



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE December 9, 2003

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on Kirkwood Community College in Cedar Rapids, Iowa.

The College has implemented new reporting standards for the year ended June 30, 2003, with significant changes in content and structure of the financial statements. The financial statements now include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows, which provide information about the activities of the College as a whole and present a longer-term view of the College's finances. Also included is Management's Discussion and Analysis of the College's financial statements.

The College's operating revenues totaled \$61,343,209 for the year ended June 30, 2003, including \$22,829,197 from tuition and fees, \$18,897,889 from the federal government and \$7,487,239 from auxiliary enterprises.

Operating expenses for the year totaled \$84,764,334, including \$46,412,416 for salaries and benefits, \$18,938,556 for services and \$5,102,235 for materials and supplies.

The College reported an operating loss of \$23,421,125. 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. Nonoperating revenues totaled \$31,924,548, including \$22,248,119 from the state, \$9,333,736 from property tax and \$310,838 from interest on investments. Nonoperating expenses totaled \$2,814,706, consisting primarily of interest on indebtedness of \$2,606,811. The College ended the year with an increase in net assets of \$5,688,717.

A copy of the audit report is available for review in the Office of Auditor of State and the Board Secretary's office.

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**KIRKWOOD COMMUNITY COLLEGE**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2003**

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## Kirkwood Community College

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Directors</b> (Before September 2002 Election)		
Wayne T. Newton	President	2003
Gregg Bosch	Vice President	2003
Mervin Cronbaugh	Member	2002
Karen Gorham	Member	2002
John Hall	Member	2002
Jerry Pearson	Member	2003
Lois Bartelme	Member	2004
Robert A. Davidson	Member	2004
Robert French	Member	2004

### Board of Directors (After September 2002 Election)

Wayne T. Newton	President	2003
Gregg Bosch	Vice President	2003
Jerry Pearson (Resigned)	Member	2003
Stacey Iben (Appointed)	Member	2003
Lois Bartelme	Member	2004
Robert A. Davidson	Member	2004
Robert French	Member	2004
Mervin Cronbaugh	Member	2005
Karen Gorham	Member	2005
John Hall	Member	2005

### Community College

Norman R. Nielsen	President
Darryl Borcharding	Board Secretary and Director of Human Resources
Lois Nanke	Board Treasurer and Vice President, Administration
Rick Anderson	Director of Business Services

**Kirkwood Community College**



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Independent Auditor's Report

To the Board of Directors of  
Kirkwood Community College :

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, of Kirkwood Community College, Cedar Rapids, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of Kirkwood Community College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kirkwood Community College at June 30, 2003, and the respective changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 14, during the year ended June 30, 2003, Kirkwood Community College adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. Kirkwood Community College also changed its capital asset capitalization threshold as described in Note 14.

In accordance with Government Auditing Standards, we have also issued our reports dated September 25, 2003 on our consideration of Kirkwood Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 33 through 34, respectively, are not required parts of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, which collectively comprise Kirkwood Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State

September 25, 2003

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2003. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

Because Kirkwood Community College is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the College's financial position and results of operations.

### **FINANCIAL HIGHLIGHTS**

- ◆ College operating revenues increased overall in fiscal year (FY) 2003 primarily due to increased tuition and fee revenue. Additional enrollment contributed to the higher tuition revenue along with a tuition rate increase necessitated by a lack of additional state general aid during the year. The added enrollment also increased bookstore sales thus increasing receipts in the Auxiliary Enterprises.
  
- ◆ College operating expenses were higher in FY03 as a result of increases in salaries and benefits, as well as college infrastructure improvements and maintenance. Salaries and benefits were higher due to moderate salary increases coupled with additional faculty positions necessary to accommodate the added enrollment. The College is also experiencing higher maintenance costs with the expansion and natural aging of our facilities.

### **USING THIS ANNUAL REPORT**

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the College's financial activities.

The Basic Financial Statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the College's budget for the year, and Supplementary Information provides detailed information about the individual funds.



## **REPORTING THE COLLEGE AS A WHOLE**

### The Statement of Net Assets

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

#### **Net Assets**

	<u>June 30, 2003</u>
Current and other assets	\$ 63,861,601
Capital assets, net of accumulated depreciation	<u>68,685,130</u>
Total assets	<u>132,546,731</u>
Current liabilities	28,033,876
Noncurrent liabilities	<u>41,481,529</u>
Total liabilities	<u>69,515,405</u>
Nets assets:	
Invested in capital assets, net of related debt	56,205,130
Restricted	718,870
Unrestricted	<u>6,107,326</u>
Total net assets	<u>\$ 63,031,326</u>

The largest portion of the College's net assets (89%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (1%) includes resources that are subject to external restrictions. The remaining net assets (10%) are the unrestricted net assets used to meet the College's obligations as they come due.

### Statement of Revenues, Expenses and Changes in Net Assets

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

In general, a public college, such as Kirkwood Community College, will report an operating loss since the financial reporting model classifies state appropriations and property tax as nonoperating revenues. Operating revenues are received for providing goods and services to the students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Nonoperating revenues are revenues received for

which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

### **Changes in Net Assets**

	Year ended June 30, 2003
Operating revenue:	
Tuition and fees	\$ 22,829,197
Federal appropriations	18,897,889
Iowa Industrial New Jobs Training Program	7,503,336
Auxiliary	7,487,239
Miscellaneous	4,625,548
Total operating revenues	61,343,209
Total operating expenses	84,764,334
Operating loss	(23,421,125)
Nonoperating revenues (expenses)	
State appropriations	22,248,119
Property tax	9,333,736
Interest income on investments	310,838
Interest income on student loans	31,855
Loss on sale of capital assets	(207,895)
Interest expense	(2,606,811)
Net nonoperating revenues	29,109,842
Increase in net assets	5,688,717
Net assets beginning of year	57,342,609
Net assets end of year	\$ 63,031,326

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year, with an increase in the net assets at the end of the fiscal year.

### **Total Revenue by Source**

In fiscal year 2003, operating revenues increased as a result of the following changes:

- ◆ Tuition and fees increased due to both an increase in the number of students and the tuition rate increase from \$78/credit hour in FY02 to \$83/credit hour in FY03.
- ◆ Auxiliary enterprises revenue increased due partially to additional students purchasing books and supplies.

## Operating Expenses

	<u>Year ended</u> <u>June 30, 2003</u>
Education and support:	
Liberal arts and sciences	\$ 13,022,166
Vocational technical	16,293,941
Adult education	7,560,780
Cooperative services	7,090,066
Administration	4,434,342
Student services	3,684,921
Learning resources	2,491,793
Physical plant	5,986,216
General institution	8,681,383
Auxiliary enterprises	8,133,606
Scholarships and grants	3,630,506
Loan cancellations and bad debts	76,610
Administrative and collection costs	114,197
Depreciation	<u>3,563,807</u>
Total	<u>\$ 84,764,334</u>

## Total Expenses

In FY03, operating expenses increased as a result of the following changes:

- ◆ Additional full-time faculty were hired to accommodate the expanding enrollment in some programs while increased part-time instruction was necessary in many other areas.
- ◆ Moderate salary increases were given to existing faculty and staff accompanied by an increase in the cost for the College's health insurance program.
- ◆ Higher enrollment requires expanded facilities and the continuing maintenance of those facilities.
- ◆ Auxiliary enterprises expenses increased due to higher sales in the bookstore from the increased number of students buying books and supplies.

### 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 users 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 financing and investing activities.

## Cash Flows

	<u>Year ended</u> <u>June 30, 2003</u>
Cash provided (used) by:	
Operating activities	\$ (18,565,701)
Non-capital financing activities	28,581,685
Capital and related financing activities	(6,554,195)
Investing activities	<u>343,862</u>
Net increase in cash	3,805,651
Cash beginning of the year	<u>34,149,042</u>
Cash end of the year	<u><u>\$ 37,954,693</u></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 Family Educational Loan program proceeds. Cash used by capital and related financing activities represents the proceeds from debt, the principal and interest payments on debt and the purchase of capital assets. Cash provided by investing activities includes investment income received.

## **CAPITAL ASSETS**

At June 30, 2003, the College had approximately \$68.7 million invested in capital assets, net of accumulated depreciation of \$36.3 million. Depreciation charges totaled \$3,563,807 for FY 2003. Details of capital assets are shown below.

