



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

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**NEWS RELEASE**

FOR RELEASE

January 19, 2005

Contact: Andy Nielsen  
515/281-5834

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

The College's primary government operating revenues totaled \$61,948,822 for the year ended June 30, 2004, including \$24,442,690 from tuition and fees, \$21,220,452 from the federal government and \$8,184,618 from auxiliary enterprises.

Operating expenses for the year totaled \$90,267,490, including \$49,349,610 for salaries and benefits, \$20,075,579 for services and \$5,243,492 for materials and supplies.

The College reported an operating loss of \$28,318,668. 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 non-operating revenues. Non-operating revenues totaled \$35,370,633, including \$22,790,504 from the state, \$9,684,349 from property tax, \$2,597,962 of gifts and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation and \$260,255 from interest income on investments. Non-operating expenses totaled \$2,916,735, including interest on indebtedness of \$2,463,852 and \$418,203 for contributions and rent to Kirkwood Community College Foundation and Kirkwood Facilities Foundation. The College ended the year with an increase in net assets of \$4,135,230.

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

# # #

**KIRKWOOD COMMUNITY COLLEGE**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2004**

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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 2003 Election)		
Wayne T. Newton	Chairman	2003
Gregg Bosch	Vice Chairman	2003
Stacey Iben	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

### Board of Directors (After September 2003 Election)

Lois Bartelme	Chairman	2004
Mervin Cronbaugh	Vice Chairman	2005
Robert A. Davidson	Member	2004
Robert French	Member	2004
Karen Gorham	Member	2005
John Hall	Member	2005
Gregg Bosch	Member	2006
Elaine Harrington	Member	2006
Stacey Iben	Member	2006

### 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 financial statements of Kirkwood Community College, Cedar Rapids, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2004, which collectively comprise the College's basic financial statements listed in the table of contents. These financial statements are the responsibility of Kirkwood Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units of the College as discussed in note 1, which represent 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to those units is based on the reports of the other auditors.

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 our audit and the reports of the other auditors provide a reasonable basis for our opinion.

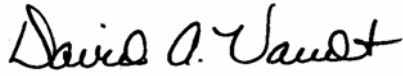
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Kirkwood Community College and its aggregate discretely presented component units at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in note 12 to the financial statements, during the year ended June 30, 2004, Kirkwood Community College adopted Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations Are Component Units.

In accordance with Government Auditing Standards, we have also issued our reports dated October 8, 2004 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 34 through 35, 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. 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 financial statements that 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 four years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other 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



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 8, 2004

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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, 2004. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

In 2004, Kirkwood Community College implemented Governmental Accounting Standards Board (GASB) Statement No. 39 which requires the primary government to discretely present, within its own statements, the financial statements of its two foundations. Since the assets of the foundations are the exclusive property of the foundations and do not belong to the College, a discussion of these assets is not included in this Management's Discussion and Analysis. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2003 amounts have been revised to reflect the changes as if they had been made in the prior year.

### **FINANCIAL HIGHLIGHTS**

- ◆ College operating revenues increased overall in fiscal year (FY) 2004 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 sufficient 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 FY04 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 Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the College's budget for the year, and Other Supplementary Information provides detailed information about the individual funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the College.



## **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**

	June 30,	
	2004	2003
Current and other assets	\$ 61,577,182	63,861,601
Capital assets, net of accumulated depreciation	74,926,790	68,685,130
Total assets	<u>136,503,972</u>	<u>132,546,731</u>
Current liabilities	29,740,506	28,033,876
Noncurrent liabilities	39,596,910	41,481,529
Total liabilities	<u>69,337,416</u>	<u>69,515,405</u>
Net assets:		
Invested in capital assets, net of related debt	58,786,790	56,205,130
Restricted	697,003	718,870
Unrestricted	<u>7,682,763</u>	<u>6,107,326</u>
Total net assets	<u>\$ 67,166,556</u>	<u>63,031,326</u>

The largest portion of the College's net assets (87%) 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 subject to external restrictions. The remaining net assets (12%) 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 non-operating, and the expenses paid by the College, operating and non-operating, 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 non-operating 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. Non-operating 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

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.

	Year ended June 30,	
	2004	2003
Operating revenues:		
Tuition and fees	\$ 24,442,690	23,109,197
Federal appropriations	21,220,452	18,897,889
Iowa Industrial New Jobs Training Program	6,113,743	7,503,336
Auxiliary enterprises	8,184,618	7,487,239
Miscellaneous	1,987,319	2,845,656
Total operating revenues	61,948,822	59,843,317
 Total operating expenses	 90,267,490	 84,674,334
Operating loss	(28,318,668)	(24,831,017)
 Non-operating revenues (expenses):		
State appropriations	22,790,504	22,248,119
Property tax	9,684,349	9,333,736
Interest income on investments	260,255	310,838
Interest income on student loans	37,563	31,855
Net gifts from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	2,179,759	1,409,892
Loss on sale of capital assets	(34,700)	(207,895)
Interest expense	(2,463,832)	(2,606,811)
Net non-operating revenues	32,453,898	30,519,734
 Increase in net assets	 4,135,230	 5,688,717
Net assets beginning of year	63,031,326	57,342,609
 Net assets end of year	 \$ 67,166,556	 63,031,326

In fiscal year 2004, 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 \$83/credit hour in FY03 to \$89/credit hour in FY04.
- ◆ Auxiliary enterprises revenue increased due partially to additional students purchasing books and supplies.

## Operating Expenses

	Year ended June 30,	
	2004	2003
Education and support:		
Liberal arts and sciences	\$ 14,820,522	13,022,166
Vocational technical	18,367,088	16,293,941
Adult education	8,459,931	7,560,780
Cooperative services	5,825,777	7,090,066
Administration	4,494,172	4,434,342
Student services	3,507,358	3,684,921
Learning resources	2,260,587	2,491,793
Physical plant	7,097,578	5,986,216
General institution	8,755,929	8,591,383
Auxiliary enterprises	8,957,618	8,133,606
Scholarships and grants	3,648,484	3,630,506
Loan cancellations and bad debts	227,154	76,610
Administrative and collection costs	145,957	114,197
Depreciation	3,699,335	3,563,807
Total	\$ 90,267,490	84,674,334

In FY04, 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

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

	Year ended June 30,	
	2004	2003
Cash provided (used) by:		
Operating activities	\$ (20,485,147)	(19,975,593)
Non-capital financing activities	28,634,671	29,991,577
Capital and related financing activities	(5,659,128)	(6,554,195)
Investing activities	297,855	343,862
Net increase in cash	2,788,251	3,805,651
Cash beginning of the year	37,954,693	34,149,042
Cash end of the year	\$ 40,742,944	37,954,693

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, 2004, the College had approximately \$74.9 million invested in capital assets, net of accumulated depreciation of \$39.8 million. Depreciation charges totaled \$3,699,335 for FY 2004. Details of capital assets are shown below.

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

	June 30,	
	2004	2003
Land	\$ 3,869,478	3,869,478
Buildings	58,854,886	54,896,577
Other structures and improvements	9,969,398	7,454,897
Equipment and vehicles	2,233,028	2,464,178
Total	\$ 74,926,790	68,685,130

Other structures and improvements includes the recently completed North Loop road project and a new East Entrance to improve traffic flow. The start of fall term 2004 will see us moving into our new Iowa City expansion and the new Recreation Center on main campus. Planned capital expenditures for the fiscal year ending June 30, 2005 and beyond includes the completion of a new Bookstore building on main campus. More detailed information about the College's capital assets is presented in Note 4 to the financial statements.

## **DEBT**

At June 30, 2004, the College had \$44.54 million in debt outstanding, a decrease of \$2,060,000 from fiscal year 2003. The table below summarizes these amounts by type.

