

# Kirkwood

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## COMMUNITY COLLEGE

### Financial and Compliance Report

June 30, 2014



# **Kirkwood Community College**

Financial and Compliance Report  
June 30, 2014

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## Kirkwood Community College

### Officials

June 30, 2014

Name	Title	Term Expires
<b>Board of Trustees</b>		
Dr. Lois Bartelme	President	2017
James Mollenhauer	Vice President	2017
Tracy Pearson	Member	2015
John Swanson	Member	2017
Dr. Keith Stamp	Member	2017
Joel Thys	Member	2017
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, 2014, 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 opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of Kirkwood Community College as of June 30, 2014, 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.

## **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 13, 2014 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.



Davenport, Iowa  
November 13, 2014

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2014

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Management of Kirkwood Community College provides this Management's Discussion and Analysis of the College's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. 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

##### 2014:

- Operating revenues for the College decreased 5.3% or \$4,586,439, primarily due to a decrease in federal appropriations.
- Tuition and fees decreased during fiscal year 2014 because of a 9.6% reduction in credit hours, slightly offset with a 3.6% increase in the per credit hour rate.
- The College's net nonoperating revenues increased by \$2,552,364 due to an increase in property tax revenue from increased taxable valuation, an increase in state appropriations and an increase in the gain on sale of plant assets.
- The College's net position increased by \$4,286,184, or 3.7% as a result of annual revenues exceeding expenditures due to increases in property taxes and state appropriations as noted above and continuing efforts to manage costs.

##### 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.

#### 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, 2014

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,			
	2014	2013	\$ Change	% Change
Current and other assets	\$ 121,662,850	\$ 100,586,364	\$ 21,076,486	21.0%
Capital assets, net of accumulated depreciation	214,368,062	198,146,620	16,221,442	8.2
<b>Total assets</b>	<b>336,030,912</b>	<b>298,732,984</b>	<b>37,297,928</b>	<b>12.5</b>
Current liabilities	56,888,981	36,175,519	20,713,462	57.3
Noncurrent liabilities	135,686,239	124,038,835	11,647,404	9.4
<b>Total liabilities</b>	<b>192,575,220</b>	<b>160,214,354</b>	<b>32,360,866</b>	<b>20.2</b>
Deferred inflows of resources	21,896,019	21,245,141	650,878	3.1
Net position:				
Net investment in capital assets	126,519,786	131,774,060	(5,254,274)	(4.0)
Restricted	13,040,896	10,197,226	2,843,670	27.9
Unrestricted	(18,001,009)	(24,697,797)	6,696,788	(27.1)
<b>Total net position</b>	<b>\$ 121,559,673</b>	<b>\$ 117,273,489</b>	<b>\$ 4,286,184</b>	<b>3.7</b>

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, 2014

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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 recognized by the College, both operating and nonoperating and the expenses incurred by the College, operating and nonoperating, and any other revenues, expenses, gains and losses recognized or incurred 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 incurred 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 \$14,138,766. The College will amortize over 30 years and the FY 2014 liability is \$8,172,934. See Note 13 for more detail.

Kirkwood Community College

Management's Discussion and Analysis  
Year Ended June 30, 2014

Change in Net Position

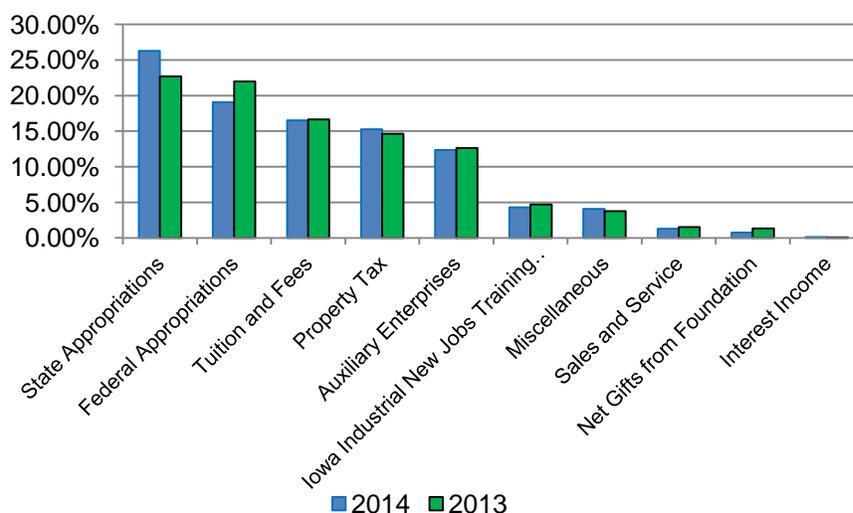
	Year Ended June 30,		\$ Change	% Change
	2014	2013		
Operating revenues:				
Tuition and fees, net	\$ 23,840,061	\$ 24,433,348	\$ (593,287)	(2.4%)
Federal appropriations	27,543,181	32,202,315	(4,659,134)	(14.5)
Sales and services	1,879,181	2,212,006	(332,825)	(15.0)
Iowa Industrial New Jobs Training Program	6,189,122	6,861,240	(672,118)	(9.8)
Auxiliary enterprises	17,856,382	18,510,503	(654,121)	(3.5)
Miscellaneous	4,276,396	2,153,436	2,122,960	98.6
<b>Total operating revenues</b>	<b>81,584,323</b>	<b>86,372,848</b>	<b>(4,788,525)</b>	<b>(5.5)</b>
Total operating expenses	136,926,368	134,938,770	1,987,598	1.5
<b>Operating loss</b>	<b>(55,342,045)</b>	<b>(48,565,922)</b>	<b>(6,776,123)</b>	<b>14.0</b>
Nonoperating revenues (expenses):				
State appropriations	37,953,646	33,265,140	4,688,506	14.1
Property tax	22,045,940	21,439,409	606,531	2.8
Interest income on investments	146,451	99,507	46,944	47.2
Interest income on student loans	15,790	15,429	361	2.3
Net contributions and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	1,316,167	1,936,034	(619,867)	(32.0)
Gain on disposal of capital assets	1,419,554	269,180	1,150,374	427.4
Interest expense	(3,073,524)	(3,070,608)	(2,916)	0.1
Miscellaneous	-	3,115,483	(3,115,483)	(100.0)
<b>Net nonoperating revenues</b>	<b>59,824,024</b>	<b>57,069,574</b>	<b>2,754,450</b>	<b>4.8</b>
Transfers to agency fund	(195,795)	(166,654)	(29,141)	17.5
<b>Increase in net position</b>	<b>4,286,184</b>	<b>8,336,998</b>	<b>(4,050,814)</b>	<b>(48.6)</b>
Net position:				
Beginning, as restated	117,273,489	108,936,491	8,336,998	7.7
Ending	<u>\$ 121,559,673</u>	<u>\$ 117,273,489</u>	<u>\$ 4,286,184</u>	<u>3.7</u>
Total revenues, operating and nonoperating	<u>\$ 144,481,871</u>	<u>\$ 146,243,850</u>	<u>\$ (1,761,979)</u>	<u>(1.2)</u>
Total expenses, operating and nonoperating	<u>\$ 140,195,687</u>	<u>\$ 137,906,852</u>	<u>\$ 2,288,835</u>	<u>1.7</u>

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2014

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#### Revenue by Source



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 2014, operating revenues decreased as a result of the following factors:

- Tuition and fees decreased due to of a 9.6% reduction in credit hours, slightly offset with a 3.6% increase in the per credit hour rate.
- Federal appropriations decreased 14.5% due to lower Pell grant funding.

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.

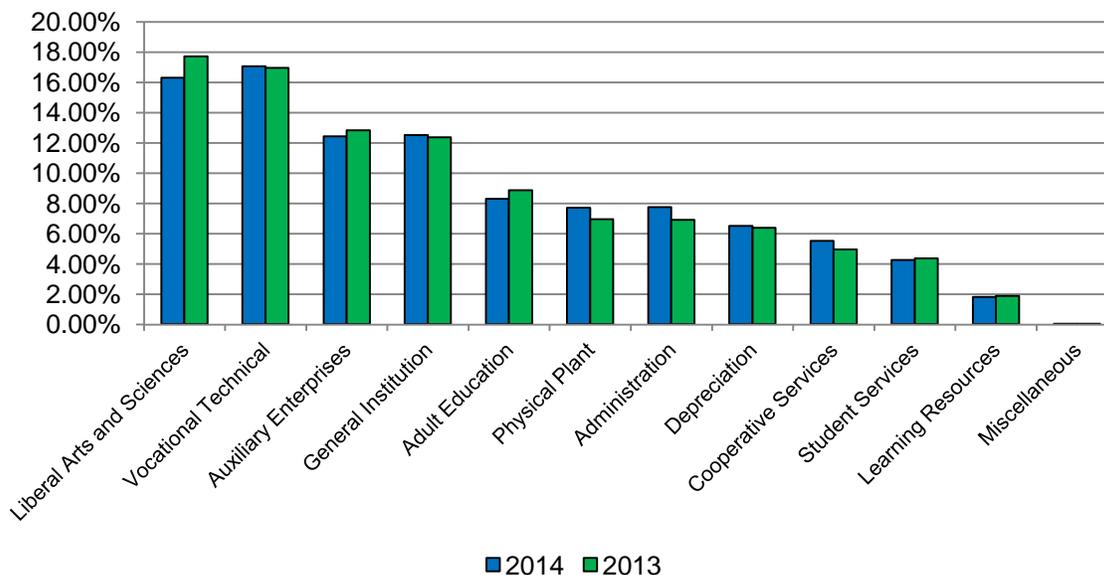
**Kirkwood Community College**

**Management's Discussion and Analysis  
Year Ended June 30, 2014**

**Total Expenses**

Operating Expenses	Year Ended June 30,		\$ Change	% Change
	2014	2013		
Education and support:				
Liberal arts and sciences	\$ 22,317,811	\$ 23,891,807	\$ (1,573,996)	(6.6%)
Vocational technical	23,340,821	22,866,655	474,166	2.1
Adult education	11,341,255	11,946,943	(605,688)	(5.1)
Cooperative services	7,545,107	6,650,268	894,839	13.5
Administration	10,586,956	9,303,369	1,283,587	13.8
Student services	5,801,489	5,864,221	(62,732)	(1.1)
Learning resources	2,440,045	2,506,186	(66,141)	(2.6)
Physical plant	10,541,466	9,345,996	1,195,470	12.8
General institution	17,118,388	16,670,367	448,021	2.7
Auxiliary enterprises	16,992,989	17,294,831	(301,842)	(1.7)
Loan cancellations and bad debts, net of recoveries	(23,515)	(41,813)	18,298	(43.8)
Administrative and collection costs	30,972	52,322	(21,350)	(40.8)
Depreciation	8,892,584	8,587,618	304,966	3.6
	<u>\$ 136,926,368</u>	<u>\$ 134,938,770</u>	<u>\$ 1,987,598</u>	<u>1.5</u>

**Expense by Function**



## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2014

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In FY 2014, the total operating expenses increased as a result of the following factors:

- Increase in salaries and benefits.
- Increase in building occupancy costs related to new construction/added facilities.

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.

### 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
	2014	2013	
Cash provided by (used in):			
Operating activities	\$ (45,811,942)	\$ (40,390,436)	\$ (5,421,506)
Noncapital financing activities	57,901,614	55,116,098	2,785,516
Capital and related financing activities	8,761,285	(19,889,030)	28,650,315
Investing activities	(20,900,295)	7,743,416	(28,643,711)
<b>Net increase (decrease) in cash</b>	<b>(49,338)</b>	<b>2,580,048</b>	<b>(2,629,386)</b>
Cash:			
Beginning	8,409,487	5,829,439	2,580,048
Ending	<u>\$ 8,360,149</u>	<u>\$ 8,409,487</u>	<u>\$ (49,338)</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.

## Kirkwood Community College

### Management's Discussion and Analysis Year Ended June 30, 2014

#### Capital Assets

As of June 30, 2014, the College had \$312,639,351 invested in capital assets, net of accumulated depreciation of \$98,271,289. Depreciation charges totaled \$8,892,584 for FY 2014. Details of capital assets are shown below:

	June 30,		Change
	2014	2013	
Land	\$ 6,242,592	\$ 6,573,567	\$ (330,975)
Construction in progress	38,985,570	38,200,595	784,975
Buildings	200,145,957	183,130,130	17,015,827
Other structures and improvements	44,584,772	39,236,260	5,348,512
Equipment and vehicles	22,680,460	20,691,298	1,989,162
	<u>\$ 312,639,351</u>	<u>\$ 287,831,850</u>	<u>\$ 24,807,501</u>

The College's plant expenditures in FY 2014 include new construction and renovation as Kirkwood Community College proceeds with improving facilities following the passing of our 2011 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, 2014, the College had \$154,709,965 in long-term debt outstanding, excluding the early retirement payable, compensated absences and OPEB payable, an increase from June 30, 2013. The table below summarizes these amounts by type:

Outstanding debt	June 30,		Change
	2014	2013	
Certificates payable	\$ 31,265,000	\$ 32,800,000	\$ (1,535,000)
Capital lease payable	24,998	100,360	(75,362)
Notes payable	77,759,967	48,968,649	28,791,318
Bonds payable	20,690,000	19,420,000	1,270,000
Certificates of participation	24,970,000	25,470,000	(500,000)
	<u>\$ 154,709,965</u>	<u>\$ 126,759,009</u>	<u>\$ 27,950,956</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.