### **Capital Assets, Net, at Year-End**

	<u>June 30, 2003</u>
Land	\$ 3,869,478
Buildings	54,896,577
Other structures and improvements	7,454,897
Equipment and vehicles	<u>2,464,178</u>
Total	<u><u>\$ 68,685,130</u></u>

Planned capital expenditures for the fiscal year ending June 30, 2004 and beyond includes the completion of the Iowa City campus expansion project and the new recreation center on main campus. Infrastructure improvements include completion of the North Loop road project to improve traffic flow and renovation of some East Campus buildings to add more classrooms and office space. More detailed information about the College's capital assets is presented in Note 4 to the financial statements.

## **DEBT**

At June 30, 2003, the College had \$46.6 million in debt outstanding, a decrease of \$3,670,000 from fiscal year 2002. The table below summarizes these amounts by type.

### **Outstanding Debt**

	<u>June 30 ,2003</u>
Certificates payable	\$ 34,120,000
Notes payable	<u>12,480,000</u>
Total	<u>\$ 46,600,000</u>

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

## **ECONOMIC FACTORS**

Kirkwood Community College continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for College officials. Some of the realities that may potentially become challenges for the College to meet are:

- ◆ State aid will remain virtually unchanged. State aid for fiscal year 2004 was increased only .8% above the amount received in fiscal year 2003. This increase is below the current inflation rate of the state.
- ◆ Expenses will continue to increase. As the number of students increases, the costs associated with serving them continue to increase.
- ◆ Facilities at the College require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

The College anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the College's ability to react to unknown issues.

## **Contacting the College's Financial Management**

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

## **Basic Financial Statements**

**Exhibit A**

## Kirkwood Community College

## Statement of Net Assets

June 30, 2003

**Assets**

## Current assets:

## Cash and investments:

Cash and pooled investments \$ 20,484,567

## Receivables:

Accounts 2,979,371

Succeeding year property tax 8,784,900

Notes 1,017,619

Due from other governments 4,605,296

Inventories (note 3) 1,544,987

Prepaid expenses 1,463,137

Total current assets 40,879,877

## Noncurrent assets:

Restricted cash 17,470,126

## Receivables:

Notes, net of allowance for uncollectible  
accounts of \$261,425 1,621,568

Iowa Industrial New Jobs Training Program 3,890,030

Capital assets, net of accumulated depreciation (note 4) 68,685,130Total noncurrent assets 91,666,854**Total assets** 132,546,731**Liabilities**

## Current liabilities:

Accounts payable 1,705,976

Salaries and benefits payable 1,524,714

Interest payable 146,804

## Deferred revenue:

Succeeding year property tax 8,784,900

Other 5,400,774

Early retirement payable (note 12) 195,969

Compensated absences 1,274,765

Certificates payable (note 5) 5,445,000

Notes payable (note 5) 1,340,000

Deposits held in custody for others 2,214,974

Total current liabilities 28,033,876

## Noncurrent liabilities:

Compensated absences 193,797

Certificates payable (note 5) 28,675,000

Notes payable (note 5) 11,140,000

Refundable advances on student loans 1,472,732

Total noncurrent liabilities 41,481,529**Total liabilities** 69,515,405

## Kirkwood Community College

## Statement of Net Assets

June 30, 2003

**Net assets**

Invested in capital assets, net of related debt	56,205,130
Restricted:	
Expendable:	
Scholarships and fellowships	96,881
Cash reserve	621,989
Unrestricted	<u>6,107,326</u>
<b>Total net assets</b>	<u><u>\$ 63,031,326</u></u>

See notes to financial statements.



**Exhibit B**

## Kirkwood Community College

Statement of Revenues, Expenses and  
Changes in Net Assets

Year ended June 30, 2003

Operating revenues:	
Tuition and fees, net of scholarship allowances of \$7,027,256	\$ 22,829,197
Federal appropriations	18,897,889
Sales and services	1,198,486
Iowa Industrial New Jobs Training Program	7,503,336
Auxiliary enterprises revenue, net of scholarship allowances of \$1,232,424	7,487,239
Miscellaneous, net of scholarship allowances of \$3,484	<u>3,427,062</u>
Total operating revenues	<u>61,343,209</u>
Operating expenses:	
Education and support	
Liberal arts and sciences	13,022,166
Vocational technical	16,293,941
Adult education	7,560,780
Cooperative services	7,090,066
Administration	4,434,342
Student services	3,684,921
Learning resources	2,491,793
Physical plant	5,986,216
General institution	8,681,383
Auxiliary enterprises	8,133,606
Scholarships and grants	3,630,506
Loan cancellations and bad debts	76,610
Administrative and collection costs	114,197
Depreciation	<u>3,563,807</u>
Total operating expenses	<u>84,764,334</u>
Operating loss	<u>(23,421,125)</u>
Nonoperating revenues (expenses):	
State appropriations	22,248,119
Property tax	9,333,736
Interest income from investments	310,838
Interest income from student loans	31,855
Loss on sale of capital assets	(207,895)
Interest on indebtedness	<u>(2,606,811)</u>
Net nonoperating revenues	<u>29,109,842</u>
Change in net assets	5,688,717
Net assets beginning of year, as restated (note 14)	<u>57,342,609</u>
Net assets end of year	<u>\$ 63,031,326</u>

See notes to financial statements.

Kirkwood Community College

Statement of Cash Flows

Year ended June 30, 2003

Cash flows from operating activities:	
Tuition and fees	\$ 22,522,802
Federal appropriations	18,761,766
Iowa Industrial New Jobs Training Program	9,638,587
Payments to employees for salaries and benefits	(47,012,828)
Payments to suppliers for goods and services	(24,370,785)
Payments to NJTP recipients	(4,779,425)
Scholarships	(3,630,506)
Payments to subrecipients	(1,685,912)
Loans issued to students	(4,202,467)
Loan collections from students	3,896,762
Auxiliary enterprise receipts	7,414,510
Other receipts	<u>4,881,795</u>
Net cash used by operating activities	<u>(18,565,701)</u>
Cash flows from non-capital financing activities:	
State appropriations	22,139,968
Property tax	9,333,736
Lending receipts	20,453,255
Lending disbursements	(19,497,846)
Proceeds from issuance of debt	5,875,000
Principal paid on debt	(8,260,000)
Interest paid on debt	(2,000,563)
Agency receipts	9,933,982
Agency disbursements	<u>(9,395,847)</u>
Net cash provided by non-capital financing activities	<u>28,581,685</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	1,627
Acquisition of capital assets	(4,640,962)
Principal paid on debt	(1,285,000)
Interest paid on debt	<u>(629,860)</u>
Net cash used by capital and related financing activities	<u>(6,554,195)</u>
Cash flows from investing activities:	
Interest on investments	<u>343,862</u>
Net increase in cash	3,805,651
Cash beginning of year	<u>34,149,042</u>
Cash end of year	<u><u>\$ 37,954,693</u></u>

**Exhibit C**

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## Kirkwood Community College

## Statement of Cash Flows

Year ended June 30, 2003

Reconciliation of operating loss to net cash  
used by operating activities:

Operating loss	<u>\$ (23,421,125)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	3,563,807
Provisions for doubtful accounts	76,610
Changes in assets and liabilities:	
(Increase) in accounts receivable	(626,714)
(Increase) in notes receivable	(317,681)
Decrease in NJTP receivable	1,974,437
(Increase) in due from other governments	(164,458)
(Increase) in inventories	(61,766)
Decrease in prepaid expenses	287,895
Increase in accounts payable	179,558
Increase in salaries payable	244,395
Increase in deferred revenue	556,621
Increase in compensated absences	32,687
(Decrease) in early retirement payable	(877,494)
(Decrease) in refundable advances on student loans	<u>(12,473)</u>
 Total adjustments	 <u>4,855,424</u>

Net cash used by operating activities \$ (18,565,701)

Noncash operating activities:

Advances of \$10,797 were cancelled by the Federal government for the Federal Perkins  
Loan Program.

See notes to financial statements.

Kirkwood Community College

Notes to Financial Statements

June 30, 2003

**(1) Summary of Significant Accounting Policies**

Kirkwood Community 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 the 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 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 Directors whose members are elected from each director district within Merged Area X.

A. Reporting Entity

For financial reporting purposes, Kirkwood Community College has included all funds, organizations, agencies, boards, commissions and authorities. The College has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the College to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the College. Kirkwood Community College has no component units which meet the Governmental Accounting Standards Board criteria.