### **Outstanding Debt**

	June 30,	
	2004	2003
Certificates payable	\$ 28,400,000	34,120,000
Notes payable	16,140,000	12,480,000
Total	<u>\$ 44,540,000</u>	<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 issues that create challenges for the College are:

- ◆ State general aid was funded at a level well below need. Kirkwood's state general aid appropriated for fiscal year 2005 was only 2.4% above the amount received in fiscal year 2004 and is still 6% less than received 4 years ago in fiscal year 2001.
- ◆ Expenses will continue to increase as the number of students increases.
- ◆ 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.

The College anticipates continued growth in the coming fiscal year and will maintain a close watch over resources to maintain the College's ability to react to unanticipated 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, 2004

	Primary Government	Component Units
<b>Assets</b>		
Current assets:		
Cash and pooled investments	\$ 23,294,621	1,808,222
Receivables:		
Accounts	2,405,792	57,655
Succeeding year property tax	8,701,200	-
Pledges, net of allowance for doubtful pledges of \$101,853	-	523,079
Notes	1,016,345	-
Accrued interest	-	1,146
Due from Kirkwood Community College	-	143,072
Due from Kirkwood Community College Foundation	355,617	-
Due from other governments	4,895,739	-
Inventories	1,548,503	-
Prepaid expenses	55,401	13,664
Total current assets	42,273,218	2,546,838
Noncurrent assets:		
Restricted pooled investments	17,448,323	-
Receivables:		
Pledges, net of present value discount of \$103,758	-	570,245
Notes, net of allowance for uncollectible accounts of \$320,978	1,495,777	-
Iowa Industrial New Jobs Training Program	359,864	-
Long-term investment pool	-	8,546,521
Capital assets, net of accumulated depreciation	74,926,790	1,397,934
Total noncurrent assets	94,230,754	10,514,700
<b>Total assets</b>	136,503,972	13,061,538

Kirkwood Community College

Statement of Net Assets

June 30, 2004

	Primary Government	Component Units
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	3,011,006	107,653
Salaries and benefits payable	1,706,984	-
Due to Kirkwood Community College	-	355,617
Due to Kirkwood Community College Foundation	143,072	-
Annuities payable	-	42,500
Interest payable	117,527	-
Deferred revenue:		
Succeeding year property tax	8,701,200	-
Other	5,984,539	19,267
Early retirement payable	99,855	-
Compensated absences	1,406,544	-
Certificates payable	4,635,000	-
Notes payable	1,970,000	-
Deposits held in custody for others	1,964,779	-
Total current liabilities	<u>29,740,506</u>	<u>525,037</u>
Noncurrent liabilities:		
Annuities payable	-	281,414
Compensated absences	203,142	-
Certificates payable	23,765,000	-
Notes payable	14,170,000	-
Refundable advances on student loans	1,458,768	-
Total noncurrent liabilities	<u>39,596,910</u>	<u>281,414</u>
<b>Total liabilities</b>	<u>69,337,416</u>	<u>806,451</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	58,786,790	1,397,934
Restricted:		
Nonexpendable:		
Scholarships and fellowships	-	5,238,422
Expendable:		
Scholarships and fellowships	75,014	1,709,134
Cash reserve	621,989	-
Instructional department uses	-	1,287,852
Capital projects	-	625,379
Other	-	492,435
Unrestricted	7,682,763	1,503,931
<b>Total net assets</b>	<u>\$ 67,166,556</u>	<u>12,255,087</u>

See notes to financial statements.



**Exhibit B**

Kirkwood Community College  
Statement of Revenues, Expenses and  
Changes in Net Assets

Year ended June 30, 2004

	<u>Primary Government</u>	<u>Component Units</u>
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$8,340,129	\$ 24,442,690	-
Federal appropriations	21,220,452	-
Sales and services, net of scholarship allowances of \$37,122	260,020	-
Iowa Industrial New Jobs Training Program	6,113,743	-
Auxiliary enterprises, net of scholarship allowances of \$1,421,349	8,184,618	-
Contributions and pledges, net of doubtful pledges of \$77,569	-	1,636,173
Rental income and facility management	-	497,698
Royalties and commission	-	161,100
Miscellaneous, net of scholarship allowances of \$1,131	1,727,299	47,734
Total operating revenues	<u>61,948,822</u>	<u>2,342,705</u>
Operating expenses:		
Education and support:		
Liberal arts and sciences	14,820,522	-
Vocational technical	18,367,088	-
Adult education	8,459,931	-
Cooperative services	5,825,777	-
Administration	4,494,172	-
Student services	3,507,358	-
Learning resources	2,260,587	-
Physical plant	7,097,578	-
General institution	8,755,929	-
Auxiliary enterprises	8,957,618	-
Scholarships and grants	3,648,484	-
Loan cancellations and bad debts	227,154	-
Administrative and collection costs	145,957	-
Facility operations	-	171,821
Program expenses	-	258,239
Management and general expenses	-	189,200
Fund raising expenses	-	130,004
Depreciation	3,699,335	19,330
Total operating expenses	<u>90,267,490</u>	<u>768,594</u>
Operating income (loss)	<u>(28,318,668)</u>	<u>1,574,111</u>

Kirkwood Community College  
Statement of Revenues, Expenses and  
Changes in Net Assets

Year ended June 30, 2004

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	22,790,504	-
Property tax	9,684,349	-
Interest income on investments	260,255	1,047,035
Actuarial adjustment of annuities payable	-	(25,954)
Interest income on student loans	37,563	-
Gifts and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	2,597,962	-
Contributions and rent from Kirkwood Community College	-	418,203
Gifts and expense reimbursements to Kirkwood Community College	-	(2,597,962)
Contributions and rent to Kirkwood Community College Foundation and Kirkwood Facilities Foundation	(418,203)	-
Loss on sale of capital assets	(34,700)	-
Contributions to non-profit entities	-	(28,098)
Interest on indebtedness	(2,463,832)	-
Other non-operating revenues	-	4,223
Net non-operating revenues (expenses)	<u>32,453,898</u>	<u>(1,182,553)</u>
Income before additions to permanent endowments	4,135,230	391,558
Additions to permanent endowments	-	1,160,672
Change in net assets	4,135,230	1,552,230
Net assets beginning of year	<u>63,031,326</u>	<u>10,702,857</u>
Net assets end of year	<u>\$ 67,166,556</u>	<u>12,255,087</u>

See notes to financial statements.

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Kirkwood Community College

Statement of Cash Flows

Year ended June 30, 2004

Cash flows from operating activities:	
Tuition and fees	\$ 24,916,290
Federal appropriations	20,137,371
Iowa Industrial New Jobs Training Program	9,483,095
Payments to employees for salaries and benefits	(49,139,830)
Payments to suppliers for goods and services	(27,116,330)
Payments to NJTP recipients	(4,495,584)
Scholarships	(3,648,484)
Payments to subrecipients	(1,660,591)
Loans issued to students	(4,210,152)
Loan collections from students	4,107,500
Auxiliary enterprise receipts	8,292,575
Other receipts	2,848,993
Net cash used by operating activities	<u>(20,485,147)</u>
Cash flows from non-capital financing activities:	
State appropriations	23,394,191
Property tax	9,684,349
Lending receipts	22,880,030
Lending disbursements	(22,196,762)
Contributions and rent to Kirkwood Community College Foundation and Kirkwood Facilities Foundation	(287,399)
Gifts and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	2,621,956
Principal paid on debt	(8,270,000)
Certificates issued	2,550,000
Interest paid on debt	(1,820,558)
Agency receipts	13,849,717
Agency disbursements	<u>(13,770,853)</u>
Net cash provided by non-capital financing activities	<u>28,634,671</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	3,626
Acquisition of capital assets	(8,650,203)
Proceeds from issuance of debt	5,000,000
Principal paid on debt	(1,340,000)
Interest paid on debt	<u>(672,551)</u>
Net cash used by capital and related financing activities	<u>(5,659,128)</u>
Cash flows from investing activities:	
Interest on investments	<u>297,855</u>
Net increase in cash	2,788,251
Cash and cash equivalents beginning of year	<u>37,954,693</u>
Cash and cash equivalents end of year	<u>\$ 40,742,944</u>