**Kirkwood Community College**

**Statement of Net Position  
June 30, 2014**

<b>Assets</b>	Primary Government	Component Units
<b>Current Assets:</b>		
Cash and investments	\$ 63,406,401	\$ 676,950
Investments held in escrow for debt refunding	11,241,949	-
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$6,765,591	4,267,398	18,445
Property taxes, succeeding year	21,896,019	-
Pledges, net of allowance for doubtful pledges of \$5,000	-	382,064
Due from component units	958,517	-
Due from other governments	2,632,168	-
Inventories	2,561,981	-
Prepaid expenses	487,188	14,123
<b>Total current assets</b>	<b>107,451,621</b>	<b>1,091,582</b>
<b>Noncurrent Assets:</b>		
Receivables, Iowa Industrial New Jobs Training Program	10,681,219	-
Pledges, net of allowance for doubtful pledges	-	624,891
Investments, unrestricted	-	29,125,720
Investments, restricted	2,730,010	-
Cash value of life insurance	-	238,188
Other long-term assets	800,000	29,479
Capital assets, nondepreciable	45,228,162	1,032,565
Capital assets, depreciable, net	169,139,900	2,790
<b>Total noncurrent assets</b>	<b>228,579,291</b>	<b>31,053,633</b>
<b>Total assets</b>	<b>\$ 336,030,912</b>	<b>\$ 32,145,215</b>

See Notes to Basic Financial Statements.

<b>Liabilities, Deferred Inflows of Resources and Net Position</b>	Primary Government	Component Units
Liabilities:		
Current liabilities:		
Accounts payable	\$ 6,710,912	\$ 52,968
Salaries and benefits payable	6,617,309	-
Due to primary government	-	699,412
Annuities payable	-	32,700
Interest payable	832,271	-
Unearned revenue	6,945,717	117,825
Early retirement payable	768,810	-
Compensated absences	2,136,613	-
Current portion certificates payable	5,810,000	-
Current portion notes payable	20,770,911	-
Current portion capital lease payable	24,998	-
Current portion bonds payable	4,395,000	-
Current portion certificates of participation	510,000	-
Deposits held in custody for others	485,186	-
U.S. government grants refundable	881,254	-
<b>Total current liabilities</b>	<b>56,888,981</b>	<b>902,905</b>
Noncurrent liabilities:		
Annuities payable	-	121,200
Other long-term liabilities	800,000	-
OPEB payable	8,172,935	-
Certificates payable	25,455,000	-
Notes payable	56,989,056	-
Bonds payable	16,295,000	-
Certificates of participation	24,460,000	-
Bond premium	3,610,771	-
Bond discount	(96,523)	-
<b>Total noncurrent liabilities</b>	<b>135,686,239</b>	<b>121,200</b>
	<b>192,575,220</b>	<b>1,024,105</b>
Deferred Inflows of Resources, unavailable revenue - property taxes	21,896,019	-
Net Position:		
Net investment in capital assets	126,519,786	1,035,355
Restricted:		
Expendable:		
Cash reserve	621,989	-
Loans	643,993	-
New Jobs Training Program	553,576	-
Employee benefits	8,980,917	-
Equipment replacement	557,373	-
Other	1,683,048	-
Unrestricted:		
Unrestricted (deficit)	(18,001,009)	3,368,830
Unrestricted, board designated	-	1,611,424
Unrestricted, donor advised	-	25,105,501
<b>Total net position</b>	<b>121,559,673</b>	<b>31,121,110</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 336,030,912</b>	<b>\$ 32,145,215</b>

**Kirkwood Community College**

**Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2014**

	Primary Government	Component Units
<b>Revenues:</b>		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$25,153,792	\$ 23,840,061	\$ -
Federal appropriations	27,543,181	-
Sales and services	1,879,181	-
Iowa Industrial New Jobs Training Program	6,189,122	-
Auxiliary enterprises	17,856,382	-
Contributions, including in-kind contributions of \$135,812	-	1,667,095
Rental income and facility management	-	596,175
Royalties and commission	-	91,432
Contributions from primary government	-	1,718,624
Miscellaneous	4,276,396	31,433
<b>Total operating revenues</b>	<b>81,584,323</b>	<b>4,104,759</b>
<b>Expenses:</b>		
Operating expenses:		
Education and support:		
Liberal arts and sciences	22,317,811	-
Vocational technical	23,340,821	-
Adult education	11,341,255	-
Cooperative services	7,545,107	-
Administration	10,586,956	-
Student services	5,801,489	-
Learning resources	2,440,045	-
Physical plant	10,541,466	-
General institution	17,118,388	-
Auxiliary enterprises	16,992,989	-
Loan cancellations and bad debts, net of recoveries	(23,515)	-
Administrative and collection costs	30,972	-
Distributions to Kirkwood Community College	-	2,719,756
Facility operations	-	152,121
Program services	-	288,727
Management and general	-	871,759
Fundraising	-	143,204
Depreciation	8,892,584	6,430
<b>Total operating expenses</b>	<b>136,926,368</b>	<b>4,181,997</b>
<b>Operating income (loss)</b>	<b>\$ (55,342,045)</b>	<b>\$ (77,238)</b>

	Primary Government	Component Units
<b>Nonoperating revenues (expenses):</b>		
State appropriations	\$ 37,953,646	\$ -
Property tax	22,045,940	-
Investment income	146,451	3,859,620
Actuarial adjustment of annuities payable	-	(25,108)
Interest income on student loans	15,790	-
Gifts from component units	3,078,632	-
Rent from primary government	-	43,841
Gift to affiliates	-	(358,876)
Contributions to component units	(1,762,465)	-
Gain on sale of capital assets	1,419,554	330,946
Contributions to other non-profit entities	-	(74,139)
Interest expense	(3,073,524)	-
<b>Net nonoperating revenues (expenses)</b>	<b>59,824,024</b>	<b>3,776,284</b>
Transfers to agency fund	(195,795)	-
<b>Change in net position</b>	<b>4,286,184</b>	<b>3,699,046</b>
Net position:		
Beginning	117,273,489	27,422,064
Ending	<b>\$ 121,559,673</b>	<b>\$ 31,121,110</b>

See Notes to Basic Financial Statements.

**Kirkwood Community College**

**Statement of Cash Flows**  
**Year Ended June 30, 2014**

	Primary Government
<hr/>	
Cash Flows from Operating Activities:	
Tuition and fees	\$ 25,011,413
Federal appropriations	28,176,252
Iowa Industrial New Jobs Training Program	6,065,976
Payments to employees for salaries and benefits	(82,347,101)
Payments to suppliers for goods and services	(46,096,916)
Payments to subrecipients	(1,616,458)
Loans issued, net of collections of loans from students	977,704
Auxiliary enterprise receipts	17,856,382
Other receipts/payments	6,160,806
<b>Net cash (used in) operating activities</b>	<u>(45,811,942)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	37,953,646
Property tax	22,045,940
Federal direct lending receipts	40,205,120
Federal direct lending disbursements	(40,205,120)
Contributions and rent paid to component units	(1,762,465)
Gifts from component units	2,942,820
Interest income on student loans	15,790
Proceeds from certificates payable	3,500,000
Principal paid on certificates payable	(5,035,000)
Interest paid on certificates payable	(1,104,116)
Transfers to agency fund	(195,795)
Agency receipts	3,835,164
Agency disbursements	(4,294,370)
<b>Net cash provided by noncapital financing activities</b>	<u>57,901,614</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(22,657,717)
Interest capitalized	(936,287)
Proceeds from sale of capital assets	1,806,990
Debt issued	64,036,720
Bond premiums	2,904,553
Principal paid on debt	(34,550,764)
Interest paid on debt	(1,842,210)
<b>Net cash provided by capital and related financing activities</b>	<u>8,761,285</u>
Cash Flows from Investing Activities:	
Interest on investments	146,451
Purchases of investments	(107,216,191)
Proceeds from sale and maturities of investments	86,169,445
<b>Net cash (used in) investing activities</b>	<u>(20,900,295)</u>
<b>Decrease in cash and cash equivalents</b>	(49,338)
Cash and cash equivalents:	
Beginning	8,409,487
Ending	<u>\$ 8,360,149</u>

	Primary Government
<hr/>	
Reconciliation of Operating Loss to Net Cash (Used In)	
Operating Activities:	
Operating loss	<u>\$ (55,342,045)</u>
Adjustments to reconcile operating loss to net cash (used in) operating activities:	
Depreciation	8,892,584
Accretion, net of amortization	(184,553)
In-kind donations from component units	135,812
Changes in assets and liabilities:	
Decrease in accounts receivable	1,075,222
Decrease in student loans	995,582
(Increase) in NJTP receivable	(2,373,320)
Decrease in due from other governments	633,071
Decrease in inventories	253,863
(Increase) in prepaid expenses	(212,618)
(Decrease) in accounts payable	(2,084,231)
Increase in salaries payable	35,445
Increase in unearned revenue	2,351,533
Increase in compensated absences	173,684
(Decrease) in early retirement payable	(549,818)
Increase in OPEB payable	398,268
(Decrease) in refundable advances on student loans	<u>(10,421)</u>
<b>Total adjustments</b>	<u>9,530,103</u>
<b>Net cash (used in) operating activities</b>	<u><u>\$ (45,811,942)</u></u>
Noncash:	
Capital and related financing activities, accounts payable for the acquisition of capital assets	\$ 1,907,458

See Notes to Basic Financial Statements.

## Kirkwood Community College

### Statement of Net Position/Net Assets Discretely Presented Component Units Year Ended June 30, 2014

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Eliminations	Total
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 165,937	\$ 511,013	\$ -	\$ 676,950
Receivables:				
Accounts	18,445	-	-	18,445
Pledges, net of allowance for doubtful pledges of \$5,000	-	382,064	-	382,064
Due from Kirkwood Community College Foundation	634,761	-	(634,761)	-
Prepaid expenses	14,123	-	-	14,123
<b>Total current assets</b>	<b>833,266</b>	<b>893,077</b>	<b>(634,761)</b>	<b>1,091,582</b>
Noncurrent Assets:				
Pledges, net of allowance for doubtful pledges	-	624,891	-	624,891
Investments	-	29,125,720	-	29,125,720
Cash value of life insurance	-	238,188	-	238,188
Other	-	29,479	-	29,479
Capital assets, nondepreciable	1,032,565	-	-	1,032,565
Capital assets, depreciable, net	2,790	-	-	2,790
<b>Total noncurrent assets</b>	<b>1,035,355</b>	<b>30,018,278</b>	<b>-</b>	<b>31,053,633</b>
<b>Total assets</b>	<b>1,868,621</b>	<b>30,911,355</b>	<b>(634,761)</b>	<b>32,145,215</b>
<b>Liabilities and Net Position/Net Assets</b>				
Current Liabilities:				
Accounts payable and accrued expenses	32,351	20,617	-	52,968
Due to Kirkwood Community College	74,328	109,606	-	183,934
Due to Kirkwood Facilities Foundation	-	634,761	(634,761)	-
Due to KCKK-FM Radio	-	515,478	-	515,478
Unearned revenue	117,825	-	-	117,825
Annuities payable	-	32,700	-	32,700
<b>Total current liabilities</b>	<b>224,504</b>	<b>1,313,162</b>	<b>(634,761)</b>	<b>902,905</b>
Noncurrent Liabilities, annuities payable	-	121,200	-	121,200
<b>Total liabilities</b>	<b>224,504</b>	<b>1,434,362</b>	<b>(634,761)</b>	<b>1,024,105</b>
Net Position/Net Assets:				
Investment in capital assets	1,035,355	-	-	1,035,355
Unrestricted:				
Unrestricted	608,762	2,760,068	-	3,368,830
Unrestricted, board designated	-	1,611,424	-	1,611,424
Unrestricted, donor advised	-	25,105,501	-	25,105,501
<b>Total net position/net assets</b>	<b>\$ 1,644,117</b>	<b>\$ 29,476,993</b>	<b>\$ -</b>	<b>\$ 31,121,110</b>

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, 2014**

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Total
<b>Operating revenues:</b>			
Contributions and pledges	\$ -	\$ 1,531,283	\$ 1,531,283
Contributions, in-kind	-	135,812	135,812
Rental income and facility management	596,175	-	596,175
Royalties and commissions	91,432	-	91,432
Contributions from Kirkwood Community College	-	1,718,624	1,718,624
Miscellaneous	21,394	10,039	31,433
<b>Total operating revenues</b>	<b>709,001</b>	<b>3,395,758</b>	<b>4,104,759</b>
<b>Operating expenses:</b>			
Distributions to Kirkwood Community College	-	2,719,756	2,719,756
Facility operations	152,121	-	152,121
Programs	-	288,727	288,727
Management and general	99,164	772,595	871,759
Fund raising	-	143,204	143,204
Depreciation	6,430	-	6,430
<b>Total operating expenses</b>	<b>257,715</b>	<b>3,924,282</b>	<b>4,181,997</b>
<b>Operating income (loss)</b>	<b>451,286</b>	<b>(528,524)</b>	<b>(77,238)</b>
<b>Nonoperating revenues (expenses):</b>			
Investment income, including appreciation of fair value of investments of \$3,475,524	6,464	3,853,156	3,859,620
Actuarial adjustments to annuities payable	-	(25,108)	(25,108)
Rent from Kirkwood Community College	43,841	-	43,841
Gain on sale of capital assets	330,946	-	330,946
Gifts to affiliates	(358,876)	-	(358,876)
Contributions to other nonprofit entities	(42,843)	(31,296)	(74,139)
<b>Net nonoperating revenues (expenses)</b>	<b>(20,468)</b>	<b>3,796,752</b>	<b>3,776,284</b>
<b>Change in net position/net assets</b>	<b>430,818</b>	<b>3,268,228</b>	<b>3,699,046</b>
<b>Net position/net assets:</b>			
Beginning	1,213,299	26,208,765	27,422,064
Ending	\$ 1,644,117	\$ 29,476,993	\$ 31,121,110

See Notes to Basic Financial Statements.