Kirkwood Community College participates in the Kirkwood Facilities Foundation and the Kirkwood Community College Foundation, both of which are related organizations for which the College is not financially accountable and their relationship with the College is such that exclusion does not cause the College's financial statements to be misleading.

B. Financial Statement Presentation

During the year ended June 30, 2003, Kirkwood Community College adopted GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities as amended by GASB Statements Nos. 37 and 38. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets:

Expendable - Net assets whose use by the College is subject to externally - imposed stipulations that can be fulfilled by actions of the College, pursuant to those stipulations or that expire by the passage of time.

Unrestricted Net Assets: Net assets that are not subject to externally-imposed stipulations. Examples include: Student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and general programs of the College.

GASB Statement No. 35 also requires the statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows be reported on a consolidated basis. These basic financial statements 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.

C. Measurement Focus and Basis of Accounting

For financial reporting purposes, Kirkwood Community 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.

D. Assets, Liabilities and Net Assets

Cash and Pooled Investments - Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amount of cash and, at the day of purchase, they have a maturity date no longer than three months.

Due from Other Governments - This represents state aid, grants and reimbursements due from the State of Iowa and grants and reimbursements due from the federal government.

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

Property Tax Receivable - Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Directors to the appropriate County Auditors. Delinquent property tax receivable represents unpaid taxes from the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Directors 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 Directors is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) - This represents the 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, 2003 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. No interest costs were capitalized since there were no qualifying assets.

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

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

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

The College does not capitalize or depreciate library books. The value of each book falls below the capital asset threshold and the balance was deemed immaterial to the financial statements.

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.

Interest Payable – Interest on long-term indebtedness is recorded as a liability when the interest is earned.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

Compensated Absences – Community College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2003.

Early Retirement Payable – Employees electing to take early retirement are paid in two installments. Half of the early retirement benefit is paid at the time that early retirement begins. The other half will be paid in the next fiscal year.

Refundable Advances on Student Loans – The Perkins Federal Loan program requires a return on Federal Capital Contribution if the United States Government terminates the program.

Auxiliary Enterprise Revenues – Auxiliary Enterprise revenues primarily represent revenues generated by the bookstore, food service, word processing, central stores and athletics.

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

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

Operating and Nonoperating Activities – Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nonoperating activities include state appropriations, property tax and interest income.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

E. Scholarship Allowances and Student Aid

Certain aid (loans, funds provided to students as awarded by third parties and Federal Family Education Loan Program) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

**(2) Cash and Pooled Investments**

The College's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance, collateralized with securities or letters of credit held by the College or the College's agent in the College's name, 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 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 Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Community College had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$36,783,287 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Inventories**

The Community College's inventories at June 30, 2003 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 86,315
Agricultural enterprises	208,053
Merchandise held for resale	<u>1,250,619</u>
Total	<u>\$ 1,544,987</u>



#### (4) Capital Assets

Capital assets activity for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year as restated (Note 14)	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 3,869,478	-	-	3,869,478
Capital assets being depreciated:				
Buildings	79,458,493	2,568,179	-	82,026,672
Improvements other than buildings	9,437,167	1,014,253	-	10,451,420
Equipment and vehicles	8,790,870	807,296	930,373	8,667,793
Total capital assets being depreciated	97,686,530	4,389,728	930,373	101,145,885
Less accumulated depreciation for:				
Buildings	24,696,540	2,433,555	-	27,130,095
Improvements other than buildings	2,631,989	364,534	-	2,996,523
Equipment and vehicles	6,158,748	765,718	720,851	6,203,615
Total accumulated depreciation	33,487,277	3,563,807	720,851	36,330,233
Total capital assets being depreciated, net	64,199,253	825,921	209,522	64,815,652
Capital assets, net	\$ 68,068,731	825,921	209,522	68,685,130

#### (5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	Certificates Payable	Notes Payable	Total
Balance beginning of year	\$ 36,505,000	13,765,000	50,270,000
Additions	5,875,000	-	5,875,000
Reductions	8,260,000	1,285,000	9,545,000
Balance end of year	\$ 34,120,000	12,480,000	46,600,000

##### Certificates Payable

In accordance with agreements dated between November 1, 1996 and December 1, 2002, the College issued certificates totaling \$57,385,000 with interest rates ranging from 3.5% to 7.25%. The debt was incurred 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). 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
2004	\$ 5,445,000	1,761,649	7,206,649
2005	5,615,000	1,469,133	7,084,133
2006	6,050,000	1,172,107	7,222,107
2007	4,810,000	851,203	5,661,203
2008	4,490,000	599,532	5,089,532
2009-2013	7,710,000	696,137	8,406,137
Total	\$34,120,000	6,549,761	40,669,761

#### Notes Payable

The College has issued notes for the purchase and construction of College properties as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2003 notes payable indebtedness are as follows:

Year Ending June 30,	Note Issuance of December 1998			
	Interest Rates	Principal	Interest	Total
2004	4.00%	\$ 720,000	268,372	988,372
2005	4.00	750,000	239,572	989,572
2006	4.00	780,000	209,572	989,572
2007	4.00	810,000	178,373	988,373
2008	4.00	840,000	145,973	985,973
2009-2011	4.10-4.13	2,735,000	228,057	2,963,057
Total		\$ 6,635,000	1,269,919	7,904,919

Year Ending June 30,	Note Issuance of December 1999			
	Interest Rates	Principal	Interest	Total
2004	4.70%	\$ 620,000	282,345	902,345
2005	4.70	645,000	253,205	898,205
2006	4.75	675,000	222,890	897,890
2007	4.75	705,000	190,827	895,827
2008	7.80	745,000	157,340	902,340
2009-2011	4.85-5.00	2,455,000	248,080	2,703,080
Total		\$ 5,845,000	1,354,687	7,199,687
Total all notes		\$ 12,480,000	2,624,606	15,104,606

#### (6) Operating Leases

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and accordingly, all rents are charged as incurred. The leases expire between 2005 and 2020 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that 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 or remaining non-cancelable lease terms in excess of one year as of June 30, 2003:

Year Ending June 30,	Amount
2004	\$ 59,049
2005	59,943
2006	42,636
2007	39,939
2008	40,915
2009-2020	<u>451,934</u>
Total	<u>\$ 694,416</u>

Rents for the year ended June 30, 2003 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$63,495.

**(7) Iowa Public Employees Retirement System (IPERS)**

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

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$743,043, \$759,788, and \$831,244 respectively, equal to the required contributions for each year.

**(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 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 3.7% and the College is required to contribute 5.75%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2003 were \$1,106,739 and \$712,163, respectively.

**(9) Risk Pool**

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

Each member's annual contributions to the Program fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Program's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year.

The College's contributions to the risk pool are recorded as prepaid expense from its operating funds at the time of payment to the risk pool. The College amortizes the expense over the periods for which the pool is expected to provide coverage.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self insured retention of \$100,000 per claim, except for workers compensation which has a self insured retention of \$200,000. Excess insurance for workers compensation is for statutory limits. Excess for all other lines is \$900,000 per occurrence. There is additional excess above that for another \$5,000,000 per member. Property is insured with excess coverage over the self insured retention of up to \$50,000,000. Stop gap loss protection is provided above the member's loss fund.

The Program's intergovernmental contract with its members provides that in the event any claim or series of claims exceeds 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, at June 30, 2003, no liability has been recorded in the College's financial statements. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

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

The College also carries commercial insurance purchased from other insurers for coverage associated with catastrophic, accidental death and dismemberment, and underground storage tanks. 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.

#### **(10) Related Organizations**

The Kirkwood Facilities Foundation and the Kirkwood Community College Foundation, Inc. are non-profit corporations whose goals are to provide support to the College and students and whose financial activities are not included in these financial statements. Funding for the two Foundations is obtained primarily through donations and operation of the Kirkwood Recreational Complex. Each of the Foundations provide services for the benefit of Kirkwood Community College. In return, Kirkwood Community College has provided the Foundations with certain staff, facilities, and insurance coverage for its operations without charge. The governing boards of these organizations have members who are also officers of the College. However, these members do not comprise a majority in either Foundation's board. Significant financial data for the most recent period available follows:

	Kirkwood Facilities Foundation Year Ended June 30, 2002	Kirkwood Community College Foundation Year Ended June 30, 2003
Total assets	\$ 2,039,082	9,207,968
Total liabilities	128,805	626,375
Total net assets	1,910,277	8,581,593
Total revenues	621,022	3,241,808
Total expenses	380,573	1,980,480
Due to the Community College	66,834	300,650
Due from the Community College	-	12,268
Contributions to the Community College	2,013	1,696,431
Scholarships	-	1,239,071

### **(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 266 projects with 57 currently receiving project funding. The remaining 209 projects have been completed, of which 56 are in the repayment process and 153 have been fully repaid.