Kirkwood Community College

Statement of Cash Flows

Year ended June 30, 2004

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (28,318,668)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	3,699,335
Provision for doubtful accounts	227,154
Changes in assets and liabilities:	
(Increase) in accounts receivable	(128,840)
(Increase) in notes receivable	(100,089)
Decrease in NJTP receivable	3,530,166
(Increase) in due from other governments	(1,030,883)
(Increase) in inventories	(3,516)
Decrease in prepaid expenses	16,728
(Decrease) in accounts payable	(103,624)
Increase in salaries payable	182,270
Increase in deferred revenue	1,531,274
Increase in compensated absences	123,624
(Decrease) in early retirement payable	(96,114)
(Decrease) in refundable advances on student loans	<u>(13,964)</u>
Total adjustments	<u>7,833,521</u>
Net cash used by operating activities	<u><u>\$ (20,485,147)</u></u>

See notes to financial statements.

**Exhibit D**

## Kirkwood Community College

Statement of Net Assets  
Component Units

June 30, 2004

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Total
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 1,166,259	641,963	1,808,222
Receivables:			
Accounts	57,655	-	57,655
Pledges, net of allowance for doubtful pledges of \$101,853	-	523,079	523,079
Accrued interest	1,146	-	1,146
Due from Kirkwood Community College	-	143,072	143,072
Prepaid expenses	9,268	4,396	13,664
Total current assets	1,234,328	1,312,510	2,546,838
Noncurrent assets:			
Pledges, net of present value discount of \$103,758	-	570,245	570,245
Long-term investment pool	-	8,546,521	8,546,521
Capital assets, net of accumulated depreciation	1,397,934	-	1,397,934
Total noncurrent assets	1,397,934	9,116,766	10,514,700
<b>Total assets</b>	<b>2,632,262</b>	<b>10,429,276</b>	<b>13,061,538</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	100,160	7,493	107,653
Due to Kirkwood Community College	73,908	281,709	355,617
Annuities payable	-	42,500	42,500
Deferred revenue	19,267	-	19,267
Total current liabilities	193,335	331,702	525,037
Noncurrent liabilities:			
Annuities payable	-	281,414	281,414
<b>Total liabilities</b>	<b>193,335</b>	<b>613,116</b>	<b>806,451</b>
<b>Net assets</b>			
Invested in capital assets	1,397,934	-	1,397,934
Restricted:			
Nonexpendable:			
Scholarships and fellowships	-	5,238,422	5,238,422
Expendable:			
Scholarships and fellowships	-	1,709,134	1,709,134
Instructional department uses	-	1,287,852	1,287,852
Capital projects	-	625,379	625,379
Other	-	492,435	492,435
Unrestricted	1,040,993	462,938	1,503,931
<b>Total net assets</b>	<b>\$ 2,438,927</b>	<b>9,816,160</b>	<b>12,255,087</b>

See notes to financial statements.

Kirkwood Community College

Statement of Revenue, Expenses and  
Changes in Net Assets  
Component Units

Year ended June 30, 2004

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Total
Operating revenues:			
Contributions and pledges, net of doubtful pledges of \$77,569	\$ -	1,636,173	1,636,173
Rental income and facility management	497,698	-	497,698
Royalties and commissions	161,100	-	161,100
Miscellaneous	47,734	-	47,734
Total operating revenues	<u>706,532</u>	<u>1,636,173</u>	<u>2,342,705</u>
Operating expenses:			
Facility operations	171,821	-	171,821
Program expenses	-	258,239	258,239
Management and general expenses	107,802	81,398	189,200
Fund raising expenses	-	130,004	130,004
Depreciation	19,330	-	19,330
Total operating expenses	<u>298,953</u>	<u>469,641</u>	<u>768,594</u>
Operating income	<u>407,579</u>	<u>1,166,532</u>	<u>1,574,111</u>
Non-operating revenues (expenses):			
Interest income on investments	98,592	948,443	1,047,035
Actuarial adjustment to annuities payable	-	(25,954)	(25,954)
Contributions and rent from Kirkwood Community College	53,759	364,444	418,203
Gifts and expense reimbursements to Kirkwood Community College	(85,697)	(2,512,265)	(2,597,962)
Contributions to Kirkwood Community College Foundation	(128,472)	-	(128,472)
Contributions from Kirkwood Facilities Foundation	-	128,472	128,472
Contributions to other non-profit entities	(28,098)	-	(28,098)
Other non-operating revenues	-	4,223	4,223
Net non-operating expenses	<u>(89,916)</u>	<u>(1,092,637)</u>	<u>(1,182,553)</u>
Income before additions to permanent endowments	317,663	73,895	391,558
Additions to permanent endowments	-	1,160,672	1,160,672
Change in net assets	317,663	1,234,567	1,552,230
Net assets beginning of year	<u>2,121,264</u>	<u>8,581,593</u>	<u>10,702,857</u>
Net assets end of year	<u>\$ 2,438,927</u>	<u>9,816,160</u>	<u>12,255,087</u>

See notes to financial statements.

Kirkwood Community College

Notes to Financial Statements

June 30, 2004

**(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.

The College's financial statements are presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

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.

These financial statements present Kirkwood Community College (the primary government) and its component units. The component units discussed below are included in the College's reporting entity because of the significance of their operational or financial relationships with the College. Certain disclosures about the component units are not included because the component units have been audited separately and reports have been issued under separate cover. The audited financial statements are available at the College.

Discrete Component Units

Kirkwood Facilities Foundation is a legally separate not-for-profit foundation. The Facilities Foundation was established for the purpose of maintaining, developing and extending its facilities and services for the benefit of Kirkwood Community College. The Facilities Foundation is governed by a Board of Directors who are appointed by the College. Although the College does not control the timing or amount of receipts from the Facilities Foundation, the majority of the resources that are held are used for the benefit of Kirkwood Community College and its students.

Kirkwood Community College Foundation is a legally separate, tax-exempt foundation. The Foundation was established for the purpose of maintaining, developing and extending its facilities and services for the benefit of Kirkwood Community College. The Foundation is organized and operates exclusively for charitable, scientific and education purposes to provide broader educational service opportunities to the College's students staff, faculty and residents of the geographic area it services. The Foundation is governed by a Board of Directors who are appointed by the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the resources that are held are used for the benefit of Kirkwood Community College and its students.

B. Financial Statement Presentation

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires resources to be classified for accounting and reporting purposes into the following four 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:

Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the College or its component units.

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 not subject to externally imposed stipulations. 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 Statements of Net Assets, Revenues, Expenses and Changes in Net Assets and 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, 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 expense 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 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 expenses incurred through June 30, 2004 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>Asset Class</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>Asset Class</u>	<u>Estimated Useful Lives (In 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.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected 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 as well as property tax receivable and other receivables not collected within sixty days after year end.

Compensated Absences – College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2004.

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 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 expenses for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the load study distributions supplied by the College Registrar.