## Kirkwood Community College

### Notes to Basic Financial Statements

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

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

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

Accounting principles generally accepted in the United States of America require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, the GASB 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, 2014 and their reports have been issued under separate cover.

#### **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. The audited financial statements are available at the College offices.

## Kirkwood Community College

### Notes to Basic Financial Statements

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

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

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

#### **Significant accounting policies:**

Financial statement presentation: The basic financial statements (i.e., the statements of net 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.

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

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

Property taxes: Property tax receivable is recognized on the levy or lien date, which is the date the tax request is certified by the Board of Trustees to the appropriate County Auditors. The succeeding year property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is a deferred inflow of resources 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, 2012 assessed property valuations for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax request contained in the budget certified to the appropriate county auditor in April 2013.

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, 2014, 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 \$936,287 were capitalized for the year ended June 30, 2014.

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

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

## Kirkwood Community College

### Notes to Basic Financial Statements

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

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

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

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

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

Unearned revenue: Unearned revenue represents the amount of 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, 2014.

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. As of June 30, 2014, the College was in the process of liquidating its Perkins Loan portfolio. As of August 20, 2014, the U.S. Department of Education accepted the majority of the College's portfolio for assignment and due to this, the liability is presented as current 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

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

Net position: Net position represents the difference between assets, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowings used for acquisition, construction or improvement of those assets. The debt related to the sinking fund and reserve accounts totaling \$2,730,010 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 restricted purpose. Nonexpendable funds may not be used. All remaining net position (deficit) is unrestricted. 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, 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.

Miscellaneous revenue: The primary components of miscellaneous revenue are insurance reimbursements for equipment maintenance, KCCCK-FM Radio income, hotel revenue other than room rental and food sales, and other miscellaneous revenue.

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.

**Kirkwood Community College**

**Notes to Basic Financial Statements**

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

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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, 2014, the College's cash and investments consist of the following:

	Unrestricted	Restricted	Total
Cash	\$ 8,360,149	\$ -	\$ 8,360,149
Investments	55,046,252	13,971,959	69,018,211
	<u>\$ 63,406,401</u>	<u>\$ 13,971,959</u>	<u>\$ 77,378,360</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	\$ 55,046,252	\$ 55,046,252
U.S. Treasury Notes	11,241,949	11,241,949
Money Market Mutual Fund	2,730,010	2,730,010
	<u>\$ 69,018,211</u>	<u>\$ 69,018,211</u>

## Kirkwood Community College

### Notes to Basic Financial Statements

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

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

As of June 30, 2014, 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, 2014, the carrying amount of the College's deposits, excluding \$13,558 of petty cash, totaled \$8,345,591 with a bank balance of \$9,090,891. The College's deposits in banks at June 30, 2014 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.

## Kirkwood Community College

### Notes to Basic Financial Statements

#### Note 3. Inventories

The College's inventories as of June 30, 2014 consisted of the following:

Supplies and materials	\$ 236,665
Agricultural enterprises	365,523
Hotel inventory	342,181
Merchandise held for resale	1,617,612
	<u>\$ 2,561,981</u>

#### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	June 30, 2013 Balance	Additions	Deletions and Transfers	June 30, 2014 Balance
Capital assets not being depreciated:				
Land	\$ 6,573,567	\$ -	\$ 330,975	\$ 6,242,592
Construction in progress	38,200,595	23,769,160	22,984,185	38,985,570
<b>Total capital assets not being depreciated</b>	<u>44,774,162</u>	<u>23,769,160</u>	<u>23,315,160</u>	<u>45,228,162</u>
Capital assets being depreciated:				
Buildings	183,130,130	17,146,483	130,656	200,145,957
Improvements other than buildings	39,236,260	5,375,065	26,553	44,584,772
Equipment and vehicles	20,691,298	2,194,939	205,777	22,680,460
<b>Total capital assets being depreciated</b>	<u>243,057,688</u>	<u>24,716,487</u>	<u>362,986</u>	<u>267,411,189</u>
Less accumulated depreciation for:				
Buildings	58,197,074	4,817,882	73,290	62,941,666
Improvements other than buildings	14,331,167	2,510,962	30,176	16,811,953
Equipment and vehicles	17,156,989	1,563,740	203,059	18,517,670
<b>Total accumulated depreciation</b>	<u>89,685,230</u>	<u>8,892,584</u>	<u>306,525</u>	<u>98,271,289</u>
<b>Total capital assets being depreciated, net</b>	<u>153,372,458</u>	<u>15,823,903</u>	<u>56,461</u>	<u>169,139,900</u>
<b>Capital assets, net</b>	<u>\$ 198,146,620</u>	<u>\$ 39,593,063</u>	<u>\$ 23,371,621</u>	<u>\$ 214,368,062</u>

**Kirkwood Community College**

**Notes to Basic Financial Statements**

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

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	June 30, 2013	Additions	Reductions	June 30, 2014	Amounts Due Within 1 Year
Early retirement payable (Note 12)	\$ 1,318,628	\$ 768,810	\$ 1,318,628	\$ 768,810	\$ 768,810
Compensated absences	1,962,929	2,136,613	1,962,929	2,136,613	2,136,613
OPEB payable (Note 13)	7,774,667	398,268	-	8,172,935	-
Certificates payable	32,800,000	3,500,000	5,035,000	31,265,000	5,810,000
Capital lease payable	100,360	-	75,362	24,998	24,998
Capital loan notes	48,968,649	33,696,720	4,905,402	77,759,967	20,770,911
Bonds payable	19,420,000	30,340,000	29,070,000	20,690,000	4,395,000
Certificates of participation	25,470,000	-	500,000	24,970,000	510,000
<b>Total</b>	<b>\$ 137,815,233</b>	<b>\$ 70,840,411</b>	<b>\$ 42,867,321</b>	<b>\$ 165,788,323</b>	<b>\$ 34,416,332</b>

**Certificates payable:**

In accordance with agreements dated between November 1, 2005 and May 7, 2014, the College issued certificates totaling \$57,125,000 with interest rates ranging from 1.0% 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
2015	\$ 5,810,000	\$ 1,002,635	\$ 6,812,635
2016	5,820,000	800,533	6,620,533
2017	5,050,000	590,503	5,640,503
2018	3,890,000	405,825	4,295,825
2019	3,015,000	276,170	3,291,170
2020-2024	7,680,000	446,453	8,126,453
<b>Total</b>	<b>\$ 31,265,000</b>	<b>\$ 3,522,119</b>	<b>\$ 34,787,119</b>

**Kirkwood Community College**

**Notes to Basic Financial Statements**

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

**Capital lease payable:**

The College has leased various copiers for use throughout the campus under one capital lease agreement. The interest rate on this lease is 6.75% compounded monthly. The net book value of the copiers was \$120,112 as of June 30, 2014. Details of the College's June 30, 2014 capital lease indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2015	\$ 24,998	\$ 281	\$ 25,279

**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.

During the year ended June 30, 2014, the College drew \$7,196,720 on the Taxable Lease Purchase Certificate Anticipation notes for construction of the new regional center in Washington, Iowa. The notes bear interest at 30-day LIBOR plus 0.65% with a floor of 0.95%. Interest is due monthly with all principal and interest due June 1, 2015.

On May 1, 2014, the College issued \$26,500,000 in capital loan notes with an interest rate of 4.00% to current refund \$26,500,000 of the 2011 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 2011 Bond Anticipation Notes. The net change in cash flows related to the current refunding was an increase of approximately \$6,300,000. The economic loss resulting from the current refunding was approximately \$2,500,000, which is due to the College refunding this debt to obtain a longer maturity.

Details of the College's June 30, 2014 notes payable indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2015	\$ 20,770,911	\$ 2,450,535	\$ 23,221,446
2016	2,647,979	2,188,942	4,836,921
2017	5,221,813	2,051,208	7,273,021
2018	5,425,694	1,810,478	7,236,172
2019	5,629,620	1,560,801	7,190,421
2020-2024	23,533,950	3,984,552	27,518,502
2025-2027	14,530,000	777,437	15,307,437
	<u>\$ 77,759,967</u>	<u>\$ 14,823,953</u>	<u>\$ 92,583,920</u>

## Kirkwood Community College

### Notes to Basic Financial Statements

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

##### General obligation school bonds and bond anticipation notes payable:

The College has issued bonds for the construction and expansion of College facilities to accommodate anticipated enrollment growth. Interest rates range from 1% to 3.80% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2021.

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. During the year ended June 30, 2014, the College drew the remaining \$14,260,000 available on these notes and refunded the total \$26,500,000 outstanding with Capital Loan Notes as discussed on the previous page. As of June 30, 2014, there are no available funds remaining to be drawn on these bond anticipation notes.

On May 1, 2014, the College issued \$16,080,000 in General Obligation School Refunding Bonds, Series 2014B with interest rates ranging from 2.0% to 2.5% to crossover advance refund \$9,395,000 of the Capital Loan Notes, Series 2009A with interest rates ranging from 3.0% to 4.0% and for various capital projects. The net proceeds related to the crossover refunding of \$11,241,949 were deposited with an escrow agent to provide for all future debt service payments on the Capital Loan Notes, Series 2009A being refunded until the crossover date of June 1, 2015. The transactions, balances and liabilities of the escrow account are recorded by the College since the refunded debt Series 2009A is not considered extinguished as of June 30, 2014. The net change in cash flows related to the advanced refunding was a decrease of approximately \$536,000. The economic gain resulting from the advanced refunding was approximately \$505,000.

Details of the College's June 30, 2014 bonds payable indebtedness are as follows:

	Principal	Interest	Total
Year ending June 30:			
2015	\$ 4,395,000	\$ 439,859	\$ 4,834,859
2016	4,675,000	331,863	5,006,863
2017	2,270,000	238,363	2,508,363
2018	2,295,000	192,963	2,487,963
2019	2,325,000	147,063	2,472,063
2020-2024	4,730,000	154,225	4,884,225
	<u>\$ 20,690,000</u>	<u>\$ 1,504,336</u>	<u>\$ 22,194,336</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, 2014 certificates of participation are as follows:

	Principal	Interest	Total
Year ending June 30:			
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	580,000	1,096,006	1,676,006
2020-2024	3,255,000	5,098,706	8,353,706
2025-2029	18,560,000	3,931,581	22,491,581
2030	440,000	18,150	458,150
	<u>\$ 24,970,000</u>	<u>\$ 14,718,025</u>	<u>\$ 39,688,025</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:			
2015	\$ 31,510,909	\$ 5,061,154	\$ 36,572,063
2016	13,667,979	4,473,982	18,141,961
2017	13,081,813	4,015,643	17,097,456
2018	12,170,694	3,526,791	15,697,485
2019	11,549,620	3,080,040	14,629,660
2020-2024	39,198,950	9,683,936	48,882,886
2025-2029	33,090,000	4,709,018	37,799,018
2030	440,000	18,150	458,150
	<u>\$ 154,709,965</u>	<u>\$ 34,568,714</u>	<u>\$ 189,278,679</u>

## Kirkwood Community College

### Notes to Basic Financial Statements

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#### **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 2015 and 2023 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, 2014:

Year ending June 30:	
2015	\$ 445,943
2016	299,915
2017	254,219
2018	151,837
2019	127,763
2020-2023	143,792
	<u>\$ 1,423,469</u>

Rents for the year ended June 30, 2014 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$521,431.