### **(12) Early Retirement and Contingent Liability**

Full-time certified staff who will be at least 55 years of age and who have at least 10 years of service with Kirkwood Community College are eligible for early retirement remuneration. Retirement will begin at the end of the employee's contract.

The liability at June 30, 2003 for those employees who have elected early retirement was \$195,969. Early retirement is funded on a pay-as-you-go basis through property tax levies. The College's early retirement expense for the year ended June 30, 2003 was \$673,056.

At June 30, 2003, the potential liability, if all eligible employees accepted early retirement, is approximately \$5,363,000.

### **(13) Subsequent Event**

Capital Loan Notes - On August 28, 2003, the College issued capital loan notes for \$5,000,000 for expansion of the Iowa City Center. The debt was incurred as allowed by Chapter 260C.19 of the Code of Iowa and will mature starting on December 1, 2004.

### **(14) Accounting Change**

For the year ended June 30, 2003, the College implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements create new basic financial statements for reporting the College's financial activities.

The significant changes in these financial statements include the recording and depreciation of capital assets and the reporting of summer school revenues and expenses on a pro rata basis between fiscal years rather than in one fiscal year. The partnership loan program has been eliminated from the basic financial statements since the College acts in a fiduciary capacity.

In accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, the Perkins Loan Federal Capital Contribution is now recorded as a noncurrent liability, Refundable Advances on Student Loans. The increase in the liability corresponds to a decrease in net assets.

The College also revised its capital assets capitalization policy. The threshold for capitalizing equipment and vehicles increased to \$5,000 from \$500. The policy applies the threshold to individual items and not items in the aggregate. Therefore, library books are not capitalized. These result in a restatement of the beginning balance for net assets, as follows:

<b>Basic Financial Statements</b>	<u>Total</u>
Net assets at June 30, 2002	\$ 101,199,823
Change in capital assets	(7,879,636)
Accumulated depreciation	(33,487,277)
Summer school activity (net)	(879,322)
Refundable advances on student loans	(1,496,002)
Partnership loans reclassified to Agency	<u>(114,977)</u>
Net assets July 1, 2002, as restated	<u>\$ 57,342,609</u>

As a result of the new capitalization policy, the recording of depreciation and other corrections, the beginning balance for capital assets and accumulated depreciation have been restated, as follows:

<b>Capital Assets</b>	<u>Balance Beginning of Year</u>	<u>Adjustments</u>	<u>Restated Balance</u>	<u>Accumulated Depreciation at June 30, 2002</u>
Land	\$ 3,864,327	5,151	3,869,478	-
Buildings	78,421,641	1,036,852	79,458,493	24,696,540
Other structures and improvements	9,400,386	36,781	9,437,167	2,631,989
Furniture and equipment	16,645,577	(7,854,707)	8,790,870	6,158,748
Library books	1,103,713	(1,103,713)	-	-
Total	<u>\$109,435,644</u>	<u>(7,879,636)</u>	<u>101,556,008</u>	<u>33,487,277</u>

**Kirkwood Community College**

**Required Supplementary Information**



**Kirkwood Community College**

Kirkwood Community College  
 Budgetary Comparison Schedule of Expenditure  
 Budget and Actual

Required Supplementary Information

Year ended June 30, 2003

Funds/Levy	Original Budget	Amended Budget	Actual	Variance between Actual and Amended Budget
Unrestricted	\$ 53,010,911	53,010,911	55,548,152	(2,537,241)
Less utilities transferred to Plant	1,636,219	1,636,219	1,447,282	188,937
Unrestricted, as adjusted	<u>51,374,692</u>	<u>51,374,692</u>	<u>54,100,870</u>	<u>(2,726,178)</u>
Restricted	22,627,890	22,627,890	15,829,856	6,798,034
Unemployment	50,000	50,000	62,635	(12,635)
Tort Liability	100,000	100,000	116,856	(16,856)
Insurance	653,248	653,248	799,581	(146,333)
Early Retirement	997,178	997,178	673,056	324,122
Equipment Replacement	<u>1,309,022</u>	<u>1,309,022</u>	<u>1,150,603</u>	<u>158,419</u>
Total Restricted	<u>25,737,338</u>	<u>25,737,338</u>	<u>18,632,587</u>	<u>7,104,751</u>
Plant	1,500,000	3,000,000	2,430,946	569,054
Plus utilities transferred from				
Unrestricted	<u>1,636,219</u>	<u>1,636,219</u>	<u>1,447,282</u>	<u>188,937</u>
Plant, as adjusted	<u>3,136,219</u>	<u>4,636,219</u>	<u>3,878,228</u>	<u>757,991</u>
Total	<u>\$ 80,248,249</u>	<u>81,748,249</u>	<u>76,611,685</u>	<u>5,136,564</u>

See accompanying independent auditor's report.

Kirkwood Community College

Note to Required Supplementary Information -  
Budgetary Reporting

June 30, 2003

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the College on a basis consistent with U.S. generally accepting accounting principles. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Directors 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 Improvement Act, Scholarships and Grants Accounts, Loan Funds, and Agency Funds.

## Supplementary Information

The 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 Educational 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, and 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.

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 the 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.

Statements presented in the supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The statement of revenues, expenditures and changes in fund balance is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Kirkwood Community College

Balance Sheet

June 30, 2003

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>Assets</b>			
Cash and investments:			
Cash and pooled investments	\$ 8,472,794	27,175,917	-
Receivables:			
Accounts	2,182,829	329,831	22,051
Succeeding year property tax	2,619,000	3,546,900	-
Notes (less allowance of \$261,425)	-	-	2,639,187
Iowa Industrial New Jobs Training Program	-	3,890,030	-
Due from other funds	1,300,164	2,643,774	118,954
Due from other governments	1,309,767	2,300,976	-
Inventories	1,544,987	-	-
Prepaid expenses	66,689	5,440	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Improvements other than buildings	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation	-	-	-
<b>Total assets</b>	<b>\$ 17,496,230</b>	<b>39,892,868</b>	<b>2,780,192</b>

Plant Funds						
Unex- pended	Retirement of Indebtedness	Investment in Plant	Agency Funds	Adjustments	Total	
735,560	-	-	1,570,422	-	37,954,693	
34,000	-	-	410,660	-	2,979,371	
2,619,000	-	-	-	-	8,784,900	
-	-	-	-	-	2,639,187	
-	-	-	-	-	3,890,030	
-	-	-	-	(4,062,892)	-	
-	-	-	994,553	-	4,605,296	
-	-	-	-	-	1,544,987	
-	-	-	1,391,008	-	1,463,137	
-	-	3,869,478	-	-	3,869,478	
-	-	82,026,672	-	-	82,026,672	
-	-	10,451,420	-	-	10,451,420	
-	-	8,667,793	-	-	8,667,793	
-	-	-	-	(36,330,233)	(36,330,233)	
3,388,560	-	105,015,363	4,366,643	(40,393,125)	132,546,731	

Kirkwood Community College

Balance Sheet

June 30, 2003

	Current Funds		Loan
	Unrestricted	Restricted	Funds
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 892,709	585,710	7,296
Salaries and benefits payable	1,511,621	13,093	-
Interest payable	-	146,804	-
Due to other funds	2,762,728	-	1,300,164
Deferred revenue:			
Succeeding year property tax	2,619,000	3,546,900	-
Other	3,896,375	449,494	-
Early retirement payable	-	195,969	-
Compensated absences	1,253,664	141,799	-
Deposits held in custody for others	-	-	-
Certificates payable	-	34,120,000	-
Notes payable	-	-	-
Refundable advances on student loans	-	-	1,472,732
Total liabilities	<u>12,936,097</u>	<u>39,199,769</u>	<u>2,780,192</u>
Fund balances:			
Invested in capital assets, net of related debt	-	-	-
Restricted:			
Expendable:			
Scholarships and fellowships	-	96,881	-
Cash reserve	-	621,989	-
Unrestricted	1,349,991	(25,771)	-
Auxiliary enterprises	3,210,142	-	-
Total fund balances	<u>4,560,133</u>	<u>693,099</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 17,496,230</u>	<u>39,892,868</u>	<u>2,780,192</u>

See accompanying independent auditor's report.

Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
77,846	-	-	142,415	-	1,705,976
-	-	-	-	-	1,524,714
-	-	-	-	-	146,804
-	-	-	-	(4,062,892)	-
2,619,000	-	-	-	-	8,784,900
-	-	-	1,936,155	(881,250)	5,400,774
-	-	-	-	-	195,969
-	-	-	73,099	-	1,468,562
-	-	-	2,214,974	-	2,214,974
-	-	-	-	-	34,120,000
-	-	12,480,000	-	-	12,480,000
-	-	-	-	-	1,472,732
2,696,846	-	12,480,000	4,366,643	(4,944,142)	69,515,405
-	-	92,535,363	-	(36,330,233)	56,205,130
-	-	-	-	-	96,881
-	-	-	-	-	621,989
691,714	-	-	-	881,250	2,897,184
-	-	-	-	-	3,210,142
691,714	-	92,535,363	-	(35,448,983)	63,031,326
3,388,560	-	105,015,363	4,366,643	(40,393,125)	132,546,731



Kirkwood Community College

Schedule of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Revenues:			
General:			
State appropriations	\$19,443,091	2,552,536	-
Tuition and fees	29,870,569	40,640	-
Property tax	2,839,452	3,654,834	-
Federal appropriations	2,008,138	16,889,751	-
Sales and services	603,836	807,279	-
Interest on investments	57,325	242,708	-
Interest on student loans	-	-	31,855
Iowa Industrial New Jobs Training Program	-	7,503,336	-
Increase in plant investment due to plant expenditures (including \$3,872,349 in current fund expenditures)	-	-	-
Increase in plant investment due to retirement of debt	-	-	-
Miscellaneous	1,527,946	1,788,832	147,774
	<u>56,350,357</u>	<u>33,479,916</u>	<u>179,629</u>
Auxiliary enterprises:			
Tuition and fees	46,409	-	-
Federal appropriations	25,962	-	-
Sales and services	8,467,918	-	-
Interest on investments	360,930	-	-
Miscellaneous	52,526	-	-
	<u>8,953,745</u>	<u>-</u>	<u>-</u>
Total revenues	<u>65,304,102</u>	<u>33,479,916</u>	<u>179,629</u>

Plant Funds				
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
284,257	-	-	(31,765)	22,248,119
-	-	-	(7,082,012)	22,829,197
2,839,450	-	-	-	9,333,736
-	-	-	-	18,897,889
1,291	-	-	(213,920)	1,198,486
10,805	-	-	-	310,838
-	-	-	-	31,855
-	-	-	-	7,503,336
-	-	4,389,728	(4,389,728)	-
-	-	1,285,000	(1,285,000)	-
-	-	-	(37,490)	3,427,062
3,135,803	-	5,674,728	(13,039,915)	85,780,518
-	-	-	(9,315)	37,094
-	-	-	-	25,962
-	-	-	(1,457,191)	7,010,727
-	-	-	-	360,930
-	-	-	-	52,526
-	-	-	(1,466,506)	7,487,239
3,135,803	-	5,674,728	(14,506,421)	93,267,757

Kirkwood Community College

Schedule of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Expenditures:			
Education and support:			
Liberal arts and sciences	12,816,881	281,518	-
Vocational technical	13,978,316	2,615,648	-
Adult education	6,567,841	1,225,946	-
Cooperative services	315,119	7,696,276	-
Administration	2,856,353	1,650,196	-
Student services	3,184,990	708,253	-
Learning resources	2,237,741	467,046	-
Physical plant	7,535,564	4,981	-
General institution	4,608,065	4,256,830	-
Total education and support	54,100,870	18,906,694	-
Auxiliary enterprises	8,222,550	-	-
Scholarships and grants	-	11,893,670	-
Loan cancellations and bad debts	-	-	76,610
Administrative and collection costs	-	-	114,197
Plant asset acquisitions	-	-	-
Retirement of indebtedness	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	2,000,563	-
Depreciation	-	-	-
Loss on sale of capital assets	-	-	-
Total expenditures	62,323,420	32,800,927	190,807
Excess (deficiency) of revenues over (under) expenditures	2,980,682	678,989	(11,178)
Transfers:			
Mandatory transfers	-	-	-
Non-mandatory transfers	(939,913)	(815,260)	118,954
Total transfers	(939,913)	(815,260)	118,954
Net	2,040,769	(136,271)	107,776
Fund balances beginning of year, as restated	2,519,364	829,370	(107,776)
Fund balances end of year	\$ 4,560,133	693,099	-

See accompanying independent auditor's report.

<u>Plant Funds</u>				
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
-	-	-	(76,233)	13,022,166
-	-	-	(300,023)	16,293,941
-	-	-	(233,007)	7,560,780
-	-	-	(921,329)	7,090,066
-	-	-	(72,207)	4,434,342
-	-	-	(208,322)	3,684,921
-	-	-	(212,994)	2,491,793
1,469,601	-	-	(3,023,930)	5,986,216
-	-	-	(183,512)	8,681,383
1,469,601	-	-	(5,231,557)	69,245,608
-	-	-	(88,944)	8,133,606
-	-	-	(8,263,164)	3,630,506
-	-	-	-	76,610
-	-	-	-	114,197
517,379	-	-	(517,379)	-
-	1,285,000	-	(1,285,000)	-
-	-	930,373	(930,373)	-
-	606,248	-	-	2,606,811
-	-	-	3,563,807	3,563,807
-	-	-	207,895	207,895
1,986,980	1,891,248	930,373	(12,544,715)	87,579,040
1,148,823	(1,891,248)	4,744,355	(1,961,706)	5,688,717
(1,891,248)	1,891,248	-	-	-
1,636,219	-	-	-	-
(255,029)	1,891,248	-	-	-
893,794	-	4,744,355	(1,961,706)	5,688,717
(202,080)	-	87,791,008	(33,487,277)	57,342,609
691,714	-	92,535,363	(35,448,983)	63,031,326

Kirkwood Community College

Unrestricted Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Education and Support

Year ended June 30, 2003

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
<b>Revenues:</b>				
State appropriations	\$ 8,842,458	6,855,420	3,727,800	-
Tuition and fees	13,781,261	9,502,123	6,262,243	321,615
Property tax	-	-	-	-
Federal appropriations	17,313	996,876	346,048	54,793
Sales and services	8,742	153,021	68,962	-
Interest on investments	-	-	-	-
Miscellaneous	-	566,673	34,571	-
	<u>22,649,774</u>	<u>18,074,113</u>	<u>10,439,624</u>	<u>376,408</u>
Allocation of support services	<u>2,186,331</u>	<u>1,753,751</u>	<u>870,356</u>	<u>-</u>
Total revenues	<u>24,836,105</u>	<u>19,827,864</u>	<u>11,309,980</u>	<u>376,408</u>
<b>Expenditures:</b>				
Salaries and benefits	12,298,904	12,941,821	4,789,373	265,491
Services	143,808	277,653	1,081,397	26,498
Materials and supplies	234,898	599,659	531,899	21,161
Travel	139,187	154,306	69,774	1,969
Plant asset acquisitions	-	-	94,773	-
Cost of goods sold	-	4,877	625	-
Miscellaneous	84	-	-	-
	<u>12,816,881</u>	<u>13,978,316</u>	<u>6,567,841</u>	<u>315,119</u>
Allocation of support services	<u>9,282,066</u>	<u>7,445,548</u>	<u>3,695,099</u>	<u>-</u>
Total expenditures	<u>22,098,947</u>	<u>21,423,864</u>	<u>10,262,940</u>	<u>315,119</u>
Excess (deficiency) of revenues over (under) expenditures	2,737,158	(1,596,000)	1,047,040	61,289
<b>Transfers:</b>				
Non-mandatory transfers	-	-	-	-
Net	<u>\$ 2,737,158</u>	<u>(1,596,000)</u>	<u>1,047,040</u>	<u>61,289</u>

Fund balance beginning of year, as restated

Fund balance end of year

Note: The support services allocations are based on the percentage of contact hours reported.

See accompanying independent auditor's report.