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

Operating and Non-operating 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. Non-operating 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 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, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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 College had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$37,947,369 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Inventories**

The College's inventories at June 30, 2004 are as follows:

Type	Amount
Supplies and materials	\$ 82,807
Agricultural enterprises	206,723
Merchandise held for resale	<u>1,258,973</u>
Total	<u>\$ 1,548,503</u>

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 3,869,478	-	-	3,869,478
Capital assets being depreciated:				
Buildings	82,026,672	8,132,248	1,657,901	88,501,019
Improvements other than buildings	10,451,420	2,911,155	-	13,362,575
Equipment and vehicles	8,667,793	593,819	232,286	9,029,326
Total capital assets being depreciated	<u>101,145,885</u>	<u>11,637,222</u>	<u>1,890,187</u>	<u>110,892,920</u>
Less accumulated depreciation for:				
Buildings	27,130,095	2,516,038	-	29,646,133
Improvements other than buildings	2,996,523	396,654	-	3,393,177
Equipment and vehicles	6,203,615	786,643	193,960	6,796,298
Total accumulated depreciation	<u>36,330,233</u>	<u>3,699,335</u>	<u>193,960</u>	<u>39,835,608</u>
Total capital assets being depreciated, net	<u>64,815,652</u>	<u>7,937,887</u>	<u>1,696,227</u>	<u>71,057,312</u>
Capital assets, net	<u>\$ 68,685,130</u>	<u>7,937,887</u>	<u>1,696,227</u>	<u>74,926,790</u>

**(5) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Certificates Payable	Notes Payable	Total
Balance beginning of year	\$ 34,120,000	12,480,000	46,600,000
Additions	2,550,000	5,000,000	7,550,000
Reductions	8,270,000	1,340,000	9,610,000
Balance end of year	<u>\$ 28,400,000</u>	<u>16,140,000</u>	<u>44,540,000</u>

### Certificates Payable

In accordance with agreements dated between November 1, 1996 and November 1, 2003, the College issued certificates totaling \$50,960,000 with interest rates ranging from 3.2% to 7.25%. The debt was issued to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 4,635,000	1,410,325	6,045,325
2006	4,800,000	1,174,495	5,974,495
2007	5,060,000	928,895	5,988,895
2008	4,745,000	667,108	5,412,108
2009	3,525,000	426,905	3,951,905
2010-2014	5,635,000	454,082	6,089,082
Total	<u>\$28,400,000</u>	<u>5,061,810</u>	<u>33,461,810</u>

### 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, 2004 notes payable indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Note Issuance of December 1998</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4.10	875,000	112,372	987,372
2010-2011	4.10-4.13	1,860,000	115,685	1,975,685
Total		<u>\$ 5,915,000</u>	<u>1,001,547</u>	<u>6,916,547</u>

Year Ending June 30,	Note Issuance of December 1999			
	Interest Rates	Principal	Interest	Total
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	4.80	745,000	157,340	902,340
2009	4.85	780,000	121,580	901,580
2010-2011	5.00	1,675,000	126,500	1,801,500
Total		\$ 5,225,000	1,072,342	6,297,342

Year Ending June 30,	Note Issuance of August 2003			
	Interest Rates	Principal	Interest	Total
2005	1.20%	\$ 575,000	112,030	687,030
2005	1.50	585,000	104,193	689,193
2007	1.88	600,000	94,180	694,180
2008	2.20	615,000	81,790	696,790
2009	2.50	625,000	67,212	692,212
2010-2012	2.80-3.10	2,000,000	92,430	2,092,430
Total		\$ 5,000,000	551,835	5,551,835

Total all notes		\$ 16,140,000	2,625,724	18,765,724
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## (6) Operating Leases

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 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 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, 2004:

Year Ending June 30,	Amount
2005	\$ 59,953
2006	42,646
2007	39,949
2008	40,925
2009	41,931
2010-2020	410,063
Total	\$ 635,467

Rents for the year ended June 30, 2004 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$59,049.

**(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 covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$743,513, \$743,043 and \$759,788, 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 3.70% 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, 2004 were \$1,198,500 and \$771,209, 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 all lines is \$900,000 per occurrence, except workers compensation which is \$150,000. There is additional excess above that for another \$9,000,000 per member. Property is insured with excess coverage over the self insured retention of up to \$99,000,000. 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, 2004, no liability has been recorded in the College's financial statements. As of June 30, 2004, 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) 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 275 projects, with 53 currently receiving project funding. The remaining 222 projects have been completed, of which 53 are in the repayment process and 169 have been fully repaid.

#### **(11) 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, 2004 for those employees who have elected early retirement was \$99,855. 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, 2004 was \$164,374.

At June 30, 2004, the potential liability, if all eligible employees accepted early retirement, is approximately \$6,335,000.

#### **(12) Accounting Change**

For the year ended June 30, 2004, the College implemented Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations Are Component Units. The significant change in the financial statements includes reporting the financial statements of Kirkwood Facilities Foundation and Kirkwood Community College Foundation as discretely presented component units. Since the component units are discretely presented, there is no change in the College's previously reported net assets.



**Kirkwood Community College**

**Required Supplementary Information**

Kirkwood Community College

Budgetary Comparison Schedule of Expenditures -  
Budget and Actual

Required Supplementary Information

Year ended June 30, 2004

Funds/Levy	Original Budget	Amended Budget	Actual	Variance between Actual and Amended Budget
Unrestricted	\$ 58,281,246	58,281,246	58,336,435	(55,189)
Less utilities transferred to Plant	2,319,551	2,319,551	1,458,087	861,464
Unrestricted, as adjusted	55,961,695	55,961,695	56,878,348	(916,653)
Restricted	26,941,388	26,941,388	15,399,253	11,542,135
Unemployment	50,000	50,000	75,873	(25,873)
Tort Liability	118,067	118,067	153,271	(35,204)
Insurance	814,468	814,468	882,864	(68,396)
Early Retirement	184,635	184,635	164,374	20,261
Equipment Replacement	1,356,199	1,356,199	1,503,992	(147,793)
Total Restricted	29,464,757	29,464,757	18,179,627	11,285,130
Plant	7,000,000	7,000,000	6,346,201	653,799
Plus utilities transferred from				
Unrestricted	2,319,551	2,319,551	1,458,087	861,464
Plant, as adjusted	9,319,551	9,319,551	7,804,288	1,515,263
Total	\$ 94,746,003	94,746,003	82,862,263	11,883,740

See accompanying independent auditor's report.

Kirkwood Community College

Note to Required Supplementary Information -  
Budgetary Reporting

June 30, 2004

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.

**Other Supplementary Information**

Other 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 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 other 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 Balances 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  
All Funds

June 30, 2004

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>Assets</b>			
Cash and pooled investments	\$ 7,142,226	25,431,643	-
Receivables:			
Accounts	2,276,047	345,061	25,242
Succeeding year property tax	2,636,100	3,429,000	-
Notes (less allowance of \$320,978)	-	-	2,512,122
Iowa Industrial New Jobs Training Program	-	359,864	-
Due from other funds	1,327,498	1,401,419	282,233
Due from other governments	1,281,968	2,672,252	-
Inventories	1,548,503	-	-
Prepaid expenses	55,401	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Improvements other than buildings	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation	-	-	-
<b>Total assets</b>	<b>\$ 16,267,743</b>	<b>33,639,239</b>	<b>2,819,597</b>

Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
5,920,240	-	-	2,248,835	-	40,742,944
27,170	-	-	87,889	-	2,761,409
2,636,100	-	-	-	-	8,701,200
-	-	-	-	-	2,512,122
-	-	-	-	-	359,864
-	-	-	-	(3,011,150)	-
-	-	-	941,519	-	4,895,739
-	-	-	-	-	1,548,503
-	-	-	-	-	55,401
-	-	3,869,478	-	-	3,869,478
-	-	88,501,019	-	-	88,501,019
-	-	13,362,575	-	-	13,362,575
-	-	9,029,326	-	-	9,029,326
-	-	-	-	(39,835,608)	(39,835,608)
8,583,510	-	114,762,398	3,278,243	(42,846,758)	136,503,972