#### **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 5.95% of their annual covered salary and the College is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,517,390, \$1,447,309 and \$1,274,678, 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 5.95% and the College is required to contribute 8.93%. The College and employees required and actual contributions to TIAA-CREF for the year ended June 30, 2014 were \$3,225,767 and \$2,149,393, respectively.

## Kirkwood Community College

### Notes to Basic Financial Statements

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

The College carries commercial insurance for coverage associated with general liability, automobile liability, automobile physical damage, property and inland marine, Educators legal liability, workers compensation and employers liability, crime insurance, catastrophic and accidental death and dismemberment. College also carries coverage for operating equipment protection insurance up to \$2.5 million of costs. 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.

#### **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, 2014 was \$6,872,947.

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, 2014, no liability has been recorded by the College. Settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

MIIP issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Metro Interagency Insurance Program, 1120 33<sup>rd</sup> Avenue SW, Cedar Rapids, Iowa 52404.

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

Kirkwood Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area X in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the case of default, from standby property taxes. Since inception, the Community College has administered 493 projects, with 181 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

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

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

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

The liability as of June 30, 2014 for the 19 employees who have elected early retirement during fiscal year 2014 was \$768,810. 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, 2014 was \$1,829,887.

As of June 30, 2014, the potential liability, if all eligible employees accepted early retirement, is approximately \$11,000,000.

#### **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 (757) and retired employees (118) and their eligible dependents (26). 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, 2014, the amount actuarially contributed to the plan, and changes in the College's annual OPEB obligation:

Annual required contribution	\$ 1,668,913
Interest on net OPEB obligation	388,733
Adjustment to annual required contribution	<u>(505,768)</u>
<b>Annual OPEB cost (expense)</b>	<b>1,551,878</b>
Contributions and payments made	<u>(1,153,610)</u>
<b>Increase in net OPEB obligation</b>	<b>398,268</b>
Net OPEB obligation, beginning of year	<u>7,774,667</u>
Net OPEB obligation, end of year	<u><u>\$ 8,172,935</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 2014 follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 1,551,878	74.34%	\$ 8,172,935
June 30, 2013	2,293,190	24.89	7,774,667
June 30, 2012	2,286,384	65.28	6,052,300

Funded status and funding progress: As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The College's actuarial accrued liability for benefits was \$14,138,766 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$14,138,766. Covered payroll was \$41,017,598 resulting in UAAL as a percentage of covered payroll of 34.5%.

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

## Kirkwood Community College

### Notes to Basic Financial Statements

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

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5% investment return rate, an inflation rate of 3%, salary increases of 4% and an annual health care cost trend rate for medical and dental/vision of 5%. 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 \$3,165,273 for the year ended June 30, 2014. The College has recorded a receivable from the Foundations of \$958,517 as of June 30, 2014. This amount differs from the Foundations' due to primary government payable of \$699,412 due to payments in transit at year-end.

The Foundations received contributions to fund scholarships and facilities of \$1,762,465 from Kirkwood Community College during the year ended June 30, 2014.

The College has \$173,185 of receivables due from employees for computer purchases that are being paid through payroll deductions.

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

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

GASB Statement No. 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.

## Kirkwood Community College

### Notes to Basic Financial Statements

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

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, issued November 2013, will be effective for the College beginning with its year ending June 30, 2015. This Statement eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. To correct this potential understatement, Statement 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions.

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

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

As of June 30, 2014, the College had construction commitments of approximately \$1,398,000 to complete the renovation of Linn Hall, \$127,000 for Washington County Regional, \$19,000 for the Kirkwood Hall Cooking Tower, \$18,900 for the Iowa City entrance and \$504,000 for Cedar Hall renovation.

On July 2, 2014, the College entered into an agreement for the sale of a resource center building to an Iowa nonprofit corporation. The total sales price for this property is \$4,000,000 consisting of a \$1,000,000 down payment at closing with the balance to be paid in installments of \$750,000 over four years with the first payment due on June 30, 2015 and the final payment due on June 30, 2018. Based on a previous agreement entered into in 1997 between the College and United Way of East Central Iowa (United Way), United Way has a 20% equity interest in this building and will be paid 20% of the sales price, \$800,000.

**Kirkwood Community College**

**Required Supplementary Information  
Postemployment Medical Benefit Plan  
Schedule of Funding Progress  
Year Ended June 30, 2014**

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, 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
July 1, 2013	-	14,138,766	(14,138,766)	-	41,017,598	34.5

The information presented in the required supplementary information schedule was determined as part of the actuarial valuation as of July 1, 2013. 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%, inflation rate of 3%, salary increases of 4% and healthcare cost trend rate of 5%.
- d. The amortization method is level dollar on an open basis.

The information presented in the required supplementary information schedule as of the July 1, 2009 and July 1, 2011 actuarial valuation date included economic assumptions of the following: investment return rate of 5%, inflation rate of 4%, salary increases of 4% and health care cost trend rates of 7% initially to 5% ultimately.

**Kirkwood Community College**

**Budgetary Comparison Schedule of Expenditures, Budget and Actual  
Year Ended June 30, 2014**

Funds/Levy	Final Budget	Actual	Variance Between Actual and Final Budget
Unrestricted	\$ 82,450,000	\$ 87,113,030	\$ (4,663,030)
Restricted	20,875,000	18,350,314	2,524,686
Unemployment	175,000	126,658	48,342
Tort liability	115,000	190,098	(75,098)
Insurance	2,740,000	4,612,812	(1,872,812)
Early retirement	5,000,000	1,405,249	3,594,751
Equipment replacement	2,000,000	2,476,646	(476,646)
<b>Total restricted</b>	<b>30,905,000</b>	<b>27,161,777</b>	<b>3,743,223</b>
Plant	41,400,000	58,146,755	(16,746,755)
	<b>\$ 154,755,000</b>	<b>\$ 172,421,562</b>	<b>\$ (17,666,562)</b>

See Note to Budgetary Comparison Schedule of Expenditures.

## **Kirkwood Community College**

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

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The Board of Trustees 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, 2014, the College's total expenditures exceeded the total amount budgeted primarily due to plant additions. Unrestricted expenditures exceeded budgeted amounts due to the timing of expenditures.

**Kirkwood Community College**

**Schedule of Net Position**

**All Funds**

**June 30, 2014**

<b>Assets</b>	Current Funds	
	Unrestricted	Restricted
<b>Current Assets:</b>		
Cash and investments	\$ 40,116,708	\$ 23,289,693
Investments held in escrow for debt refunding	11,241,949	-
Receivables:		
Accounts, net	4,267,398	-
Property tax, succeeding year	8,562,161	9,211,810
Due from other funds	88,093,876	6,513,426
Due from Kirkwood Community College Foundation	368,711	515,478
Due from Kirkwood Facilities Foundation	74,328	-
Due from other governments	2,622,070	-
Inventories	2,561,981	-
Prepaid expenses	476,019	-
<b>Total current assets</b>	<b>158,385,201</b>	<b>39,530,407</b>
<b>Noncurrent Assets:</b>		
Receivables, Iowa Industrial New Jobs Training Program	-	10,681,219
Investments, restricted	2,730,010	-
Other long-term assets	800,000	-
Capital assets, net of accumulated depreciation	-	-
<b>Total noncurrent assets</b>	<b>3,530,010</b>	<b>10,681,219</b>
<b>Total assets</b>	<b>\$ 161,915,211</b>	<b>\$ 50,211,626</b>

See Note to Other Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ 63,406,401
-	-	-	-	11,241,949
-	-	-	-	4,267,398
-	4,122,048	-	-	21,896,019
1,525,247	-	676,968	(96,809,517)	-
-	-	-	-	884,189
-	-	-	-	74,328
-	-	10,098	-	2,632,168
-	-	-	-	2,561,981
-	-	11,169	-	487,188
<u>1,525,247</u>	<u>4,122,048</u>	<u>698,235</u>	<u>(96,809,517)</u>	<u>107,451,621</u>
-	-	-	-	10,681,219
-	-	-	-	2,730,010
-	-	-	-	800,000
-	312,639,351	-	(98,271,289)	214,368,062
-	<u>312,639,351</u>	-	<u>(98,271,289)</u>	<u>228,579,291</u>
<u>\$ 1,525,247</u>	<u>\$ 316,761,399</u>	<u>\$ 698,235</u>	<u>\$ (195,080,806)</u>	<u>\$ 336,030,912</u>

Kirkwood Community College

Schedule of Net Position (Continued)

All Funds

June 30, 2014

Liabilities and Net Assets	Current Funds	
	Unrestricted	Restricted
Liabilities:		
Current liabilities:		
Accounts payable	\$ 6,647,272	\$ 12,538
Salaries and benefits payable	6,552,435	28,731
Due to other funds	-	-
Interest payable	748,775	83,496
Unearned revenue	4,385,605	2,480,587
Early retirement payable	768,810	-
Compensated absences	2,025,584	64,750
Current portion of:		
Certificates payable	-	5,810,000
Notes payable	20,770,911	-
Capital lease payable	24,998	-
Bonds payable	4,395,000	-
Certificates of participation	510,000	-
Deposits held in custody for others	-	-
U.S. government grants refundable	-	-
<b>Total current liabilities</b>	<b>46,829,390</b>	<b>8,480,102</b>
Noncurrent liabilities:		
Other long-term liabilities	800,000	-
OPEB payable	-	8,172,935
Certificates payable	-	25,455,000
Notes payable	56,989,056	-
Bonds payable	16,295,000	-
Certificates of participation	24,460,000	-
Bond premium	-	171,148
Bond discount	-	(2,170)
<b>Total noncurrent liabilities</b>	<b>98,544,056</b>	<b>33,796,913</b>
<b>Total liabilities</b>	<b>145,373,446</b>	<b>42,277,015</b>
Deferred Inflows of Resources, unavailable revenue - property taxes	8,562,161	9,211,810
Net Position:		
Net investment in capital assets	(84,503,006)	-
Restricted:		
Expendable:		
Cash reserve	-	621,989
Loans	-	-
New Jobs Training Program	-	553,576
Employee benefits	-	8,980,917
Equipment replacement	-	557,373
Other	-	1,683,048
Unrestricted	92,482,610	(13,674,102)
<b>Total net position</b>	<b>7,979,604</b>	<b>(1,277,199)</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 161,915,211</b>	<b>\$ 50,211,626</b>

See Note to Other Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ 51,102	\$ -	\$ 6,710,912
-	-	36,143	-	6,617,309
-	96,809,517	-	(96,809,517)	-
-	-	-	-	832,271
-	-	79,525	-	6,945,717
-	-	-	-	768,810
-	-	46,279	-	2,136,613
-	-	-	-	5,810,000
-	-	-	-	20,770,911
-	-	-	-	24,998
-	-	-	-	4,395,000
-	-	-	-	510,000
-	-	485,186	-	485,186
881,254	-	-	-	881,254
<u>881,254</u>	<u>96,809,517</u>	<u>698,235</u>	<u>(96,809,517)</u>	<u>56,888,981</u>
-	-	-	-	800,000
-	-	-	-	8,172,935
-	-	-	-	25,455,000
-	-	-	-	56,989,056
-	-	-	-	16,295,000
-	-	-	-	24,460,000
-	3,439,623	-	-	3,610,771
-	(94,353)	-	-	(96,523)
-	<u>3,345,270</u>	-	-	<u>135,686,239</u>
<u>881,254</u>	<u>100,154,787</u>	<u>698,235</u>	<u>(96,809,517)</u>	<u>192,575,220</u>
-	<u>4,122,048</u>	-	-	<u>21,896,019</u>
-	309,294,081	-	(98,271,289)	126,519,786
-	-	-	-	621,989
643,993	-	-	-	643,993
-	-	-	-	553,576
-	-	-	-	8,980,917
-	-	-	-	557,373
-	-	-	-	1,683,048
-	(96,809,517)	-	-	(18,001,009)
<u>643,993</u>	<u>212,484,564</u>	-	<u>(98,271,289)</u>	<u>121,559,673</u>
<u>\$ 1,525,247</u>	<u>\$ 316,761,399</u>	<u>\$ 698,235</u>	<u>\$ (195,080,806)</u>	<u>\$ 336,030,912</u>