General Adminis- tration	Support				Education and Support Total
	Student Services	Learning Resources	Physical Plant	General Institution	
16,825	-	588	-	-	19,443,091
-	3,327	-	-	-	29,870,569
2,839,452	-	-	-	-	2,839,452
280,233	282,924	29,951	-	-	2,008,138
53,600	1,720	95,368	155,427	66,996	603,836
57,325	-	-	-	-	57,325
63,456	8,167	89,664	765,415	-	1,527,946
3,310,891	296,138	215,571	920,842	66,996	56,350,357
(3,310,891)	(296,138)	(215,571)	(920,842)	(66,996)	-
-	-	-	-	-	56,350,357
1,737,366	2,561,175	1,378,566	2,078,245	2,036,570	40,087,511
897,375	127,734	55,845	1,794,687	2,246,440	6,651,437
78,872	264,644	645,893	625,698	264,838	3,267,562
76,633	22,548	11,014	2,001	55,211	532,643
29,923	61,246	146,223	3,034,933	5,006	3,372,104
-	-	200	-	-	5,702
36,184	147,643	-	-	-	183,911
2,856,353	3,184,990	2,237,741	7,535,564	4,608,065	54,100,870
(2,856,353)	(3,184,990)	(2,237,741)	(7,535,564)	(4,608,065)	-
-	-	-	-	-	54,100,870
-	-	-	-	-	2,249,487
774,312	(348,783)	-	(1,636,219)	-	(1,210,690)
774,312	(348,783)	-	(1,636,219)	-	1,038,797
					311,194
					<u>\$ 1,349,991</u>

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Kirkwood Community College

Unrestricted Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Auxiliary Enterprises

Year ended June 30, 2003

	<u>Farm Lab</u>	<u>Bookstore</u>
Revenues:		
Tuition and fees	\$ -	-
Federal appropriations	-	-
Sales and services	668,141	6,401,928
Interest on investments	-	1,935
Miscellaneous	4,224	-
Total revenues	<u>672,365</u>	<u>6,403,863</u>
Expenditures:		
Salaries and benefits	177,131	407,788
Services	152,241	56,085
Materials and supplies	251,151	22,045
Travel	3,157	5,603
Plant asset acquisitions	-	-
Cost of goods sold	29,754	4,923,002
Miscellaneous	15,293	-
Total expenditures	<u>628,727</u>	<u>5,414,523</u>
Excess (deficiency) of revenues over (under) expenditures	43,638	989,340
Transfers:		
Non-mandatory transfers	-	<u>(329,467)</u>
Net	43,638	659,873
Fund balance beginning of year, as restated	<u>33,580</u>	<u>2,110,576</u>
Fund balance end of year	<u>\$ 77,218</u>	<u>2,770,449</u>

See accompanying independent auditor's report.

Day Care Center	Other Vocational	Miscellaneous	Total
-	-	46,409	46,409
25,962	-	-	25,962
441,292	660,358	296,199	8,467,918
-	-	358,995	360,930
-	-	48,302	52,526
467,254	660,358	749,905	8,953,745
455,221	236,109	288,601	1,564,850
31,088	7,470	218,163	465,047
6,955	137,331	136,528	554,010
1,431	47	147,082	157,320
-	-	88,944	88,944
-	250,397	151,098	5,354,251
-	250	22,585	38,128
494,695	631,604	1,053,001	8,222,550
(27,441)	28,754	(303,096)	731,195
43,967	-	556,277	270,777
16,526	28,754	253,181	1,001,972
(37,237)	88,986	12,265	2,208,170
(20,711)	117,740	265,446	3,210,142



Kirkwood Community College

Restricted Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Year ended June 30, 2003

	Scholarships and Grants	Iowa Industrial New Jobs Training Program	Workforce Investment Act	Heritage Agency on Aging
<b>Revenues:</b>				
State appropriations	\$ 700,825	-	21,765	965,882
Tuition and fees	-	-	-	220
Property tax	-	-	-	-
Federal appropriations	9,944,476	-	2,252,394	2,231,840
Sales and Services	23,552	-	-	709,755
Interest on investments	1,823	239,715	-	1,165
Iowa Industrial New Jobs Training Program	-	7,503,336	-	-
Miscellaneous	1,270,897	-	-	148,855
<b>Total revenues</b>	<b>11,941,573</b>	<b>7,743,051</b>	<b>2,274,159</b>	<b>4,057,717</b>
<b>Expenditures:</b>				
Salaries and benefits	-	-	1,527,236	678,559
Services	-	5,742,488	510,341	3,356,858
Materials and supplies	-	-	46,527	108,666
Travel	-	-	26,622	35,706
Plant asset acquisitions	-	-	-	77,041
Interest on indebtedness	-	2,000,563	-	-
Miscellaneous	-	-	163,944	-
Federal Pell grant program	9,744,476	-	-	-
Federal Supplemental educational opportunity grant	228,206	-	-	-
Iowa College Student Aid Commission	658,055	-	-	-
Private scholarships	1,262,933	-	-	-
<b>Total expenditures</b>	<b>11,893,670</b>	<b>7,743,051</b>	<b>2,274,670</b>	<b>4,256,830</b>
Excess (deficiency) of revenues over (under) expenditures	47,903	-	(511)	(199,113)
<b>Transfers:</b>				
Non-mandatory transfers	-	-	-	(68,507)
<b>Net</b>	<b>47,903</b>		<b>(511)</b>	<b>(267,620)</b>
Fund balance beginning of year, as restated	48,978	-	(53,115)	248,028
Fund balance end of year	\$ 96,881	-	(53,626)	(19,592)

See accompanying independent auditor's report.

Other Federal	State	Equipment Replacement	Tort Liability and Insurance	Early Retirement	Unemploy- ment Compen- sation	Cash Reserve	Miscel- laneous	Total
-	832,299	-	-	-	-	-	31,765	2,552,536
40,420	-	-	-	-	-	-	-	40,640
-	-	1,261,949	758,175	1,585,110	49,600	-	-	3,654,834
2,452,261	8,780	-	-	-	-	-	-	16,889,751
-	-	-	-	-	-	-	73,972	807,279
-	-	-	-	-	-	-	5	242,708
-	-	-	-	-	-	-	-	7,503,336
7,775	-	12,322	-	-	-	-	348,983	1,788,832
<u>2,500,456</u>	<u>841,079</u>	<u>1,274,271</u>	<u>758,175</u>	<u>1,585,110</u>	<u>49,600</u>	<u>-</u>	<u>454,725</u>	<u>33,479,916</u>
981,622	578,350	-	-	673,056	62,635	-	258,597	4,760,055
886,965	236,527	27,372	916,437	-	-	-	145,084	11,822,072
184,801	25,795	880,199	-	-	-	-	34,675	1,280,663
303,608	7,109	-	-	-	-	-	24,537	397,582
91,228	-	243,032	-	-	-	-	-	411,301
-	-	-	-	-	-	-	-	2,000,563
61,762	9,315	-	-	-	-	-	-	235,021
-	-	-	-	-	-	-	-	9,744,476
-	-	-	-	-	-	-	-	228,206
-	-	-	-	-	-	-	-	658,055
-	-	-	-	-	-	-	-	1,262,933
<u>2,509,986</u>	<u>857,096</u>	<u>1,150,603</u>	<u>916,437</u>	<u>673,056</u>	<u>62,635</u>	<u>-</u>	<u>462,893</u>	<u>32,800,927</u>
(9,530)	(16,017)	123,668	(158,262)	912,054	(13,035)	-	(8,168)	678,989
<u>(12,272)</u>	<u>12,273</u>	<u>157</u>	<u>159,938</u>	<u>(912,054)</u>	<u>5,205</u>	<u>-</u>	<u>-</u>	<u>(815,260)</u>
(21,802)	(3,744)	123,825	1,676	-	(7,830)	-	(8,168)	(136,271)
<u>(2,686)</u>	<u>(47,921)</u>	<u>(24,494)</u>	<u>(1,676)</u>	<u>-</u>	<u>7,830</u>	<u>621,989</u>	<u>32,437</u>	<u>829,370</u>
<u>(24,488)</u>	<u>(51,665)</u>	<u>99,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>621,989</u>	<u>24,269</u>	<u>693,099</u>

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Kirkwood Community College

Agency Funds

Schedule of Changes in Deposits Held in Custody for Others

Year ended June 30, 2003

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	Student Activities	Other Federal Programs	Other Agency Programs
Balances beginning of year, as restated	<u>\$ 126,846</u>	<u>(28,405)</u>	<u>214,582</u>
Additions:			
State appropriations	-	-	2,846
Tuition and fees	-	3,750	399,309
Federal appropriations	-	1,505,977	-
Sales and services	-	-	251,857
Flexible spending contributions	-	-	197,970
Partnership loan program	-	-	2,976,416
Miscellaneous	307,976	14,528	2,417
Total additions	<u>307,976</u>	<u>1,524,255</u>	<u>3,830,815</u>
Deductions:			
Salaries and benefits	8,038	661,902	270,624
Services	38,989	454,722	3,105,898
Materials and supplies	71,075	223,865	53,526
Travel	65,602	182,857	10,781
Plant asset acquisitions	-	-	-
Cost of goods sold	-	-	33,471
Miscellaneous	112,250	-	31,063
Flexible spending claims	-	-	190,891
Total deductions	<u>295,954</u>	<u>1,523,346</u>	<u>3,696,254</u>
Balances end of year	<u>\$ 138,868</u>	<u>(27,496)</u>	<u>349,143</u>

See accompanying independent auditor's report.

