



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

March 7, 2006

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 \$65,514,464 for the year ended June 30, 2005, including \$26,520,470 from tuition and fees, \$23,091,673 from the federal government and \$9,139,993 from auxiliary enterprises.

Operating expenses for the year totaled \$95,022,761, including \$53,827,573 for salaries and benefits, \$18,374,909 for services and \$5,921,157 for materials and supplies.

The College reported an operating loss of \$29,508,297. 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 \$35,906,882, including \$22,453,115 from the state, \$9,680,332 from property tax, \$2,744,347 of gifts and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation and \$988,882 from interest income on investments. Non-operating expenses totaled \$2,618,781, including interest on indebtedness of \$2,077,321 and \$507,501 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 \$3,779,804.

A copy of the audit report is available for review in the Board Secretary's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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KIRKWOOD COMMUNITY COLLEGE

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

JUNE 30, 2005

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Kirkwood Community College

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Directors (Before September 2004 Election)		
Lois Bartelme	President	2004
Mervin Cronbaugh	Vice President	2005
Robert 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

Board of Directors (After September 2004 Election)

Lois Bartelme	President	2007
Mervin Cronbaugh	Vice President	2005
Karen Gorham	Member	2005
John Hall	Member	2005
Gregg Bosch	Member	2006
Elaine Harrington	Member	2006
Stacey Iben	Member	2006
Paul Glenn	Member	2007
James Mollenhauer	Member	2007

Community College

Norman R. Nielsen (Retired Jan 2005)	President
Mick Starcevich	President
Bob Freeman	Director of Human Resources
Lois Nanke	Board Treasurer and V. P. Administration
Sheryl Cook	Board Secretary
Rick Anderson	Executive 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, 2005, 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 discretely presented component units, Kirkwood Facilities Foundation and Kirkwood Community College Foundation, 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 the amounts included for the discretely presented component units, is based on the reports of the other auditors.

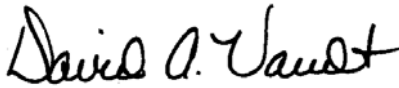
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

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, 2005, 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.

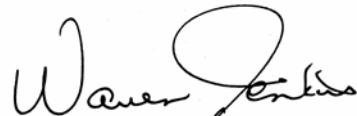
In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2005 on our consideration of Kirkwood Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 34 through 35 are not required parts of the basic financial statements, but are 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 required 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 five years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 7, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

On July 1, 2004, the College implemented a new accounting system and reclassified several cost centers/programs from Agency Funds to Restricted Funds. Certain capital assets that had previously been excluded are now reported in the Plant Fund. The fiscal year 2004 amounts in this Management's Discussion and Analysis have not been revised to reflect these changes due to the relatively insignificant impact of the changes.

The financial statements of Kirkwood Community College's two foundations are discretely presented in these financial statements. Since the assets of the foundations are the exclusive property of the foundations and do not belong to the College, a discussion of these assets is not included in this Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- ◆ College operating revenues increased in fiscal year (FY) 2005 primarily due to increased tuition and fees, now representing 56% of our unrestricted operating fund revenue. Additional enrollment contributed to the higher tuition revenue along with a tuition rate increase necessitated by a lack of sufficient state general aid, which dropped to 31% of Kirkwood's revenue. The added enrollment also increased bookstore sales, reported as an increase in the College's Auxiliary Enterprises revenues.
- ◆ College operating expenses were higher in FY05 due to 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 continues to experience 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.