**Kirkwood Community College**

**Schedule of Revenues, Expenditures and Changes in Net Position**

**All Funds**

**Year Ended June 30, 2014**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>Revenues:</b>			
General:			
State appropriations	\$ 30,379,651	\$ 7,140,661	\$ -
Tuition and fees	48,989,055	4,798	-
Property tax	4,119,286	9,408,554	-
Federal appropriations	397,681	27,145,500	-
Sales and services	1,379,859	499,322	-
Interest on investments	987	15,547	-
Interest on student loans	-	-	15,790
Iowa Industrial New Jobs Training Program	-	6,189,122	-
Increase in plant investment due to plant expenditures, including \$5,023,483 in current fund expenditures	-	-	-
Increase in plant investment due to retirement of debt	-	-	-
Miscellaneous	3,540,846	3,735,692	37,007
	<u>88,807,365</u>	<u>54,139,196</u>	<u>52,797</u>
Auxiliary enterprises:			
Sales and services	16,809,813	-	-
Interest on investments	23,501	-	-
Miscellaneous	1,023,068	-	-
	<u>17,856,382</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>			
Education and support:			
Liberal arts and sciences	23,550,713	396,925	-
Vocational technical	19,845,713	4,868,637	-
Adult education	10,059,732	1,984,828	-
Cooperative services	1,633,923	6,024,257	-
Administration	4,542,454	6,334,817	-
Student services	6,099,814	117,066	-
Learning resources	1,822,176	740,480	-
Physical plant	8,377,634	-	-
General institution	11,180,871	6,694,767	-
<b>Total education and support</b>	<u>87,113,030</u>	<u>27,161,777</u>	<u>-</u>
Auxiliary enterprises	16,992,989	-	-
Scholarships and grants	-	25,153,792	-
Loan cancellations and bad debts, net of recoveries	-	-	(23,515)
Administrative and collection costs	-	-	30,972
Plant asset acquisitions	-	-	-
Retirement of indebtedness	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	984,638	1,102,321	-
Contributions and rent to component units	-	-	-
(Gain) on sale of capital assets	-	-	-
Depreciation	-	-	-
<b>Total expenditures</b>	<u>105,090,657</u>	<u>53,417,890</u>	<u>7,457</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,573,090</u>	<u>721,306</u>	<u>45,340</u>
Transfers:			
Mandatory transfers	-	-	-
Nonmandatory transfers	(997,704)	219,991	-
	<u>(997,704)</u>	<u>219,991</u>	<u>-</u>
<b>Change in net position</b>	<u>575,386</u>	<u>941,297</u>	<u>45,340</u>
Net position:			
Beginning	7,404,218	5,954,437	598,653
Ending	<u>\$ 7,979,604</u>	<u>\$ 6,895,734</u>	<u>\$ 643,993</u>

See Note to Other Supplementary Information.

Unexpended	Plant Funds		Adjustments	Subtotal	Restricted Other Postemployment Benefits	Total
	Retirement of Indebtedness	Investment in Plant				
\$ 433,334	\$ -	\$ -	\$ -	\$ 37,953,646	\$ -	\$ 37,953,646
-	-	-	(25,153,792)	23,840,061	-	23,840,061
4,115,611	4,402,489	-	-	22,045,940	-	22,045,940
-	-	-	-	27,543,181	-	27,543,181
-	-	-	-	1,879,181	-	1,879,181
129,917	-	-	-	146,451	-	146,451
-	-	-	-	15,790	-	15,790
-	-	-	-	6,189,122	-	6,189,122
-	-	24,949,494	(24,949,494)	-	-	-
-	-	34,475,402	(34,475,402)	-	-	-
41,483	-	-	-	7,355,028	-	7,355,028
4,720,345	4,402,489	59,424,896	(84,578,688)	126,968,400	-	126,968,400
-	-	-	-	16,809,813	-	16,809,813
-	-	-	-	23,501	-	23,501
-	-	-	-	1,023,068	-	1,023,068
-	-	-	-	17,856,382	-	17,856,382
-	-	-	(1,729,816)	22,217,822	99,989	22,317,811
-	-	-	(1,457,681)	23,256,669	84,152	23,340,821
-	-	-	(738,894)	11,305,666	35,589	11,341,255
-	-	-	(120,013)	7,538,167	6,940	7,545,107
-	-	-	(333,646)	10,543,625	43,331	10,586,956
-	-	-	(448,036)	5,768,844	32,645	5,801,489
-	-	-	(133,840)	2,428,816	11,229	2,440,045
2,758,777	-	-	(615,343)	10,521,068	20,398	10,541,466
-	-	-	(821,243)	17,054,395	63,993	17,118,388
2,758,777	-	-	(6,398,512)	110,635,072	398,266	111,033,338
-	-	-	-	16,992,989	-	16,992,989
-	-	-	(25,153,792)	-	-	-
-	-	-	-	(23,515)	-	(23,515)
-	-	-	-	30,972	-	30,972
19,926,011	-	-	(19,926,011)	-	-	-
-	34,475,402	-	(34,475,402)	-	-	-
-	-	693,961	(693,961)	-	-	-
-	986,565	-	-	3,073,524	-	3,073,524
-	-	-	1,762,465	1,762,465	-	1,762,465
-	-	(1,419,554)	-	(1,419,554)	-	(1,419,554)
-	-	-	8,892,584	8,892,584	-	8,892,584
22,684,788	35,461,967	(725,593)	(75,992,629)	139,944,537	398,266	140,342,803
(17,964,443)	(31,059,478)	60,150,489	(8,586,059)	4,880,245	(398,266)	4,481,979
(31,059,478)	31,059,478	-	-	-	-	-
581,918	-	-	-	(195,795)	-	(195,795)
(30,477,560)	31,059,478	-	-	(195,795)	-	(195,795)
(48,442,003)	-	60,150,489	(8,586,059)	4,684,450	(398,266)	4,286,184
(124,253,601)	-	325,029,679	(89,685,230)	125,048,156	(7,774,667)	117,273,489
\$ (172,695,604)	\$ -	\$ 385,180,168	\$ (98,271,289)	\$ 129,732,606	\$ (8,172,933)	\$ 121,559,673

**Kirkwood Community College**

**Schedule of Revenues, Expenditures and Changes in Net Position  
Unrestricted Current Funds, Education and Support  
Year Ended June 30, 2014**

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
<b>Revenues:</b>				
State appropriations	\$ 12,655,378	\$ 11,804,082	\$ 5,888,481	\$ -
Tuition and fees	25,128,842	12,911,005	8,888,303	2,060,755
Property tax	-	-	-	-
Federal appropriations	-	-	-	-
Sales and services	139,383	125,989	627,204	1,186
Interest on investments	-	-	-	-
Miscellaneous	27,500	217,694	90,805	24,150
	<u>37,951,103</u>	<u>25,058,770</u>	<u>15,494,793</u>	<u>2,086,091</u>
Allocation of support services	3,477,396	3,148,469	1,590,743	-
<b>Total revenues</b>	<u>41,428,499</u>	<u>28,207,239</u>	<u>17,085,536</u>	<u>2,086,091</u>
<b>Expenditures:</b>				
Salaries and benefits	22,925,577	18,145,915	6,874,869	1,179,857
Services	262,750	453,817	1,818,390	134,042
Materials and supplies	167,050	619,769	1,032,425	261,865
Travel	193,088	219,649	133,837	28,337
Plant asset acquisitions	-	52,315	46,639	-
Miscellaneous	2,248	354,248	153,572	29,822
	<u>23,550,713</u>	<u>19,845,713</u>	<u>10,059,732</u>	<u>1,633,923</u>
Allocation of support services	13,552,611	12,270,666	6,199,672	-
<b>Total expenditures</b>	<u>37,103,324</u>	<u>32,116,379</u>	<u>16,259,404</u>	<u>1,633,923</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	4,325,175	(3,909,140)	826,132	452,168
Transfers, nonmandatory transfers	(556)	(5,707)	-	-
<b>Change in net position</b>	<u>\$ 4,324,619</u>	<u>\$ (3,914,847)</u>	<u>\$ 826,132</u>	<u>\$ 452,168</u>

Net position:

Beginning

Ending

See Note to Other Supplementary Information.

General Administration	Student Services	Support			Education and Support Total
		Learning Resources	Physical Plant	General Institution	
\$ 31,275	\$ -	\$ 435	\$ -	\$ -	\$ 30,379,651
150	-	-	-	-	48,989,055
4,119,286	-	-	-	-	4,119,286
-	397,681	-	-	-	397,681
-	334,718	-	27,436	123,943	1,379,859
987	-	-	-	-	987
2,719,268	24,416	4,887	413,152	18,974	3,540,846
6,870,966	756,815	5,322	440,588	142,917	88,807,365
(6,870,966)	(756,815)	(5,322)	(440,588)	(142,917)	-
-	-	-	-	-	88,807,365
1,982,924	5,251,214	1,548,321	3,493,896	6,943,914	68,346,487
1,246,272	323,726	77,860	4,002,516	3,276,176	11,595,549
87,083	269,667	193,075	673,714	505,391	3,810,039
104,926	146,403	2,846	13,080	107,834	950,000
-	70,623	-	160,261	298,410	628,248
1,121,249	38,181	74	34,167	49,146	1,782,707
4,542,454	6,099,814	1,822,176	8,377,634	11,180,871	87,113,030
(4,542,454)	(6,099,814)	(1,822,176)	(8,377,634)	(11,180,871)	-
-	-	-	-	-	87,113,030
-	-	-	-	-	1,694,335
(1,296,422)	100,000	-	-	(15)	(1,202,700)
\$ (1,296,422)	\$ 100,000	\$ -	\$ -	\$ (15)	491,635
					9,788,719
					<u>\$ 10,280,354</u>

**Kirkwood Community College**

**Schedule of Revenues, Expenditures and Changes in Net Position  
Unrestricted Current Funds, Auxiliary Enterprises  
Year Ended June 30, 2014**

	Farm Lab	Retail Operations	Other Vocational	Equestrian Center
<b>Revenues:</b>				
Sales and services	\$ 549,013	\$ 8,580,700	\$ 585,980	\$ 334,830
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>549,013</b>	<b>8,580,700</b>	<b>585,980</b>	<b>334,830</b>
<b>Expenditures:</b>				
Salaries and benefits	59,891	1,243,761	12,907	189,531
Services	116,516	198,770	16,739	24,782
Materials and supplies	243,877	78,518	81,390	25,191
Travel	484	36,256	17,591	2,417
Plant acquisitions	8,185	-	-	-
Interest on indebtedness	-	-	-	-
Cost of goods sold	(36,582)	6,387,556	196,553	64,301
Miscellaneous	28	46,891	319,479	2,488
<b>Total expenditures</b>	<b>392,399</b>	<b>7,991,752</b>	<b>644,659</b>	<b>308,710</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>156,614</b>	<b>588,948</b>	<b>(58,679)</b>	<b>26,120</b>
Transfers, nonmandatory transfers	2,497	(581,919)	-	-
<b>Change in net position</b>	<b>159,111</b>	<b>7,029</b>	<b>(58,679)</b>	<b>26,120</b>
<b>Net position:</b>				
Beginning	(180,248)	(40,007)	(44,101)	102,607
Ending	\$ (21,137)	\$ (32,978)	\$ (102,780)	\$ 128,727

See Note to Other Supplementary Information.

Workplace Development	The Hotel at Kirkwood Center	Miscellaneous	Total
\$ 659,504	\$ 5,933,437	\$ 166,349	\$ 16,809,813
114	23,387	-	23,501
-	872,491	150,577	1,023,068
659,618	6,829,315	316,926	17,856,382
453,636	3,063,817	561,815	5,585,358
166,786	476,666	148,916	1,149,175
12,080	572,589	142,773	1,156,418
25,034	17,345	138,935	238,062
-	58,742	11,558	78,485
-	984,638	-	984,638
-	1,544,444	-	8,156,272
2,279	246,477	11,577	629,219
659,815	6,964,718	1,015,574	17,977,627
(197)	(135,403)	(698,648)	(121,245)
-	4,482	779,936	204,996
(197)	(130,921)	81,288	83,751
(1,159)	(1,883,777)	(337,816)	(2,384,501)
\$ (1,356)	\$ (2,014,698)	\$ (256,528)	\$ (2,300,750)

