action plan at 2013-009.	Jim Choate VP-CFO/COO	June 2014
2013-010	The College did not maintain proper contact with defaulted borrowers that are no longer placed with a collection agency or borrowers that have declared bankruptcy. Further, the College did not retain a borrower's file that is pending assignment to the Department of Education.	See corrective action plan at 2013-010.	Jim Choate VP-CFO/COO	June 2014
2013-011	General non-compliance with Perkins Loan due diligence requirements.	See corrective action plan at 2013-011.	Jim Choate VP-CFO/COO	June 2014
2013-012	Two students were incorrectly awarded and disbursed unsubsidized Federal Direct Student Loans when the students were eligible for subsidized loans.	See corrective action plan at 2013-012.	Kristie Fisher VP, Student Services	June 2014
2013-013	The College used incorrect enrollment period for awarding Title IV aid and calculating Title IV refunds.	See corrective action plan at 2013-013.	Kristie Fisher VP, Student Services	June 2014

Kirkwood Community College

**Corrective Action Plan
Year Ended June 30, 2013**

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
2013-014	The incorrect allocation percentage was used to allocate expenses to different programs.	See corrective action plan at 2013-014.	Jim Choate VP-CFO/COO	June 2014

Statutory Reporting:

IV-A-13A	The public hearings were published more than 20 days before the date of the hearing.	See corrective action plan at IV-A-13A.	Sheryl Cook Secretary of the Board	June 2014
IV-A-13B	The Certified Annual report was materially incorrect.	See corrective action plan at IV-A-13B.	Sheryl Cook Secretary of the Board	June 2014
IV-B-13	Errors in contact hour report.	See corrective action plan at IV-B-13.	Bill Lamb VP of Academic Affairs	June 2014
IV-C-13	The College's June 30, 2013 bank balance at one financial institution exceeded the maximum approved limit.	See corrective action plan at IV-C-13	Sheryl Cook Secretary of the Board	June 2014