Retraining Program	ACCES	Federal Family Educational Loan Program	Community Colleges for International Development, Inc.	Total
709,683	400,835	-	102,816	1,526,357
486,574	-	-	-	489,420
-	-	-	-	403,059
-	-	19,497,846	-	21,003,823
-	2,408,599	-	159,625	2,820,081
-	-	-	-	197,970
-	-	-	-	2,976,416
-	270	-	70,651	395,842
486,574	2,408,869	19,497,846	230,276	28,286,611
-	696,788	-	119,912	1,757,264
640,993	887,156	19,497,846	81,744	24,707,348
-	102,740	-	5,183	456,389
-	8,208	-	36,864	304,312
-	5,006	-	-	5,006
-	-	-	-	33,471
-	-	-	-	143,313
-	-	-	-	190,891
640,993	1,699,898	19,497,846	243,703	27,597,994
555,264	1,109,806	-	89,389	2,214,974

**Schedule 7**

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Kirkwood Community College  
Schedule of Credit and Contact Hours  
Year ended June 30, 2003

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	184,879	-	184,879	3,455,562	-	3,455,562
Vocational Education	126,779	2,704	129,483	2,771,856	58,950	2,830,806
Adult Education / Continuing Education	-	-	-	1,375,625	261,898	1,637,523
Cooperative Programs/Services	-	-	-	-	900	900
Related Services and Activities	-	-	-	12,000	52,080	64,080
Total	<u>311,658</u>	<u>2,704</u>	<u>314,362</u>	<u>7,615,043</u>	<u>373,828</u>	<u>7,988,871</u>

See accompanying independent auditor's report

Kirkwood Community College  
Schedule of Tax and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Local (property tax)	\$ 9,333,736	8,222,098	7,297,130	7,776,589
State	22,279,884	23,189,485	24,073,488	22,737,326
Federal	18,923,851	14,713,276	11,662,597	9,376,791
Total	<u>\$ 50,537,471</u>	<u>46,124,859</u>	<u>43,033,215</u>	<u>39,890,706</u>

See accompanying independent auditor's report.

**Schedule 9**

Kirkwood Community College  
Schedule of Current Fund Revenues by Source  
and Expenditures by Function  
For the Last Four Years

	Years ended June 30,			
	2003	2002	2001	2000
Revenues:				
State appropriations	\$21,995,627	22,466,332	24,073,488	22,709,588
Tuition and fees	29,911,209	26,563,675	22,542,285	20,935,265
Property tax	6,494,286	5,478,585	4,634,255	5,215,561
Federal appropriations	18,897,889	14,689,698	11,640,044	9,355,197
Sales and services	1,411,115	1,946,954	1,727,559	1,642,997
Interest on investments	300,033	542,812	531,493	1,008,071
Iowa Industrial New Jobs Training Program	7,503,336	7,410,910	7,887,905	9,088,161
Auxiliary enterprises	8,953,745	8,003,548	9,094,790	6,359,475
Miscellaneous	3,316,778	2,467,016	2,304,935	2,286,463
Total	<u>\$98,784,018</u>	<u>89,569,530</u>	<u>84,436,754</u>	<u>78,600,778</u>
Expenditures:				
Liberal arts and sciences	\$13,098,399	12,078,393	11,558,091	10,589,520
Vocational technical	16,593,964	15,249,527	13,475,822	13,864,501
Adult education	7,793,787	7,950,952	8,003,366	7,597,940
Cooperative services	8,011,395	7,790,315	7,659,102	10,546,809
Administration	4,506,549	7,247,323	3,695,904	3,820,518
Student services	3,893,243	3,065,359	2,984,127	2,946,426
Learning resources	2,704,787	2,328,594	2,408,505	2,196,659
Physical plant	7,540,545	7,891,631	5,159,266	5,080,163
General institution	8,864,895	8,551,203	8,071,915	7,579,227
Auxiliary enterprises	8,222,550	7,772,127	9,201,280	6,191,561
Scholarships and grants	11,893,670	9,155,009	7,471,812	6,354,654
Interest on indebtedness	2,000,563	2,269,568	2,416,969	-
Total	<u>\$95,124,347</u>	<u>91,350,001</u>	<u>82,106,159</u>	<u>76,767,978</u>

**Kirkwood Community College**



Kirkwood Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2003

Grantor/Program	CFDA Number
Direct:	
U.S. Department of Agriculture:	
Cooperative State Research, Education and Extension Service:	
Secondary Agriculture Education Grants	10.226
U.S. Department of Labor:	
Workforce Investment Act (WIA) - Dislocated Workers	17.260
Employment and Training Administration Pilots, Demonstrations and Research Projects	17.261
Occupational Safety and Health - Susan Harwood Training Grants	17.502
Office of the Assistant Secretary for Veterans Employment and Training:	
Local Veterans' Employment Representative Program	17.804
U.S. Department of State:	
Professional Exchanges - Annual Open Grant	19.415
National Endowment for the Humanities:	
Promotion of The Humanities - Education Development and Demonstration	45.162
National Science Foundation:	
Education and Human Resources	47.076
U.S. Environmental Protection Agency:	
Wastewater Operator Training Grant Program (Technical Assistance)	66.467
Environmental Education Grants	66.951
U.S. Department of Education:	
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007
Federal Family Educational Loan Program (FFELP)	84.032
Federal Work-Study Program (FWS)	84.033
Federal Pell Grant Program (PELL)	84.063
Special Education - Grants to States	84.027
TRIO - Student Support Services	84.042
Special Education-Personnel Preparation To Improve Services and Results For Children With Disabilities	84.325
Child Care Access Means Parents in School	84.335
U.S. Department of Health and Human Services:	
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283
Total direct	

Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees	Amounts Provided to Subrecipients
	\$ 29,726	-	-
	69,424	-	-
	436,871	-	-
	156,036	-	-
	3,053	-	-
	15,070	-	-
	9,972	-	-
	1,029,000	-	-
	51,775	-	-
	4,731	-	-
	200,000	-	-
	-	19,497,846	-
	443,578	-	-
	9,746,701	-	-
	10,390,279	19,497,846	-
	666	-	-
	232,439	-	-
	163,628	-	-
	43,235	-	-
	475,003	-	-
	13,110,908	19,497,846	-

Kirkwood Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2003

Grantor/Program	CFDA Number
Indirect:	
U.S. Department of Agriculture:	
Indirect through Iowa Department of Education:	
Child & Adult Care Food Program	10.558
Indirect through Iowa Workforce Development:	
State Administrative Matching Grants for Food Stamp Program	10.561
Indirect through Linn County:	
State Administrative Matching Grants for Food Stamp Program	10.561
Indirect through Iowa Department of Elder Affairs:	
Nutrition Program for the Elderly	10.570
U.S. Department of Commerce:	
Indirect through Iowa State University	
Manufacturing Extension Partnership	11.611
U.S. Department of Housing and Urban Development:	
Indirect through Linn County:	
Community Development Block Grants/Entitlement Grants	14.218
U.S. Department of Labor	
Indirect through Iowa Department of Elder Affairs:	
Senior Community Service Employment Program	17.235
Indirect through Iowa Workforce Development:	
Employment Service	17.207
Unemployment Insurance	17.225
Welfare-To-Work Grants to States and Localities	17.253
Disabled Veterans' Outreach Program (DVOP)	17.801
Local Veterans' Employment Representative Program	17.804
Workforce Investment Act (WIA):	
General Administration	17.258 - 17.260
Adult Program	17.258
Youth Activities	17.259
Dislocated Workers	17.260
Bridge to Employment	17.000
Indirect through Iowa Department of Education:	
Mine Health and Safety Grants	17.600

Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees	Amounts Provided to Subrecipients
	25,962	-	-
1-W-10-FR-0	697	-	-
	211,536	-	-
	212,233	-	-
	295,095	-	295,095
70NANB7H0084	51,000	-	-
	8,999	-	-
	285,902	-	285,902
1-W-10-FR-0	174,600	-	-
1-W-10-FR-0	80,040	-	-
	303,622	-	-
1-W-10-FR-0	5,440	-	-
1-W-10-FR-0	9,278	-	-
1-W-FR-CP-1-1	83,427	-	-
1-W-10-FR-0	295,054	-	-
1-W-10-FR-0	331,557	-	-
3-W-PF-RR-0-08 &	534,033	-	-
	1,244,071	-	-
00-W-56-SN-3-01 & 01-W-56-SN-0-01	20,052	-	-
	3,396	-	-

Kirkwood Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2003

Grantor/Program	CFDA Number
Indirect (continued):	
Federal Mediation and Conciliation Service:	
Indirect through Iowa Workforce Development:	
Labor Management Cooperation	34.002
National Endowment for the Humanities:	
Indirect through Humanities Iowa:	
Promotion of the Humanities - Federal/State Partnership	45.129
U.S. Small Business Administration:	
Indirect through Iowa State University:	
Small Business Development Center	59.037
U.S. Department of Education:	
Indirect through Iowa Department of Education:	
Adult Education-State Grant Program	84.002
Title I Program for Neglected & Delinquent Children	84.013
Vocational Education-Basic Grants to States	84.048
Tech-Prep Education	84.243
Indirect through University of Iowa:	
Learning Anywhere Anytime Partnerships	84.339
Indirect through Hazardous Materials Training Research Institute:	
Learning Anywhere Anytime Partnerships	84.339
U.S. Department of Health and Human Services:	
Indirect through Iowa Department of Elder Affairs:	
Special Programs for the Aging-Title III Part F - Disease Prevention and Health Promotion Services	93.043
Special Programs for the Aging Cluster:	
Title III Part B - Grants for Supportive Services and Senior Centers	93.044
Title III Part C - Nutrition Services	93.045
Indirect through University of Iowa:	
Special Programs for the Aging-Title IV - Training, Research and Discretionary Projects and Programs	93.048
Indirect through Hawkeye Valley Area Agency on Aging:	
Special Programs for the Aging-Title IV - Training, Research and Discretionary Projects and Programs	93.048

Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees	Amounts Provided to Subrecipients
1-W-10-FR-0	15,576	-	-
25-1102-12-08	3,150	-	-
	54,793	-	-
	342,652	-	-
	33,254	-	-
57-9910	808,545	-	-
57-9910	108,198	-	-
	11,195	-	-
	193,333	-	-
	204,528	-	-
	8,234	-	6,076
	394,020	-	184,425
	716,819	-	716,819
	1,119,073	-	907,320
	48,169	-	-
	4,972	-	-
	53,141	-	-

Kirkwood Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2003

Grantor/Program	CFDA Number
Indirect (continued):	
U.S. Department of Health and Human Services:	
Indirect through Iowa Department of Elder Affairs:	
National Family Caregiver Support Program	93.052
Medical Assistance Program	93.778
Indirect through New Leaf Interactive Media:	
Biological Response to Environmental Health Hazards	93.113
Indirect through Hazardous Materials Training Research Institute:	
NIEHS Hazardous Waste Worker Health & Safety Training	93.142
Indirect through Iowa Workforce Development:	
Temporary Assistance for Needy Families (TANF)	93.558
Indirect through Hawkeye Valley Area Agency on Aging:	
Health Care Financing Research, Demonstrations and Evaluations	93.779
Total indirect	
Totals	

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

See accompanying independent auditor's report.

Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees	Amounts Provided to Subrecipients
	193,574	-	97,389
	55,460	-	55,460
	31,877	-	-
	801,303	-	-
1-W-10-FR-0	765,046	-	-
	9,060	-	-
	7,318,920	-	1,641,166
	<u>\$ 20,429,828</u>	<u>19,497,846</u>	<u>1,641,166</u>



**Kirkwood Community College**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Directors of  
Kirkwood Community College :

We have audited the statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, of Kirkwood Community College, Cedar Rapids, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 25, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Kirkwood Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kirkwood Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Kirkwood Community College and other parties to whom Kirkwood Community College may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Kirkwood Community College during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "David A. Vaudt". The signature is written in a cursive style with a large, prominent 'D' and 'V'.

DAVID A. VAUDT, CPA  
Auditor of State

September 25, 2003



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance

To the Board of Directors of  
Kirkwood Community College :

Compliance

We have audited the compliance of Kirkwood Community College, Cedar Rapids, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Kirkwood Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Kirkwood Community College's management. Our responsibility is to express an opinion on Kirkwood Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, 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 provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kirkwood Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Kirkwood Community College's compliance with those requirements.

In our opinion, Kirkwood Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Kirkwood Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kirkwood Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Kirkwood Community College and other parties to whom Kirkwood Community College may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State

September 25, 2003

Kirkwood Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2003

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit not disclose any findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Student Financial Aid – Cluster:
    - CFDA Number – 84.007 Federal Supplemental Educational Opportunity Grant (FSEOG)
    - CFDA Number – 84.033 Federal Work-Study Program (FWS)
    - CFDA Number – 84.063 Federal Pell Grant Program (PELL)
    - CFDA Number – 84.032 Federal Family Educational Loan Program
  - CFDA Number – 93.558 Temporary Assistance for Needy Families (TANF)
- (h) The dollar threshold used to distinguish between Type A and Type B was \$613,000.
- (i) Kirkwood Community College did qualify as a low-risk auditee.

Kirkwood Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2003

**Part II: Findings Related to the Basic Financial Statements:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No material weaknesses in internal control over financial reporting were noted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No material weaknesses in internal control over compliance were noted.

Kirkwood Community College

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

IV-A-03 Official Depositories – Official depositories have been adopted by the Board. The maximum deposit amount stated in the resolution for US Bank was exceeded during the year ended June 30, 2003.

Recommendation – A new depository resolution in an amount sufficient to cover anticipated balances at the approved depository should be approved by the College.

Response – Kirkwood Community College feels the existing depository resolution has sufficient limits on it as long as funds are transferred between the accounts and invested in the appropriate depository at the correct time. Administration will monitor the balances more closely to see that those transfers take place.

Conclusion – Response accepted.

IV-B-03 Certified Budget – Expenditures for the year ended June 30, 2003 did not exceed the amounts budgeted.

IV-C-03 Questionable Disbursements – No expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-03 Travel Expense – No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.

IV-E-03 Business Transactions – No business transactions between the College and College officials or employees were noted.

IV-F-03 Bond Coverage – Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-03 Publication – The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

IV-I-03 Deposits and Investments – Except as noted in item (1), no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.



Kirkwood Community College

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-J-03 Credit and Contact Hours - Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College except for the contact hours for three programs within Adult Continuing General Education. The MCR/RSS Motorcycle Rider program was overstated by 2.2 hours, the Spanish, Beginning I program was understated by 3.4 hours and the German I program was understated by 1.3 hours.

Recommendation - The College should develop procedures to ensure that the report submitted to the Iowa Department of Education reconciles to the supporting detailed records.

Response - Kirkwood Community College is implementing a credit and contract hour edit program to be run quarterly during the year that lists all exceptions that may occur. Review and correction of those exceptions will take place on a regular basis during the year.

Conclusion - Response accepted.

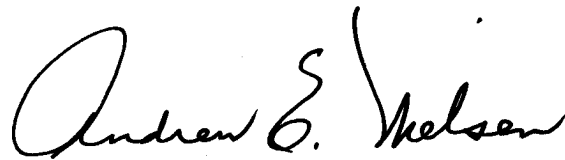
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Kirkwood Community College

Staff

This audit was performed by:

Tamera S. Kusian, CPA, Director  
Pamela J. Bormann, CPA, Manager  
Kristen E. Harang, CPA, Staff Auditor  
Jason R. Matter, Staff Auditor  
Nicole B. Tenges, Staff Auditor  
Beth A. Wichtendahl, CPA, Staff Auditor  
Tammy A. Wolterman, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and a distinct "E".

Andrew E. Nielsen, CPA  
Deputy Auditor of State