**Kirkwood Community College**

**Schedule of Revenues, Expenditures and Changes in Net Position  
Restricted Funds  
Year Ended June 30, 2014**

	Scholarships and Grants	Iowa Industrial New Jobs Training Program	Workforce Investment Act	Heritage Agency on Aging	Other Federal
<b>Revenues:</b>					
State appropriations	\$ 1,423,900	\$ -	\$ -	\$ 912,948	\$ -
Tuition and fees	-	-	-	-	-
Property tax	-	50,715	-	-	-
Federal appropriations	20,675,634	-	1,320,145	2,867,001	2,282,720
Sales and services	-	-	-	489,051	-
Interest on investments	-	14,862	-	39	-
Iowa Industrial New Jobs Training Program	-	6,189,122	-	-	-
Miscellaneous	3,046,332	-	-	35,682	-
<b>Total revenues</b>	<b>25,145,866</b>	<b>6,254,699</b>	<b>1,320,145</b>	<b>4,304,721</b>	<b>2,282,720</b>
<b>Expenditures:</b>					
Salaries and benefits	-	2,092	734,570	1,314,709	1,221,245
Services	-	4,365,365	246,511	2,856,045	641,179
Materials and supplies	-	385,326	71,858	21,773	33,777
Travel	-	232,788	20,220	43,542	36,635
Plant asset acquisitions	-	59,888	199,505	-	115,088
Interest on indebtedness	-	1,102,321	-	-	-
Miscellaneous	-	93,088	52,468	150	215,391
Federal Pell grant program	20,206,739	-	-	-	-
Federal supplemental educational opportunity grant	407,176	-	-	-	-
Iowa College Student Aid Commission	1,513,452	-	-	-	-
Private scholarships	3,026,425	-	-	-	-
<b>Total expenditures</b>	<b>25,153,792</b>	<b>6,240,868</b>	<b>1,325,132</b>	<b>4,236,219</b>	<b>2,263,315</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(7,926)</b>	<b>13,831</b>	<b>(4,987)</b>	<b>68,502</b>	<b>19,405</b>
Transfers, nonmandatory transfers	-	-	-	(68,507)	-
<b>Change in net position</b>	<b>(7,926)</b>	<b>13,831</b>	<b>(4,987)</b>	<b>(5)</b>	<b>19,405</b>
<b>Net position:</b>					
Beginning, as restated	(24,959)	539,745	(113,222)	(105,708)	(133,569)
Ending	\$ (32,885)	\$ 553,576	\$ (118,209)	\$ (105,713)	\$ (114,164)

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
\$ 4,803,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,140,661	\$ -	\$ 7,140,661
-	-	-	-	-	-	4,798	4,798	-	4,798
-	1,835,090	2,852,288	4,491,641	178,820	-	-	9,408,554	-	9,408,554
-	-	-	-	-	-	-	27,145,500	-	27,145,500
-	-	-	-	-	-	10,271	499,322	-	499,322
-	-	-	646	-	-	-	15,547	-	15,547
-	-	-	-	-	-	-	6,189,122	-	6,189,122
89,939	-	87,102	-	-	-	476,637	3,735,692	-	3,735,692
4,893,752	1,835,090	2,939,390	4,492,287	178,820	-	491,706	54,139,196	-	54,139,196
1,813,519	-	-	1,405,249	126,658	-	571,514	7,189,556	398,266	7,587,822
1,022,061	1,192	4,802,910	-	-	-	118,933	14,054,196	-	14,054,196
841,170	1,545,335	-	-	-	-	31,439	2,930,678	-	2,930,678
73,195	-	-	-	-	-	7,792	414,172	-	414,172
423,521	930,119	-	-	-	-	13,281	1,741,402	-	1,741,402
-	-	-	-	-	-	-	1,102,321	-	1,102,321
468,581	-	-	-	-	-	2,095	831,773	-	831,773
-	-	-	-	-	-	-	20,206,739	-	20,206,739
-	-	-	-	-	-	-	407,176	-	407,176
-	-	-	-	-	-	-	1,513,452	-	1,513,452
-	-	-	-	-	-	-	3,026,425	-	3,026,425
4,642,047	2,476,646	4,802,910	1,405,249	126,658	-	745,054	53,417,890	398,266	53,816,156
251,705	(641,556)	(1,863,520)	3,087,038	52,162	-	(253,348)	721,306	(398,266)	323,040
-	219	-	-	-	-	288,279	219,991	-	219,991
251,705	(641,337)	(1,863,520)	3,087,038	52,162	-	34,931	941,297	(398,266)	543,031
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)
\$ 997,521	\$ 557,373	\$ (5,130,198)	\$ 8,980,917	\$ 73,096	\$ 621,989	\$ 612,431	\$ 6,895,734	\$ (8,172,933)	\$ (1,277,199)

**Kirkwood Community College**

**Schedule of Changes in Deposits Held in Custody for Others  
Agency Funds  
Year Ended June 30, 2014**

	Student Activities	Other Agency Programs
Balances, beginning of year	\$ 260,134	\$ 534,323
Additions:		
State appropriations	-	-
Federal appropriations	-	-
Sales and services	56,005	74,665
Partnership loan program	-	719,480
Miscellaneous	257,191	4,355
Transfers	195,795	-
<b>Total additions</b>	<b>508,991</b>	<b>798,500</b>
Deductions:		
Salaries and benefits	3,503	-
Services	77,568	856,702
Materials and supplies	183,119	33,683
Travel	157,584	-
Living allowances	-	-
Miscellaneous	55,414	(18,336)
<b>Total deductions</b>	<b>477,188</b>	<b>872,049</b>
Balance, end of year	<b>\$ 291,937</b>	<b>\$ 460,774</b>

See Note to Other Supplementary Information.

Retraining Program	Direct Loan Program	Community Colleges for International Development, Inc.	Total
\$ 188,193	\$ -	\$ (38,258)	\$ 944,392
971,771	-	-	971,771
-	40,205,120	184,422	40,389,542
-	-	835,359	966,029
-	-	-	719,480
-	-	536,121	797,667
-	-	-	195,795
971,771	40,205,120	1,555,902	44,040,284
-	-	881,510	885,013
891,526	40,205,120	167,949	42,198,865
-	-	101,997	318,799
-	-	901,642	1,059,226
-	-	(4,148)	(4,148)
-	-	4,657	41,735
891,526	40,205,120	2,053,607	44,499,490
\$ 268,438	\$ -	\$ (535,963)	\$ 485,186

## Kirkwood Community College

### Note to Other Supplementary Information

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

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

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

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

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

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

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

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

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

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

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

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

**Kirkwood Community College**

**Schedule of Credit and Contact Hour Enrollment  
Year Ended June 30, 2014**

	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Category:						
Arts and sciences	175,664	-	175,664	3,007,794	-	3,007,794
Vocational education	136,335	-	136,335	2,723,286	-	2,723,286
Adult education/continuing education	-	-	-	1,091,037	284,885 *	1,375,922
	<u>311,999</u>	<u>-</u>	<u>311,999</u>	<u>6,822,117</u>	<u>284,885</u>	<u>7,107,002</u>

\* Includes 240 hour adjustment of 6,960 hours and 300 hour adjustment of 4,800 hours, respectively and other adjustments for 21 hours.

**Kirkwood Community College**

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

	2014	2013	2012
Local (property tax)	\$ 22,045,940	\$ 21,439,409	\$ 19,165,569
State	37,953,646	33,265,140	30,167,245
Federal	27,543,181	32,202,315	37,141,478
<b>Total</b>	<b>\$ 87,542,767</b>	<b>\$ 86,906,864</b>	<b>\$ 86,474,292</b>

2011	2010	2009	2008	2007	2006
\$ 16,948,563	\$ 14,656,336	\$ 14,213,443	\$ 13,676,607	\$ 13,660,902	\$ 2,568,795
29,935,435	28,816,574	35,217,723	32,273,982	27,490,516	25,915,880
38,439,167	42,885,130	27,653,493	22,529,611	22,305,003	22,116,516
<u>\$ 85,323,165</u>	<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>

**Kirkwood Community College**

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

	2014	2013	2012
<b>Revenues:</b>			
State appropriations	\$ 37,520,312	\$ 32,460,615	\$ 29,628,398
Tuition and fees	48,993,853	52,797,801	53,874,766
Property tax	13,527,840	13,250,043	11,307,606
Federal appropriations	27,543,181	32,202,315	37,141,478
Sales and services	1,879,181	2,211,889	2,343,769
Interest on investments	16,534	18,087	313,208
Iowa Industrial New Jobs Training Program	6,189,122	6,861,240	5,382,812
Auxiliary enterprises	17,856,382	18,510,503	17,583,512
Miscellaneous	7,276,538	5,839,317	4,474,374
	<u>\$ 160,802,943</u>	<u>\$ 164,151,810</u>	<u>\$ 162,049,923</u>
<b>Expenditures:</b>			
Liberal arts and sciences	\$ 23,947,638	\$ 25,054,832	\$ 25,451,646
Vocational technical	24,714,350	23,788,750	22,986,533
Adult education	12,044,560	12,502,370	11,625,712
Cooperative services	7,658,180	6,686,954	4,943,222
Administration	10,877,271	9,356,765	10,446,607
Student services	6,216,880	6,128,533	6,428,849
Learning resources	2,562,656	2,581,651	2,652,484
Physical plant	8,377,634	7,538,140	9,015,356
General institution	17,875,638	17,110,784	16,521,865
Auxiliary enterprises	16,992,989	17,294,831	16,159,803
Scholarships and grants	25,153,792	28,364,453	30,565,374
Interest on indebtedness	2,086,959	2,168,849	2,295,857
	<u>\$ 158,508,547</u>	<u>\$ 158,576,912</u>	<u>\$ 159,093,308</u>

	2011	2010	2009	2008	2007	2006
\$	29,401,047	\$ 28,083,242	\$ 33,384,393	\$ 31,981,435	\$ 27,205,433	\$ 25,638,680
	52,501,781	46,375,772	39,940,159	40,554,897	38,403,435	36,752,189
	9,732,022	8,225,119	7,921,323	7,447,646	7,424,645	6,583,697
	38,439,167	42,885,130	27,653,493	22,529,611	22,282,011	22,090,755
	2,066,391	1,752,758	2,191,639	2,197,490	2,223,437	1,873,393
	133,262	152,887	728,126	1,542,557	836,125	919,371
	5,342,554	5,557,046	8,904,244	7,090,463	6,730,448	3,862,336
	17,201,557	14,655,595	12,326,871	14,255,095	10,610,667	10,881,211
	7,248,846	7,443,116	6,066,590	12,563,084	4,276,507	3,761,062
\$	162,066,627	\$ 155,130,665	\$ 139,116,838	\$ 140,162,278	\$ 119,992,708	\$ 112,362,694

\$	25,287,854	\$ 23,212,694	\$ 21,883,425	\$ 20,182,685	\$ 19,474,466	\$ 17,946,972
	27,726,823	24,480,610	22,569,627	21,916,227	20,987,006	19,832,467
	11,458,772	12,225,309	12,564,230	12,754,415	12,083,618	11,505,437
	5,251,854	6,367,030	7,648,550	7,692,088	6,510,936	3,675,755
	7,886,751	8,746,375	7,373,832	6,449,287	5,959,842	5,568,530
	5,338,610	4,923,975	5,049,306	4,843,325	4,452,042	4,426,463
	3,135,268	3,591,600	3,716,761	2,819,282	3,009,443	3,311,387
	11,889,788	9,732,519	9,673,772	9,554,947	8,339,637	7,091,729
	13,251,962	16,299,666	15,243,432	12,734,901	11,148,919	10,507,101
	17,419,860	14,151,261	11,817,598	10,486,620	10,176,203	9,983,281
	31,657,078	27,603,927	17,021,516	15,413,906	13,670,260	13,068,240
	1,326,639	1,434,493	1,452,386	1,307,554	1,238,043	1,321,131
\$	161,631,259	\$ 152,769,459	\$ 136,014,435	\$ 126,155,237	\$ 117,050,415	\$ 108,238,493

**Kirkwood Community College**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture:</b>			
Indirect through Iowa Workforce Development, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0447-309-PFFB-2495-BLNK	\$ 1,531
<b>U.S. Department of Housing and Urban Development:</b>			
Indirect through Linn County, Community Development Block Grants/ Entitlement Grants	14.218	None	2,984
<b>U.S. Department of Labor:</b>			
Indirect through Office of the Assistant Secretary for Veterans Employment and Training, Local Veterans' Employment Representative Program	17.804	None	7,032
Indirect through Iowa Workforce Development: Workforce Investment Act (WIA) cluster:			
Adult Program	17.258	7-W-10-FR-0	186,921
Youth Activities	17.259	7-W-10-FR-0	468,948
Dislocated Workers	17.278	7-W-10-FR-0	263,822
<b>Total Workforce Investment Act Cluster</b>			<b>919,691</b>
Indirect through Des Moines Area Community College, Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	N/A	419,055
<b>Total U.S. Department of Labor</b>			<b>1,345,778</b>
<b>U.S. Department of State:</b>			
Direct:			
Academic Exchange Programs - Undergraduate Programs - Community College Summit Initiative Program	19.009	N/A	124,576
Academic Exchange Programs - Teachers - Community College Summit Initiative Program	19.009	N/A	3,400
			<u>127,976</u>
Investing in People in The Middle East and North Africa	19.021	N/A	50,798
<b>Total U.S. Department of State</b>			<b>\$ 178,774</b>

(Continued)