Kirkwood Community College

Balance Sheet  
All Funds

June 30, 2004

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 1,037,926	441,638	33,331
Salaries and benefits payable	1,706,984	-	-
Interest payable	-	117,527	-
Due to other funds	1,683,652	-	1,327,498
Deferred revenue:			
Succeeding year property tax	2,636,100	3,429,000	-
Other	4,589,115	406,778	-
Early retirement payable	-	99,855	-
Compensated absences	1,359,332	159,755	-
Deposits held in custody for others	-	-	-
Certificates payable	-	28,400,000	-
Notes payable	-	-	-
Refundable advances on student loans	-	-	1,458,768
Total liabilities	<u>13,013,109</u>	<u>33,054,553</u>	<u>2,819,597</u>
Fund balances:			
Invested in capital assets, net of related debt	-	-	-
Restricted:			
Expendable:			
Scholarships and fellowships	-	75,014	-
Cash reserve	-	621,989	-
Unrestricted	2,754,698	(112,317)	-
Auxiliary enterprises	499,936	-	-
Total fund balances	<u>3,254,634</u>	<u>584,686</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 16,267,743</u>	<u>33,639,239</u>	<u>2,819,597</u>

See accompanying independent auditor's report.

Plant Funds			Agency Funds	Adjustments	Total
Unex- pended	Retirement of Indebtedness	Investment in Plant			
1,406,964	-	-	234,219	-	3,154,078
-	-	-	-	-	1,706,984
-	-	-	-	-	117,527
-	-	-	-	(3,011,150)	-
2,636,100	-	-	-	-	8,701,200
-	-	-	988,646	-	5,984,539
-	-	-	-	-	99,855
-	-	-	90,599	-	1,609,686
-	-	-	1,964,779	-	1,964,779
-	-	-	-	-	28,400,000
-	-	16,140,000	-	-	16,140,000
-	-	-	-	-	1,458,768
4,043,064	-	16,140,000	3,278,243	(3,011,150)	69,337,416
-	-	98,622,398	-	(39,835,608)	58,786,790
-	-	-	-	-	75,014
-	-	-	-	-	621,989
4,540,446	-	-	-	-	7,182,827
-	-	-	-	-	499,936
4,540,446	-	98,622,398	-	(39,835,608)	67,166,556
8,583,510	-	114,762,398	3,278,243	(42,846,758)	136,503,972

Kirkwood Community College

Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
All Funds

Year ended June 30, 2004

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>Revenues:</b>			
General:			
State appropriations	\$19,224,445	2,959,252	-
Tuition and fees	32,816,156	31,850	-
Property tax	2,887,823	3,908,705	-
Federal appropriations	2,185,316	19,035,136	-
Sales and services	551,383	1,144,035	-
Interest on investments	59,060	173,334	-
Interest on student loans	-	-	37,563
Iowa Industrial New Jobs Training Program	-	6,113,743	-
Increase in plant investment due to plant expenditures (including \$5,691,545 in current fund expenditures)	-	-	-
Increase in plant investment due to retirement of debt	-	-	-
Increase due to issuance of notes payable	-	-	-
Miscellaneous	1,521,344	1,932,949	172,268
	<u>59,245,527</u>	<u>35,299,004</u>	<u>209,831</u>
Auxiliary enterprises:			
State appropriations	146	-	-
Tuition and fees	40,773	-	-
Federal appropriations	28,337	-	-
Sales and services	9,721,594	-	-
Interest on investments	33,362	-	-
Miscellaneous	37,486	-	-
	<u>9,861,698</u>	<u>-</u>	<u>-</u>
Total revenues	<u>69,107,225</u>	<u>35,299,004</u>	<u>209,831</u>

Plant Funds				
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
616,807	-	-	(10,000)	22,790,504
-	-	-	(8,405,316)	24,442,690
2,887,821	-	-	-	9,684,349
-	-	-	-	21,220,452
980	-	-	(1,424,378)	272,020
27,861	-	-	-	260,255
-	-	-	-	37,563
-	-	-	-	6,113,743
-	-	9,979,321	(9,979,321)	-
-	-	1,340,000	(1,340,000)	-
5,000,000	-	-	(5,000,000)	-
800,000	-	-	(113,300)	4,313,261
9,333,469	-	11,319,321	(26,272,315)	89,134,837
-	-	-	-	146
-	-	-	(3,320)	37,453
-	-	-	-	28,337
-	-	-	(1,673,107)	8,048,487
-	-	-	-	33,362
-	-	-	(653)	36,833
-	-	-	(1,677,080)	8,184,618
9,333,469	-	11,319,321	(27,949,395)	97,319,455

Kirkwood Community College  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances  
 All Funds

Year ended June 30, 2004

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Expenditures:			
Education and support:			
Liberal arts and sciences	14,935,358	180,936	-
Vocational technical	15,337,016	3,448,696	-
Adult education	6,731,136	1,928,819	-
Cooperative services	101,576	6,160,612	-
Administration	3,285,824	1,276,382	-
Student services	2,933,841	748,671	-
Learning resources	1,934,307	434,202	-
Physical plant	7,005,425	-	-
General institution	4,613,865	4,261,438	-
Total education and support	<u>56,878,348</u>	<u>18,439,756</u>	-
Auxiliary enterprises	12,779,711	-	-
Scholarships and grants	-	13,448,214	-
Loan cancellations and bad debts	-	-	227,154
Administrative and collection costs	-	-	145,957
Plant asset acquisitions	-	-	-
Retirement of indebtedness	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	1,791,281	-
Issuance of notes payable	-	-	-
Depreciation	-	-	-
Loss on sale of capital assets	-	-	-
Total expenditures	<u>69,658,059</u>	<u>33,679,251</u>	<u>373,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(550,834)</u>	<u>1,619,753</u>	<u>(163,280)</u>
Transfers:			
Mandatory transfers	-	-	-
Non-mandatory transfers	(754,665)	(1,728,166)	163,280
Total transfers	<u>(754,665)</u>	<u>(1,728,166)</u>	<u>163,280</u>
Net	(1,305,499)	(108,413)	-
Fund balances beginning of year	<u>4,560,133</u>	<u>693,099</u>	-
Fund balances end of year	<u>\$ 3,254,634</u>	<u>584,686</u>	-

See accompanying independent auditor's report.

Plant Funds				
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
-	-	-	(51,727)	15,064,567
-	-	-	(298,224)	18,487,488
-	-	-	(200,024)	8,459,931
-	-	-	(398,012)	5,864,176
-	-	-	(68,034)	4,494,172
-	-	-	(159,794)	3,522,718
-	-	-	(107,922)	2,260,587
1,503,961	-	-	(1,411,809)	7,097,577
-	-	-	(119,374)	8,755,929
1,503,961	-	-	(2,814,920)	74,007,145
-	-	-	(3,822,093)	8,957,618
-	-	-	(9,799,730)	3,648,484
-	-	-	-	227,154
-	-	-	-	145,957
4,287,776	-	-	(4,287,776)	-
-	1,340,000	-	(1,340,000)	-
-	-	232,286	(232,286)	-
-	672,551	-	-	2,463,832
-	-	5,000,000	(5,000,000)	-
-	-	-	3,699,335	3,699,335
-	-	-	34,700	34,700
5,791,737	2,012,551	5,232,286	(23,562,770)	93,184,225
3,541,732	(2,012,551)	6,087,035	(4,386,625)	4,135,230
(2,012,551)	2,012,551	-	-	-
2,319,551	-	-	-	-
307,000	2,012,551	-	-	-
3,848,732	-	6,087,035	(4,386,625)	4,135,230
691,714	-	92,535,363	(35,448,983)	63,031,326
4,540,446	-	98,622,398	(39,835,608)	67,166,556