Other Supplementary Information provides detailed information about the individual funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal 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 noncurrent assets, current and noncurrent liabilities and net assets (assets less liabilities). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

Net Assets

	June 30,	
	2005	2004
Current and other assets	\$ 61,923,121	61,577,182
Capital assets, net of accumulated depreciation	77,062,253	74,926,790
Total assets	<u>138,985,374</u>	<u>136,503,972</u>
Current liabilities	28,794,752	29,740,506
Noncurrent liabilities	38,410,442	39,596,910
Total liabilities	<u>67,205,194</u>	<u>69,337,416</u>
Net assets:		
Invested in capital assets, net of related debt	62,892,253	58,786,790
Restricted	945,608	697,003
Unrestricted	7,942,319	7,682,763
Total net assets	<u>\$ 71,780,180</u>	<u>67,166,556</u>

The largest portion of the College's net assets (88%) 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 (11%) 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 in the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the College, both 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

	Year ended June 30,	
	2005	2004
Operating revenues:		
Tuition and fees	\$ 26,520,470	24,442,690
Federal appropriations	23,091,673	21,220,452
Iowa Industrial New Jobs Training Program	3,769,596	6,113,743
Auxiliary enterprises	9,139,993	8,184,618
Miscellaneous	2,992,732	1,987,319
Total operating revenues	65,514,464	61,948,822
 Total operating expenses	 95,022,761	 90,267,490
Operating loss	 (29,508,297)	 (28,318,668)
 Non-operating revenues (expenses):		
State appropriations	22,453,115	22,790,504
Property tax	9,680,332	9,684,349
Interest income on investments	988,882	260,255
Interest income on student loans	40,206	37,563
Net gifts from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	2,236,846	2,179,759
Loss on disposal of capital assets	(33,959)	(34,700)
Interest expense	(2,077,321)	(2,463,832)
Net non-operating revenues	33,288,101	32,453,898
 Increase in net assets	 3,779,804	 4,135,230
Net assets beginning of year, as restated	68,000,376	63,031,326
 Net assets end of year	 \$ 71,780,180	 67,166,556

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

Total Revenues by Source

In fiscal year 2005, 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 FY04 to \$89/credit hour in FY05.
- ◆ Auxiliary enterprises revenues increased due partially to additional students purchasing books and supplies.

Operating Expenses

	Year ended June 30,	
	2005	2004
Education and support:		
Liberal arts and sciences	\$ 16,195,205	14,820,522
Vocational technical	17,372,067	18,367,088
Adult education	10,782,365	8,459,931
Cooperative services	2,546,749	5,825,777
Administration	5,781,683	4,494,172
Student services	3,798,678	3,507,358
Learning resources	2,510,556	2,260,587
Physical plant	8,218,996	7,097,578
General institution	10,354,810	8,755,929
Auxiliary enterprises	9,708,748	8,957,618
Scholarships and grants	3,479,881	3,648,484
Loan cancellations and bad debts	48,046	227,154
Administrative and collection costs	166,943	145,957
Depreciation	4,058,034	3,699,335
Total	\$ 95,022,761	90,267,490

In FY05, 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 a slight 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,	
	2005	2004
Cash provided (used) by:		
Operating activities	\$ (21,314,708)	(20,485,147)
Non-capital financing activities	30,467,937	28,634,671
Capital and related financing activities	(10,118,065)	(5,659,128)
Investing activities	1,027,340	297,855
Net increase in cash	62,504	2,788,251
Cash beginning of the year	40,742,944	37,954,693
Cash end of the year	\$ 40,805,448	40,742,944

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 Federal Family Education 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, 2005, the College had approximately \$77 million invested in capital assets, net of accumulated depreciation of \$43.7 million. Depreciation charges totaled \$4,058,034 for FY 2005. Details of capital assets are shown below.

Capital Assets, Net, at Year-End

	June 30,	
	2005	2004
Land	\$ 3,869,478	3,869,478
Buildings	61,192,927	58,854,886
Construction in progress		
Improvements other than buildings	9,838,822	9,969,398
Equipment and vehicles	2,161,026	2,338,283
Total	\$ 77,062,253	75,032,045

Additions to buildings includes the new Bookstore. Additions to improvements other than buildings in FY 2005 included some new parking lots along with recoating or resurfacing some existing lots. The College is also expanding its investment in wireless technology to improve the availability of wireless internet access around campus. The start of fall semester 2005 will see students and staff using our new Bookstore Building and, in September 2005, Kirkwood was successful in passing a \$25 million bond issue for future expansion with plans to start various construction projects in 2007. More detailed information about the College's capital assets is presented in Note 4 to the financial statements.