**Kirkwood Community College**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>National Science Foundation:</b>			
Direct, Education and Human Resources	47.076	N/A	\$ 91,179
<b>U.S. Small Business Administration:</b>			
Indirect through Iowa State University, Small Business Development Center	59.037	None	89,373
<b>U.S. Department of Education</b>			
Direct:			
Federal Supplemental Educational Opportunity Grants (including administrative cost allowance of \$29,698)	84.007	N/A	407,176
Federal Work-Study Program (including \$8,066 administrative cost allowance)	84.033	N/A	368,637
Perkins Loan Cancellations	84.037	N/A	7,535
Federal Pell Grant Program	84.063	N/A	20,206,739
Federal Direct Student Loans	84.268	N/A	40,205,120
<b>Total Student Financial Assistance Cluster</b>			61,195,207
TRIO - Student Support Services	84.042	N/A	237,705
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325N	N/A	140,487
Indirect through Iowa Department of Education:			
Adult Education, Basic Grants to States	84.002	G20021,36,51,66,81	293,489
Career and Technical - Basic Grants to States	84.048	57-9910	725,512
Indirect through Iowa Department of Corrections:			
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	None	36,620
Indirect through University of Northern Iowa, Fund for the Improvement of Postsecondary Education	84.116	S5457B	202
Indirect through Iowa Vocational Rehabilitation Services, Emergency Immigrant Education Assistance	84.162	N/A	5,176
<b>Total U.S. Department of Education</b>			62,634,398
<b>U.S. Department of Health and Human Services:</b>			
Indirect through Iowa Department of Elder Affairs:			
Special Programs for the Aging-Title VII Chapter 3 - Disease Prevention and Health Promotion Services	93.043	3265	12,244
Special Programs for the Aging Cluster:			
Title III Part B - Grants for Supportive Services and Senior Centers	93.044	3245	488,127
Title III Part C - Nutrition Services	93.045	3450 & 3455	1,371,067
Nutrition Services Incentive Program	93.053	3475	309,458
<b>Total Aging Cluster</b>			\$ 2,168,652

(Continued)

**Kirkwood Community College**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services (continued):</b>			
Indirect through Iowa Department of Elder Affairs (continued):			
National Family Caregiver Support Title III, Part E	93.052	3263	\$ 204,900
Medical Assistance Program	93.778	N/A	258,773
Special Program for the Aging - Title IV and Title II - Discretionary Projects	93.048	5197	5,000
Medicare Enrollment Assistance Program	93.071	N/A	12,358
Indirect through Iowa Workforce Development:			
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	13-W-10-FR-0	750
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	N/A	<u>50,916</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><u>2,713,593</u></u>
<b>U.S. Agency for International Development:</b>			
Indirect through Georgetown University, Scholarships for Education and Economic Development (SEED)	98.001	KCC-RX2050-705-12-G	646,463
<b>Total federal awards expended</b>			<u><u>\$ 67,704,073</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, 2014

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#### Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Kirkwood Community College under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Kirkwood Community College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Kirkwood Community College.

#### Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles required by grant agreements, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

#### Note 3. Loans Outstanding

As of June 30, 2014, Kirkwood Community College has Perkins Loan Program receivables of \$1,111,778. No loans were made during the year ended June 30, 2014.

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. Subsequent to year-end the College liquidated the loan portfolio through assigning loans to the Department of Education or purchasing them from the portfolio.

#### Note 4. 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 - Academic Exchange Program - Undergrad	19.009	\$ 120,719
Special Programs for the Aging Cluster: Title III Part B - Grants for Supportive Services and Senior Centers	93.044	279,924
Title III Part C - Nutrition Services Nutrition Services Incentive Program	93.045	827,445
National Family Caregiver Support	93.053	309,458
	93.052	78,912

**Kirkwood Community College**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2014**

Comment Number	Comment	Corrective Action Taken
<b>Findings Related to the Financial Statement Audit as Reported in Accordance with Government Auditing Standards:</b>		
<b>Significant Deficiencies and Material Weakness in Internal Control over Financial Reporting</b>		
2013-001	Some capital asset adjustments were not properly identified and also were not reconciled throughout the year.	Partially corrected. See 2014-001.
2013-002	The College has inadequate segregation of duties over the payroll transaction cycle.	Condition still exists. See 2014-002.
2013-003	The College has inadequate controls over journal entry posting.	Fully corrected.
2013-004	The College has inadequate segregation of duties over the New Jobs Training Program (NJTP).	Fully corrected.
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.	Condition still exists. See 2014-003.
<b>Findings and Questioned Costs for Federal Awards:</b>		
<b>Significant Deficiency in Internal Control over Federal Awards</b>		
2013-006	General non-compliance with Perkins Loan due diligence requirements.	Condition still exists. See 2014-004.
<b>Compliance Findings</b>		
2013-007	Incorrect withdrawal dates were reported to the National Student Loan Data System (NSLDS) and one student was not properly reported.	Condition still exists. See 2014-006 and 2014-007.
2013-008	The incorrect amount institutional charges were used in a Title IV refund calculation.	Fully corrected.
2013-009	Borrower enrollment status was not properly updated and exit materials were not provided to the borrower.	Fully corrected.

## Kirkwood Community College

### Summary Schedule of Prior Audit Findings Year Ended June 30, 2014

Comment Number	Comment	Corrective Action Taken
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.	Condition still exists. See 2014-008.
2013-011	General non-compliance with Perkins Loan due diligence requirements.	Condition still exists. See 2014-008.
2013-012	Two students were incorrectly awarded and disbursed unsubsidized Federal Direct Student Loans when the students were eligible for subsidized loans.	Fully corrected.
2013-013	The College used incorrect enrollment period for awarding Title IV aid and calculating Title IV refunds.	Fully corrected.
2013-014	The incorrect allocation percentage was used to allocate expenses to different programs.	Condition still exists. See 2014-014.

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

IV-A-13A	The public hearings were published more than 20 days before the date of the hearing.	Fully corrected.
IV-A-13B	The Certified Annual report was materially incorrect.	Condition still exists. See IV-G-14.
IV-B-13	Errors in contact hour report.	Fully corrected.
IV-C-13	The College's June 30, 2013 bank balance at one financial institution exceeded the maximum approved limit.	Fully corrected.



**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, 2014, 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 13, 2014.

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 2014-001 through 2014-003 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 13, 2014



## Report on Compliance for Each 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, 2014. 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.

This report includes only Kirkwood Community College and does not include the component units.

#### 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, 2014.

## 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 2014-006 through 2014-014. 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 deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-004 and 2014-005 that we consider to be significant deficiencies.

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 13, 2014

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

**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
84.048	Career and Technical Education – Basic Grants to States
17.282	Trade Adjustment Assistance Community College and Career Training

Dollar threshold used to distinguish between type A and type B programs \$300,000

- Auditee qualified as low-risk auditee?  Yes  No

Kirkwood Community College

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014

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

(A) Significant Deficiencies in Internal Control

**2014-001**

Finding: Journal entries were required in the audit process to adjust the financial statements to be materially in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Condition: The College improperly duplicated entries to adjust and record retainage related to construction in process. An entry for approximately \$300,000 was identified during the audit process due to inaccurate reconciliation of construction in process to the general ledger. The College also inaccurately capitalized underwriters discount from prior period debt issuances and current year debt issuance for a total of approximately \$623,000 when these amounts are no longer allowed to be capitalized under US GAAP effective with the prior fiscal year.

Criteria: A good system of financial reporting includes appropriate policies and procedures to provide reasonable assurance that all adjustments are made to balances at year end.

Context: Systemic over capital assets and debt issuance transactions.

Cause: These entries were a result of items missed in the review of reconciliations and journal entries and a recent change in accounting standards.

Effect: A significant misstatement of the financial statements could occur.

Recommendation: The College should reevaluate its reconciliation and review procedures so that the same person who performs the reconciliations does not review them and the review involves a detail review of reconciling items and proper financial reporting.

Response and corrective action plan: The accounting team will continue to enhance the monthly close procedures to include a reconciliation of fixed asset and debt related activity. Additionally, cross training will be provided to the Accounting Manager to ensure an understanding of all fixed asset and debt related entries to assist in the reconciliation and review process.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**2014-002**

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. There is also no formal process to remove terminated part-time employees from the payroll system, which requires the payroll manager to manually search for and remove employees with no additional review. Further payroll change reports are 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 have the ability to handle a transaction from inception to completion.

Context: Systemic over payroll transaction cycle.

Cause: Assigned duties and system access rights 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. The College should establish a formal policy in regards to removing of part-time terminated employees from the payroll system to verify they are removed timely and do not have the potential of being paid after their employment ends.

Response and corrective action plan: As part of addressing overall IT system access rights (see 2014-003), access within the payroll system will also be reviewed and changes implemented where appropriate. Additionally, HR and Finance leadership will work with IT and Ellucian consultants to identify 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.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**2014-003**

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 IT administrative access, which grants access to the entire accounting system. In addition, improper IT access rights assigned to one user causes 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 IT 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 has the ability to 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, 2014

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Response and corrective action plan: Technology Services will be evaluating access rights to Colleague by Financial Accounting and Human Resources. 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 the Finance and HR teams.

#### Compliance Finding

No matters reported.

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

#### (A) Significant Deficiencies in Internal Control

**2014-004**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Award Year: 2013-2014**

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.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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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.

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: Subsequent to year-end, the College has completed liquidations of the Perkins Loan portfolio; therefore, no further remediation is required.

Response and corrective action plan: Kirkwood acknowledges the finding. The Perkins program has been liquidated with a significant number of loans assigned to the Department of Education and final close out procedures completed for the liquidation.

**2014-005**

**U.S. Department of Labor and U.S. Department of Education  
Trade Adjustment Assistance Community College and Career Training Program  
(17.282)  
Career and Technical Education – Basic Grants to States Program (84.048)  
Workforce Investment Act Program (CFDA 17.258, 17.259, 17.278)  
Federal Award Year: 2013-2014**

Finding: The College is not consistently checking if vendors are on the Excluded Parties List System (EPLS) for suspension or debarment before paying them.

Condition: The College does not have a process in place to ensure that all vendors are being checked on EPLS.

Criteria: 34 CFR 74 and 29 CFR 95, require that as a recipient of a federal award, the College is responsible for determining whether the individuals and businesses from which goods or services are procured with federal money for any covered transactions are not excluded or disqualified from participating in federal programs.

Context: All covered transactions within the Trade Adjustment Assistance Community College, Career Training Program and Career and Technical Education – Basic Grants to States Program, and Workforce Investment Act Program.

Cause: Although the College understands the requirement to check the EPLS, there were times they inadvertently forgot to check before paying a vendor. There is no formal control in place to make sure vendors are checked against the EPLS.

Effect: Vendors suspended or debarred could be paid with federal funds by the College.

## Kirkwood Community College

### Schedule of Findings and Questioned Costs Year Ended June 30, 2014

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Recommendation: The College should have procedures and controls in place to consistently check the EPLS before paying vendors.

Response and corrective action plan: Finance staff has communicated the need for College representatives to review the SAM.gov excluded parties list prior to purchasing goods or services from an outside vendor via a College-wide Tempo. Regular updates will be sent to all staff and periodic validation of compliance will be performed by Accounts Payable staff. However, Finance staff acknowledges the challenges in holding College representatives accountable to performing this validation before the good or service is procured.

#### (B) Compliance Findings

**2014-006**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2013-2014**

Finding: Incorrect withdrawal dates or less than half time dates were reported to the National Student Loan Data System (NSLDS) and seven students were not properly reported within 60 days of determination.

Condition: Nineteen students had incorrect withdrawal dates or less than half time dates reported to NSLDS. Seven students were not properly reported to NSLDS as graduated, less than half time, or withdrawn within 60 days of determination.

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. 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 86 withdrawn students tested had incorrect withdrawal dates reported to NSLDS. Seven of the 120 students withdrawn or with other enrollment changes tested were not reported to NSLDS within 60 days of determination.

## Kirkwood Community College

### Schedule of Findings and Questioned Costs Year Ended June 30, 2014

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Cause: The College is not required to take attendance, and therefore can use the midpoint of the semester in the withdrawal calculation if the student withdraws without notification. The College used the wrong date as the midpoint of the semester for the students with incorrect withdrawal dates reported. In addition, the College did not report students within 60 days of determination because they were not included on the roster files received from NSLDS. The students 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 midpoint of the semester should be used for reporting to the NSLDS when students withdraw without notification. We recommend the College monitor status changes for all students who receive Federal Direct Loans and compare to NSLDS roster files to ensure students who are not on the roster files are manually updated to comply with federal regulations.

Response and corrective action plan: Kirkwood acknowledges this finding. Enrollment Services with work with Technology Services to develop an audit report to check that all withdrawal status changes and notifications are completed per DE requirements. Audit will include enrollment changes to NSLDS, required exit counseling, Return to Title IV calculations completely on time, and funds returned to COD where required. We will work with NSLDS to determine reports available to monitor that all students enrollment reporting is completed.

#### 2014-007

#### **U.S. Department of Education Student Financial Assistance Programs Cluster Federal Direct Loan Program (CFDA 84.268) Federal Award Year: 2013-2014**

Finding: Four students who received Federal Direct Loans were not reported to the National Student Loan Data System (NSLDS).

Condition: Four students were not reported to NSLDS with at least half-time status.

Criteria: 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. Per NSLDS Enrollment Guide, the student does not have to have a loan with your school to be added to your roster. Any student with open Title IV aid (even if not from your school) must have enrollment reported.