Kirkwood Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances  
Unrestricted Fund  
Education and Support

Year ended June 30, 2004

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
Revenues:				
State appropriations	\$ 8,552,486	7,376,820	3,266,861	6,797
Tuition and fees	15,380,182	10,998,379	6,346,584	88,289
Property tax	-	-	-	-
Federal appropriations	18,953	1,028,819	375,448	49,999
Sales and services	9,924	73,893	46,568	15,000
Interest on investments	-	-	-	-
Miscellaneous	-	616,774	28,224	-
	<u>23,961,545</u>	<u>20,094,685</u>	<u>10,063,685</u>	<u>160,085</u>
Allocation of support services	2,223,543	1,954,175	787,809	-
Total revenues	<u>26,185,088</u>	<u>22,048,860</u>	<u>10,851,494</u>	<u>160,085</u>
Expenditures:				
Salaries and benefits	14,183,475	14,179,276	4,835,502	83,941
Services	192,063	261,344	1,214,776	6,695
Materials and supplies	229,984	608,151	542,739	9,221
Travel	170,236	167,845	81,644	1,719
Plant asset acquisitions	-	-	56,475	-
Miscellaneous	159,600	120,400	-	-
	<u>14,935,358</u>	<u>15,337,016</u>	<u>6,731,136</u>	<u>101,576</u>
Allocation of support services	8,854,386	7,781,735	3,137,141	-
Total expenditures	<u>23,789,744</u>	<u>23,118,751</u>	<u>9,868,277</u>	<u>101,576</u>
Excess (deficiency) of revenues over (under) expenditures	2,395,344	(1,069,891)	983,217	58,509
Transfers:				
Non-mandatory transfers	209,465	140,532	150,000	-
Net	<u>\$ 2,604,809</u>	<u>(929,359)</u>	<u>1,133,217</u>	<u>58,509</u>
Fund balances beginning of year				
Fund balances 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	
20,756	-	725	-	-	19,224,445
-	2,722	-	-	-	32,816,156
2,887,823	-	-	-	-	2,887,823
426,384	260,828	24,885	-	-	2,185,316
55,978	2,475	108,379	136,835	102,331	551,383
59,060	-	-	-	-	59,060
50,264	20,200	107,201	695,462	3,219	1,521,344
3,500,265	286,225	241,190	832,297	105,550	59,245,527
(3,500,265)	(286,225)	(241,190)	(832,297)	(105,550)	-
-	-	-	-	-	59,245,527
2,126,313	2,548,130	1,464,072	2,182,199	1,777,734	43,380,642
924,088	120,378	22,980	2,699,632	2,411,030	7,852,986
76,096	86,509	436,590	691,596	283,589	2,964,475
98,797	19,593	10,665	9,675	60,141	620,315
46,446	-	-	1,422,323	81,371	1,606,615
14,084	159,231	-	-	-	453,315
3,285,824	2,933,841	1,934,307	7,005,425	4,613,865	56,878,348
(3,285,824)	(2,933,841)	(1,934,307)	(7,005,425)	(4,613,865)	-
-	-	-	-	-	56,878,348
-	-	-	-	-	2,367,179
1,224,061	(366,979)	-	(2,319,551)	-	(962,472)
1,224,061	(366,979)	-	(2,319,551)	-	1,404,707
					1,349,991
					<u>\$ 2,754,698</u>



Kirkwood Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances  
Unrestricted Fund  
Auxiliary Enterprises

Year ended June 30, 2004

	Farm Lab	Bookstore	Day Care Center
<b>Revenues:</b>			
State appropriations	\$ -	-	146
Tuition and fees	-	-	-
Federal appropriations	-	-	28,337
Sales and services	774,933	6,989,286	435,493
Interest on investments	-	9,257	-
Miscellaneous	3,520	-	40
Total revenues	<u>778,453</u>	<u>6,998,543</u>	<u>464,016</u>
<b>Expenditures:</b>			
Salaries and benefits	184,355	439,091	466,256
Services	160,695	45,304	33,121
Materials and supplies	294,900	27,966	6,335
Travel	1,933	9,936	1,164
Plant asset acquisitions	10,200	-	-
Cost of goods sold	83,825	5,294,120	-
Miscellaneous	-	-	-
Total expenditures	<u>735,908</u>	<u>5,816,417</u>	<u>506,876</u>
Excess (deficiency) of revenues over (under) expenditures	42,545	1,182,126	(42,860)
<b>Transfers:</b>			
Non-mandatory transfers	-	(3,954,930)	-
Net	42,545	(2,772,804)	(42,860)
Fund balances beginning of year	<u>77,218</u>	<u>2,770,449</u>	<u>(20,711)</u>
Fund balances end of year	<u>\$ 119,763</u>	<u>(2,355)</u>	<u>(63,571)</u>

See accompanying independent auditor's report.

Other		
Vocational	Miscellaneous	Total
-	-	146
-	40,773	40,773
-	-	28,337
845,472	676,410	9,721,594
-	24,105	33,362
185	33,741	37,486
<u>845,657</u>	<u>775,029</u>	<u>9,861,698</u>
287,921	321,012	1,698,635
9,477	318,193	566,790
145,646	155,433	630,280
153	135,858	149,044
8,200	3,803,693	3,822,093
384,598	124,182	5,886,725
-	26,144	26,144
<u>835,995</u>	<u>4,884,515</u>	<u>12,779,711</u>
9,662	(4,109,486)	(2,918,013)
<u>4,108</u>	<u>4,158,629</u>	<u>207,807</u>
13,770	49,143	(2,710,206)
<u>117,740</u>	<u>265,446</u>	<u>3,210,142</u>
<u>131,510</u>	<u>314,589</u>	<u>499,936</u>

Kirkwood Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances  
Restricted Fund

Year ended June 30, 2004

	Scholarships and Grants	Iowa Industrial New Jobs Training Program	Workforce Investment Act	Heritage Agency on Aging
<b>Revenues:</b>				
State appropriations	\$ 518,818	-	-	1,009,035
Tuition and fees	-	-	-	-
Property tax	-	-	-	-
Federal appropriations	11,420,310	-	2,047,931	2,191,478
Sales and services	-	-	-	1,083,657
Interest on investments	-	173,122	-	212
Iowa Industrial New Jobs Training Program	-	6,113,743	-	-
Miscellaneous	1,400,416	-	-	43,385
Total revenues	<u>13,339,544</u>	<u>6,286,865</u>	<u>2,047,931</u>	<u>4,327,767</u>
<b>Expenditures:</b>				
Salaries and benefits	-	-	1,429,077	607,870
Services	-	4,495,584	374,454	3,520,739
Materials and supplies	-	-	44,032	98,626
Travel	-	-	27,947	34,203
Plant asset acquisitions	-	-	-	-
Interest on indebtedness	-	1,791,281	-	-
Miscellaneous	-	-	175,899	-
Federal Pell grant program	11,136,076	-	-	-
Federal supplemental educational opportunity grant	379,171	-	-	-
Iowa College Student Aid Commission	513,502	-	-	-
Private scholarships	1,419,466	-	-	-
Total expenditures	<u>13,448,215</u>	<u>6,286,865</u>	<u>2,051,409</u>	<u>4,261,438</u>
Excess (deficiency) of revenues over (under) expenditures	(108,671)	-	(3,478)	66,329
<b>Transfers:</b>				
Non-mandatory transfers	86,804	-	(1)	(68,507)
Net	(21,867)	-	(3,479)	(2,178)
Fund balances beginning of year	<u>96,881</u>	<u>-</u>	<u>(53,626)</u>	<u>(19,592)</u>
Fund balances end of year	<u>\$ 75,014</u>	<u>-</u>	<u>(57,105)</u>	<u>(21,770)</u>

See accompanying independent auditor's report.