DEBT

At June 30, 2005, the College had \$40,035,000 in debt outstanding, a decrease of \$4,505,000 from fiscal year 2004. The table below summarizes these amounts by type.

Outstanding Debt

	June 30,	
	2005	2004
Certificates payable	\$ 25,865,000	28,400,000
Notes payable	14,170,000	16,140,000
Total	\$ 40,035,000	44,540,000

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

ECONOMIC FACTORS

Kirkwood Community College's enrollment growth in FY 2005 helped keep our financial position strong during the year, but the tuition rate increases may be limiting some student's accessibility to the College. As the State of Iowa's economic status improves, Kirkwood feels strongly the Iowa legislature should make community colleges a high priority for funding to help hold tuition rate increases reasonable. Some of the financial challenges for the College are:

- ◆ While the College received an increase of \$1.9 million in appropriated state general aid for FY 2006, that revenue stream has not kept pace with enrollment growth over the last 5 years.
- ◆ Expenses will continue to increase as the number of students increases.
- ◆ Facilities at the College require constant maintenance and upkeep.
- ◆ Technology demands continue to expand and current technology quickly becomes outdated, presenting an ongoing challenge to maintain up to date technology.

The College has worked to structure its budget favorably during the 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, 2005

	Primary Government	Component Units
Assets		
Current assets:		
Cash and pooled investments	\$ 19,721,012	1,909,482
Receivables:		
Accounts	2,063,943	13,960
Succeeding year property tax	8,626,500	-
Pledges, net of allowance for doubtful pledges of \$101,853	-	256,649
Notes	1,186,267	-
Accrued interest	-	845
Due from Kirkwood Community College	-	74,808
Due from Kirkwood Community College Foundation	351,660	-
Due from Kirkwood Facilities Foundation	469,729	-
Due from other governments	5,074,067	-
Inventories	1,446,632	-
Prepaid expenses	427,484	8,602
Total current assets	39,367,294	2,264,346
Noncurrent assets:		
Restricted pooled investments	21,084,436	-
Receivables:		
Pledges, net of present value discount of \$34,815	-	137,935
Notes, net of allowance for uncollectible accounts of \$272,709	1,471,391	-
Long-term investment pool	-	10,644,268
Capital assets, net of accumulated depreciation	77,062,253	1,781,652
Total noncurrent assets	99,618,080	12,563,855
Total assets	138,985,374	14,828,201

Kirkwood Community College

Statement of Net Assets

June 30, 2005

	Primary Government	Component Units
Liabilities		
Current liabilities:		
Accounts payable	1,062,243	293,479
Salaries and benefits payable	2,259,793	-
Due to Kirkwood Community College	-	821,389
Due to Kirkwood Community College Foundation	74,000	-
Due to Kirkwood Facilities Foundation	808	-
Annuities payable	-	53,600
Interest payable	103,434	-
Deferred revenue:		
Succeeding year property tax	8,626,500	-
Other	6,651,649	-
Early retirement payable	177,140	-
Compensated absences	1,278,530	-
Certificates payable	4,625,000	-
Notes payable	2,040,000	-
Deposits held in custody for others	1,895,655	-
Total current liabilities	28,794,752	1,168,468
Noncurrent liabilities:		
Annuities payable	-	290,633
Compensated absences	434,123	-
Deferred revenue - Iowa Industrial New Jobs Training Program	3,163,274	-
Certificates payable	21,240,000	-
Notes payable	12,130,000	-
Refundable advances on student loans	1,443,045	-
Total noncurrent liabilities	38,410,442	290,633
Total liabilities	67,205,194	1,459,101
Net assets		
Invested in capital assets, net of related debt	62,892,253	1,781,652
Restricted:		
Nonexpendable:		
Scholarships and fellowships	-	6,701,101
Expendable:		
Scholarships and fellowships	35,405	2,167,054
Cash reserve	621,989	-
Instructional department uses	-	1,017,048
Capital projects	-	353,961
Other	288,214	479,323
Unrestricted	7,942,319	868,961
Total net assets	\$ 71,780,180	13,369,100

See notes to financial statements.