Questioned costs: None

Prevalence: Four of the 86 students tested were not reported to NSLDS.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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Cause: The College did not report these students because they were not included on the roster files received from NSLDS. The students 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 College should monitor status changes for all students who receive Federal Direct Loans and compare to NSLDS roster files to ensure students who are not on the roster files are manually updated to comply with federal regulations.

Response and corrective action plan: Kirkwood acknowledges this finding. Enrollment Services with work with Technology Services to develop an audit report to check that all withdrawal status changes and notifications are completed per DE requirements. Audit will include enrollment changes to NSLDS, required exit counseling, Return to Title IV calculations completely on time, and funds returned to COD where required. We will work with NSLDS to determine reports available to monitor that all students enrollment reporting is completed.

**2014-008**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Perkins Loan Program (CFDA 84.038)  
Federal Award Year: 2013-2014**

Finding: General non-compliance with Perkins Loan due diligence requirements. See 2014-004 above.

Prevalence: Nine out of 40 students tested for Perkins Loan due diligence were not contacted within the last year.

Questioned costs: None

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**2014-009**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2013-2014**

Finding: The College's verification policy does not include the required elements of the federal regulations 34 CFR 668.53.

Condition: The College has not incorporated all elements of federal regulations 34 CFR 668.53 into its verification policy.

Criteria: Per 34 CFR 668.53 (a), an institution must establish and use written policies and procedures for verifying an applicant's FAFSA information in accordance with the provisions of this subpart. These policies and procedures must include (1) The time period within which an applicant must provide any documentation requested by the institution in accordance with 34 CFR 668.57; (2) The consequences of an applicant's failure to provide the requested documentation within the specified time period; (3) The method by which the institution notifies an applicant of the results of its verification if, as a result of verification, the applicant's EFC changes and results in a change in the amount of the applicant's assistance until the Title IV, HEA programs; (4) The procedures the institution will follow itself or the procedures the institution will require an applicant to follow to correct FAFSA information determined to be in error; and (5) The procedures for making referrals under 34 CFR 668.16(g). Per 34 CFR 668.53 (b), an institution's procedures must provide that it will furnish, in a timely manner, to each applicant whose FAFSA information is selected for verification a clear explanation of (1) The documentation needed to satisfy the verification requirements; and (2) The applicant's responsibilities with respect to the verification of FAFSA information, including the deadlines for completing any actions required under this subpart and the consequences of failing to complete any required action.

Questioned costs: None

Prevalence: All students who are selected for verification.

Cause: The College has not updated their verification policy in recent years, so the new guidance required in federal regulations 34 CFR 668.53 was not added to the policy.

Effect: Noncompliance with federal regulations.

Recommendation: The College's verification policy should be updated to include all elements described in the federal regulations.

Response and corrective action plan: Kirkwood acknowledges this finding. Policies and procedures for verification have been updated to comply with 34 CFR 668.53.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**2014-010**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2013-2014**

Finding: One student's Title IV funds were not properly returned through the Common Origination and Disbursement (COD) System within the required 45 days.

Condition: The College inadvertently excluded one student from returning Title IV funds through COD. The funds were returned after the required 45 days.

Criteria: Per 34 CFR 668.22(2)(j)(1), an institution must return the amount of Title IV funds for which it is responsible as soon as possible but not later than 45 days after the date of the institution's determination that the student withdrew.

Questioned costs: None

Prevalence: One of the 86 students tested were not properly returned funds through COD within the required 45 days.

Cause: The College inadvertently missed the student in the process and the funds were not properly returned to COD within the required 45 days.

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

Recommendation: The College should make sure all Title IV funds are properly returned through COD within the required time period.

Response and corrective action plan: Kirkwood acknowledges this finding. Enrollment Services with work with Technology Services to develop an audit report to check that all withdrawal status changes and notifications are completed per DE requirements. Audit will include enrollment changes to NSLDS, required exit counseling, Return to Title IV calculations completely on time, and funds returned to COD where required. We will work with NLSDS to determine reports available to monitor that all students enrollment reporting is completed.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**2014-011**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2013-2014**

Finding: The College used the incorrect withdrawal date for one student when calculating the Title IV refund.

Condition: The College used the first day of the scheduled break as the withdrawal date for one student rather than the last day of scheduled class attendance prior to the start of the scheduled break.

Criteria: Per 34 CFR 668.22(f)(2)(i), the total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period. Per Federal Student Aid Handbook 2013-2014, Volume 5, Chapter 1, if a student officially withdraws while on a scheduled break of five consecutive days or more, the withdrawal date is the last date of scheduled class attendance prior to the start of the scheduled break.

Questioned costs: \$8

Prevalence: One of the 86 students tested used the incorrect withdrawal date when calculating the Title IV refund.

Cause: Improper withdrawal determination date made by the College.

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

Recommendation: The date prior to the start of the scheduled break should be used when calculating Title IV refunds for students who withdraw during the break.

Response and corrective action plan: Kirkwood acknowledges this finding. Enrollment Services will work with Technology Services to develop an audit report to check that all withdrawal status changes and notifications are completed per DE requirements. Audit will include enrollment changes to NSLDS, required exit counseling, Return to Title IV calculations completely on time, and funds returned to COD where required. We will work with NSLDS to determine reports available to monitor that all students enrollment reporting is completed.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**2014-012**

**U.S. Department of Education**

**Student Financial Assistance Programs Cluster**

**Federal Direct Loan Program (CFDA 84.268)**

**Federal Award Year: 2013-2014**

Finding: Twelve students were not sent exit counseling materials within 30 days of withdrawal, graduation or change to less than half time status.

Condition: Exit counseling materials were not sent to the students within 30 days of known separation.

Criteria: Per 34 CFR 674.42 (b), the institution must ensure that exit counseling is conducted with each borrower either in person, by audiovisual presentation, or by interactive electronic means within 30 days of known separation.

Questioned costs: None

Prevalence: Twelve out of 60 students tested were not sent exit counseling materials within 30 days of known separation.

Cause: Some students were inadvertently missed by a new employee who ran a process incorrectly, and some students were inadvertently missed by an IT error when running the list of students who needed exit counseling materials.

Effect: Students not reminded of their obligation as required by regulations.

Recommendation: The College should implement proper training to new individuals who are involved in the process of sending exit counseling materials to students.

Response and corrective action plan: Kirkwood acknowledges this finding. Enrollment Services with work with Technology Services to develop an audit report to check that all withdrawal status changes and notifications are completed per DE requirements. Audit will include enrollment changes to NSLDS, required exit counseling, Return to Title IV calculations completely on time, and funds returned to COD where required. We will work with NLSDS to determine reports available to monitor that all students enrollment reporting is completed.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**2014-013**

**U.S. Department of Education  
Student Financial Assistance Programs Cluster  
Federal Direct Loan Program (CFDA 84.268)  
Federal Award Year: 2013-2014**

Finding: Three students were incorrectly awarded and disbursed Federal Direct Student Loans.

Condition: Three students were under awarded Federal Direct Lending subsidized loans due to an incorrect calculation of students' annual loan limit progression.

Criteria: Per 34 CFR 685.301(c). Annual loan limit progression based on completion of an academic year. (1) If a school measures academic progress in an educational program in credit hours and uses either standard terms or nonstandard terms that are substantially equal in length, and each term is at least nine weeks of instructional time, a student is considered to have completed an academic year and progresses to the next annual loan limit when the academic year calendar period has elapsed. Per Federal Student Aid Handbook 2013-2014, Volume 3, Chapter 5, in standard term programs or nonstandard SE9W programs, a student who has already borrowed up to the annual loan limit within an academic year can receive additional loan funds if the student progresses to a grade level with a higher annual loan limit during the same academic year.

Questioned costs: None

Prevalence: Three out of 60 students tested were incorrectly awarded and disbursed Federal Direct Student Loans.

Cause: The College was using total completed hours as of the awarding date rather than taking into consideration the credit requirements completed subsequent to awarding but during the same academic year.

Effect: A larger amount of Federal Direct Lending subsidized loans could have been awarded.

Recommendation: Student awards should be based on all completed credits from the prior award year and reviewed to ensure students are properly awarded.

Response and corrective action plan: Kirkwood acknowledges this finding. Enrollment Services will work with Technology Services to create a report to find students whose enrollment level has changed since initial awarding and manually adjust awards accordingly.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**2014-014**

**U.S. Department of Labor  
Workforce Investment Act Program (CFDA 17.258, 17.259, 17.278)  
Federal Award Year: 2013-2014**

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: \$55

Prevalence: Two 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.

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 continues to wait on an upgrade to the Ellucian software which will automate the allocation of wage and benefit expenses to the various programs.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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

IV-A-14 Certified Budget

Finding: Expenditures during the year ended June 30, 2014 exceeded the amounts budgeted in total.

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

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

Conclusion: Response noted.

IV-B-14 Questionable Disbursements

Based on the expenditures subject to our testing procedures, no expenditures were noted that we believe did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-14 Travel Expense

Based on the expenditures subject to our testing procedures, no expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.

IV-D-14 Business Transactions

Based on transactions subject to our testing procedures, no business transactions between the College and College officials or employees were noted.

IV-E-14 Bond Coverage

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

IV-F-14 Board Minutes

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

IV-G-14 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.

Certified Annual Report

Finding: The Certified Annual report was materially incorrect.

**Kirkwood Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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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 noted.

IV-H-14 Deposits and Investments

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

IV-I-14 Credit and Contact Hours

Eligible credit and contact hours reported to the Iowa Department of Education by the College for the year ended June 30, 2014 were supported by detailed records maintained by the College.

**Kirkwood Community College**

**Corrective Action Plan  
Year Ended June 30, 2014**

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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**

2014-001	Journal entries were required in the audit process to adjust the financial statements to be materially in accordance with US GAAP.	See corrective action plan at 2014-001.	Jim Choate VP-CFO/COO	June 2015
2014-002	The College has inadequate segregation of duties over the payroll transaction cycle.	See corrective action plan at 2014-002.	Jim Choate VP-CFO/COO	June 2015
2014-003	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 IT administrative access, which grants access to the entire accounting system.	See corrective action plan at 2014-003.	Jim Choate VP-CFO/COO	June 2015

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

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

2014-004	General non-compliance with Perkins Loan due diligence requirements.	See corrective action plan at 2014-004.	Jim Choate VP-CFO/COO	June 2015
2014-005	The College is not consistently checking if vendors are on the Excluded Parties List System (EPLS) for suspension or debarment before paying them.	See corrective action plan at 2014-005.	Jim Choate VP-CFO/COO	June 2015

**Kirkwood Community College**

**Corrective Action Plan  
Year Ended June 30, 2014**

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
<b>Compliance:</b>				
2014-006	Incorrect withdrawal dates or less than half time dates were reported to the National Student Loan Data System (NSLDS) and seven students were not properly reported within 60 days of determination.	See corrective action plan at 2014-006.	Kristie Fisher VP, Student Services	June 2015
2014-007	Four students who received Federal Direct Loans were not reported to the National Student Loan Data System (NSLDS).	See corrective action plan at 2014-007.	Kristie Fisher VP, Student Services	June 2015
2014-008	General non-compliance with Perkins Loan due diligence requirements.	See corrective action plan at 2014-008.	Jim Choate VP-CFO/COO	June 2015
2014-009	The College's verification policy does not include the required elements of the federal regulations 34 CFR 668.53.	See corrective action plan at 2014-009.	Kristie Fisher VP, Student Services	June 2015
2014-010	One student's Title IV funds were not properly returned through the Common Origination and Disbursement (COD) System within the required 45 days.	See corrective action plan at 2014-010.	Kristie Fisher VP, Student Services	June 2015
2014-011	The College used the incorrect withdrawal date for one student when calculating the Title IV refund.	See corrective action plan at 2014-011.	Kristie Fisher VP, Student Services	June 2015
2014-012	Twelve students were not sent exit counseling materials within 30 days of withdrawal, graduation or change to less than half time status.	See corrective action plan at 2014-012.	Kristie Fisher VP, Student Services	June 2015

**Kirkwood Community College**

**Corrective Action Plan  
Year Ended June 30, 2014**

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
2014-013	Three students were incorrectly awarded and disbursed Federal Direct Student Loans.	See corrective action plan at 2014-013.	Kristie Fisher VP, Student Services	June 2015
2014-014	The incorrect allocation percentage was used to allocate expenses to different programs.	See corrective action plan at 2014-014.	Jim Choate VP-CFO/COO	June 2015
<b>Statutory Reporting:</b>				
IV-A-14	Expenditures during the year ended June 30, 2014 exceeded the amounts budgeted in total.	See corrective action plan at IV-A-14.	Jim Choate VP-CFO/COO	June 2015
IV-G-14	The Certified Annual report was materially incorrect.	See corrective action plan at IV-G-14.	Jim Choate VP-CFO/COO	June 2015