Other Federal	State	Equipment Replacement	Tort Liability and Insurance	Early Retirement	Unemployment Compensation	Cash Reserve	Miscellaneous	Total
-	873,494	547,905	-	-	-	-	10,000	2,959,252
31,850	-	-	-	-	-	-	-	31,850
-	-	1,283,447	989,832	1,575,931	59,495	-	-	3,908,705
3,362,879	12,537	-	-	-	-	-	-	19,035,135
-	2,812	-	-	-	-	-	57,566	1,144,035
-	-	-	-	-	-	-	-	173,334
-	-	-	-	-	-	-	-	6,113,743
-	-	11,905	-	-	-	-	477,244	1,932,950
3,394,729	888,843	1,843,257	989,832	1,575,931	59,495	-	544,810	35,299,004
1,222,330	504,153	-	-	164,374	75,873	-	266,656	4,270,333
1,544,630	312,235	116,203	1,036,135	-	-	-	255,823	11,655,803
251,596	37,130	1,184,758	-	-	-	-	32,595	1,648,737
257,671	5,055	-	-	-	-	-	21,960	346,836
40,051	19,755	203,031	-	-	-	-	-	262,837
-	-	-	-	-	-	-	-	1,791,281
72,905	6,315	-	-	-	-	-	90	255,209
-	-	-	-	-	-	-	-	11,136,076
-	-	-	-	-	-	-	-	379,171
-	-	-	-	-	-	-	-	513,502
-	-	-	-	-	-	-	-	1,419,466
3,389,183	884,643	1,503,992	1,036,135	164,374	75,873	-	577,124	33,679,251
5,546	4,200	339,265	(46,303)	1,411,557	(16,378)	-	(32,314)	1,619,753
(1)	-	(438,596)	46,303	(1,411,557)	16,378	-	41,011	(1,728,166)
5,545	4,200	(99,331)	-	-	-	-	8,697	(108,413)
(24,488)	(51,665)	99,331	-	-	-	621,989	24,269	693,099
(18,943)	(47,465)	-	-	-	-	621,989	32,966	584,686

Kirkwood Community College

Schedule of Changes in Deposits Held in Custody for Others  
Agency Funds

Year ended June 30, 2004

	Student Activities	Other Federal Programs	Other Agency Programs
Balances beginning of year	\$ 138,868	(27,496)	349,143
Additions:			
State appropriations	-	537	2,601
Tuition and fees	-	1,250	430,993
Federal appropriations	-	1,505,567	-
Sales and services	-	-	987,960
Interest on investments	-	-	5,986
Flexible spending contributions	-	-	204,566
Partnership loan program	-	-	4,579,767
Miscellaneous	349,823	3,677	90,314
Total additions	<u>349,823</u>	<u>1,511,031</u>	<u>6,302,187</u>
Deductions:			
Salaries and benefits	4,960	593,897	239,363
Services	41,563	484,365	4,750,448
Materials and supplies	71,465	175,743	70,071
Travel	59,969	226,920	11,427
Plant asset acquisitions	-	40,013	8,881
Cost of goods sold	-	-	35,220
Miscellaneous	174,560	-	272,207
Flexible spending claims	-	-	202,034
Total deductions	<u>352,517</u>	<u>1,520,938</u>	<u>5,589,651</u>
Balances end of year	<u>\$ 136,174</u>	<u>(37,403)</u>	<u>1,061,679</u>

See accompanying independent auditor's report.

Retraining Program	ACCES	Federal Family Educational Loan Program	Community Colleges for International Development, Inc.	Total
555,264	1,109,806	-	89,389	2,214,974
663,360	-	-	-	666,498
-	-	-	-	432,243
-	-	22,196,762	-	23,702,329
-	5,735,510	-	153,291	6,876,761
-	-	-	-	5,986
-	-	-	-	204,566
-	-	-	-	4,579,767
-	-	-	305,768	749,582
663,360	5,735,510	22,196,762	459,059	37,217,732
-	812,978	-	133,084	1,784,282
825,031	5,412,687	22,196,762	85,041	33,795,897
-	25,218	-	4,452	346,949
-	8,212	-	274,875	581,403
-	226,481	-	-	275,375
-	-	-	-	35,220
-	-	-	-	446,767
-	-	-	-	202,034
825,031	6,485,576	22,196,762	497,452	37,467,927
393,593	359,740	-	50,996	1,964,779

**Schedule 7**

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Kirkwood Community College  
Schedule of Credit and Contact Hours  
Year ended June 30, 2004

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	188,053	-	188,053	3,488,869	-	3,488,869
Vocational Education	141,870	-	141,870	3,066,215	-	3,066,215
Adult Education / Continuing Education	-	-	-	1,236,119	256,209	1,492,328
Related Services and Activities	-	-	-	-	167,236	167,236
Total	<u>329,923</u>	<u>-</u>	<u>329,923</u>	<u>7,791,203</u>	<u>423,445</u>	<u>8,214,648</u>

See accompanying independent auditor's report

Kirkwood Community College  
Schedule of Tax and Intergovernmental Revenues

	Years ended June 30,				
	2004	2003	2002	2001	2000
Local (property tax)	\$ 9,684,349	9,333,736	8,222,098	7,297,130	7,776,589
State	22,800,650	22,279,884	23,189,485	24,073,488	22,737,326
Federal	21,248,789	18,923,851	14,713,276	11,662,597	9,376,791
Total	\$ 53,733,788	50,537,471	46,124,859	43,033,215	39,890,706

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 Five Years

	Years ended June 30,				
	2004	2003	2002	2001	2000
Revenues:					
State appropriations	\$ 22,183,697	21,995,627	22,466,332	24,073,488	22,709,588
Tuition and fees	32,848,006	29,911,209	26,563,675	22,542,285	20,935,265
Property tax	6,796,528	6,494,286	5,478,585	4,634,255	5,215,561
Federal appropriations	21,220,452	18,897,889	14,689,698	11,640,044	9,355,197
Sales and services	1,695,418	1,411,115	1,946,954	1,727,559	1,642,997
Interest on investments	232,394	300,033	542,812	531,493	1,008,071
Iowa Industrial New Jobs Training Program	6,113,743	7,503,336	7,410,910	7,887,905	9,088,161
Auxiliary enterprises	9,861,698	8,953,745	8,003,548	9,094,790	6,359,475
Miscellaneous	3,454,293	3,316,778	2,467,016	2,304,935	2,286,463
<b>Total</b>	<b>\$ 104,406,229</b>	<b>98,784,018</b>	<b>89,569,530</b>	<b>84,436,754</b>	<b>78,600,778</b>

	Years ended June 30,				
	2004	2003	2002	2001	2000
Expenditures:					
Liberal arts and sciences	\$ 15,116,294	13,098,399	12,078,393	11,558,091	10,589,520
Vocational technical	18,785,712	16,593,964	15,249,527	13,475,822	13,864,501
Adult education	8,659,955	7,793,787	7,950,952	8,003,366	7,597,940
Cooperative services	6,262,188	8,011,395	7,790,315	7,659,102	10,546,809
Administration	4,562,206	4,506,549	7,247,323	3,695,904	3,820,518
Student services	3,682,512	3,893,243	3,065,359	2,984,127	2,946,426
Learning resources	2,368,509	2,704,787	2,328,594	2,408,505	2,196,659
Physical plant	7,005,425	7,540,545	7,891,631	5,159,266	5,080,163
General institution	8,875,303	8,864,895	8,551,203	8,071,915	7,579,227
Auxiliary enterprises	12,779,711	8,222,550	7,772,127	9,201,280	6,191,561
Scholarships and grants	13,448,214	11,893,670	9,155,009	7,471,812	6,354,654
Interest on indebtedness	1,791,281	2,000,563	2,269,568	2,416,969	-
<b>Total</b>	<b>\$ 103,337,310</b>	<b>95,124,347</b>	<b>91,350,001</b>	<b>82,106,159</b>	<b>76,767,978</b>

**Kirkwood Community College**

Kirkwood Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2004

Grantor/Program	CFDA Number
Direct:	
U.S. Department of Justice:	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580
U.S. Department of Labor:	
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:	
Cooperative Grants	19.420
National Science Foundation:	
Education and Human Resources	47.076
Environmental Protection Agency:	
Wastewater Operator Training Grant Program (Technical Assistance)	66.467
U.S. Department of Education:	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Family Education Loans	84.032
Federal Work-Study Program	84.033
Federal Pell Grant Program	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
	820,354	-	-
	401,568	-	-
	120,588	-	-
	2,944	-	-
	557	-	-
	1,383,152	-	-
	64,679	-	-
	299,980	-	-
	-	22,206,648	-
	450,000	-	-
	11,160,310	-	-
	11,910,290	22,206,648	-
	7,334	-	-
	276,428	-	-
	81,812	-	-
	68,939	-	-
	440,046	-	-
	15,578,691	22,206,648	-

Kirkwood Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2004

Grantor/Program	CFDA Number
Indirect:	
U.S. Department of Agriculture:	
Indirect through Iowa Department of Education:	
Child and Adult Care Food Program	10.558
Indirect through Linn County:	
State Administrative Matching Grants for Food Stamp Program	10.561
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):	
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
	28,337	-	-
	128,528	-	-
	7,000	-	-
	352,569	-	352,569
1-W-10-FR-0	88,972	-	-
1-W-10-FR-0	81,242	-	-
	323,989	-	-
1-W-10-FR-0	5,775	-	-
1-W-10-FR-0	12,536	-	-
1-W-10-FR-0	183,252	-	-
1-W-10-FR-0	281,897	-	-
1-W-10-FR-0	580,133	-	-
	1,045,282	-	-
01-W-56-SN-0-01	26,075	-	-
	3,338	-	-

Kirkwood Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2004

Grantor/Program	CFDA Number
Indirect (continued):	
Federal Mediation and Conciliation Service:	
Indirect through Iowa Workforce Development:	
Labor Management Cooperation	34.002
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 and Delinquent Children	84.013
Vocational Education-Basic Grants to States	84.048
Tech-Prep Education	84.243
Indirect through Johnson County Community College:	
Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind	84.160
Indirect through University of Iowa:	
Learning Anytime Anywhere Partnerships	84.339
Indirect through Hazardous Materials Training Research Institute:	
Learning Anytime Anywhere 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 D - 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
Nutritution Services Incentive Program	93.053
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048
Indirect through University of Iowa:	
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048

Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees	Amounts Provided to Subrecipients
1-W-10-FR-0	11,290	-	-
	49,999	-	-
	372,110	-	-
	49,686	-	-
57-9910	845,427	-	-
57-9910	94,941	-	-
	8,100	-	-
	6,065	-	-
	162,828	-	-
	168,893	-	-
	9,063	-	7,991
	396,993	-	164,310
	717,905	-	717,905
	265,629	-	265,629
	1,380,527	-	1,147,844
	21,927	-	-
	25,299	-	-
	47,226	-	-



Kirkwood Community College  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2004

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	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 and Safety Training	93.142
Applied Toxicological Research and Testing	93.114
Indirect through Iowa Workforce Development:	
Temporary Assistance for Needy Families	93.558
Indirect through Hawkeye Valley Area Agency on Aging:	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779
Total indirect	
Total	

**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
	187,443	-	86,956
	70,123	-	65,231
	34,787	-	-
	603,470	-	-
	362,854	-	-
1-W-10-FR-0	757,198	-	-
	9,000	-	-
	7,165,780	-	1,660,591
	\$ 22,744,471	22,206,648	1,660,591

**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

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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, 2004, and have issued our report thereon dated October 8, 2004. 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.

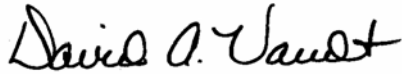
Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all 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 not been resolved and are repeated as items IV-A-04 and IV-J-04.

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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 8, 2004



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

David A. Vaudt, CPA  
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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, 2004. 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 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.

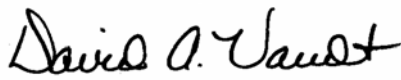
In our opinion, Kirkwood Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

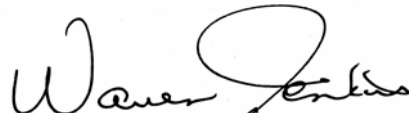
The management of Kirkwood Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kirkwood Community College's 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



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 8, 2004

Kirkwood Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

**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 noted.
- (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 noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did 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
    - CFDA Number – 84.032 Federal Family Education Loans
    - CFDA Number – 84.033 Federal Work-Study Program
    - CFDA Number – 84.063 Federal Pell Grant Program
  - CFDA Number – 16.580 Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program
  - Workforce Investment Act – Cluster:
    - CFDA Number – 17.258 Adult Program
    - CFDA Number – 17.259 Youth Activities
    - CFDA Number – 17.260 Dislocated Workers
  - CFDA Number – 84.048 Vocational Education – Basic Grants to States
- (h) The dollar threshold used to distinguish between Type A and Type B was \$681,000.
- (i) Kirkwood Community College did qualify as a low-risk auditee.



Kirkwood Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

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

**INSTANCES 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:**

**INSTANCES 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, 2004

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

IV-A-04 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, 2004.

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

Response – At certain times of the year, balances within multiple accounts at the same bank have caused the cumulative total to temporarily exceed the approved depository resolution balance. Kirkwood Community College is taking action to revise the resolution to accommodate those isolated times.

Conclusion – Response accepted.

IV-B-04 Certified Budget – Expenditures for the year ended June 30, 2004 did not exceed the amounts budgeted.

IV-C-04 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-04 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-04 Business Transactions – No business transactions between the College and College officials or employees were noted.

IV-F-04 Bond Coverage – Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-04 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-04 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, 2004

IV-J-04 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 four programs within Adult Continuing Education. The Dual Diagnosis program was understated by 2.4 hours, the Pediatric Medic First Aid/CPR program was understated by 2.2 hours, the Getting Organized program was understated by .2 hours and the Dependent Adult Abuse & Mandatory program was overstated by .6 hours.

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

Response – The division of Adult, Non-credit Continuing Education at Kirkwood will continue to utilize the contact hour edit report for reviewing our submissions. This report is run and verified on a quarterly basis by all non-credit program areas and off-campus centers. Additionally, a contact hour calculation sheet has been placed on our division's intranet and is being reviewed by all personnel that enter class information.

Conclusion – Response accepted.

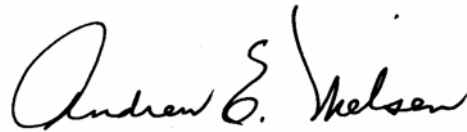
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Kirkwood Community College

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Tammy A. Wolterman, Staff Auditor  
Kristen E. Harang, CPA, Staff Auditor  
Nicole B. Tenges, Staff Auditor  
Beth A. Wichtendahl, CPA, Staff Auditor  
Ryan J. Johnson, Assistant Auditor  
Scott D. Trauger, Assistant 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'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State