Exhibit B

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

Year ended June 30, 2005

	<u>Primary Government</u>	<u>Component Units</u>
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$9,125,148	\$ 26,520,470	-
Federal appropriations	23,091,673	-
Sales and services, net of scholarship allowances of \$43,740	953,819	-
Iowa Industrial New Jobs Training Program	3,769,596	-
Auxiliary enterprises, net of scholarship allowances of \$1,491,814	9,139,993	-
Contributions and pledges, net of allowance for doubtful pledges of \$17,039	-	1,155,696
Rental income and facility management	-	509,385
Royalties and commission	-	155,686
Miscellaneous, net of scholarship allowances of \$1,243	2,038,913	228,158
Total operating revenues	<u>65,514,464</u>	<u>2,048,925</u>
Operating expenses:		
Education and support:		
Liberal arts and sciences	16,195,205	-
Vocational technical	17,372,067	-
Adult education	10,782,365	-
Cooperative services	2,546,749	-
Administration	5,781,683	-
Student services	3,798,678	-
Learning resources	2,510,556	-
Physical plant	8,218,996	-
General institution	10,354,810	-
Auxiliary enterprises	9,708,748	-
Scholarships and grants	3,479,881	-
Loan cancellations and bad debts	48,046	-
Administrative and collection costs	166,943	-
Facility operations	-	211,365
Program expenses	-	232,837
Management and general expenses	-	296,722
Fund raising expenses	-	102,139
Depreciation	4,058,034	10,659
Total operating expenses	<u>95,022,761</u>	<u>853,722</u>
Operating income (loss)	<u>(29,508,297)</u>	<u>1,195,203</u>

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

Year ended June 30, 2005

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	22,453,115	-
Property tax	9,680,332	-
Interest income on investments	988,882	751,519
Actuarial adjustment of annuities payable	-	(49,821)
Interest income on student loans	40,206	-
Gifts and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	2,744,347	-
Contributions and rent from Kirkwood Community College	-	507,501
Gifts and expense reimbursements to Kirkwood Community College	-	(2,744,347)
Contributions and rent to Kirkwood Community College Foundation and Kirkwood Facilities Foundation	(507,501)	-
Loss on disposal of capital assets	(33,959)	-
Contributions to non-profit entities	-	(36,879)
Interest on indebtedness	(2,077,321)	-
Net non-operating revenues (expenses)	<u>33,288,101</u>	<u>(1,572,027)</u>
Income before additions to permanent endowments	3,779,804	(376,824)
Additions to permanent endowments	-	<u>1,490,837</u>
Change in net assets	3,779,804	1,114,013
Net assets beginning of year, as restated	<u>68,000,376</u>	<u>12,255,087</u>
Net assets end of year	<u><u>\$ 71,780,180</u></u>	<u><u>13,369,100</u></u>

See notes to financial statements.

Kirkwood Community College

Statement of Cash Flows

Year ended June 30, 2005

Cash flows from operating activities:	
Tuition and fees	\$ 27,080,981
Federal appropriations	23,192,112
Iowa Industrial New Jobs Training Program	7,292,734
Payments to employees for salaries and benefits	(53,061,806)
Payments to suppliers for goods and services	(29,872,049)
Payments to NJTP recipients	(2,478,013)
Scholarships	(3,479,881)
Payments to subrecipients	(1,582,347)
Loans issued to students	(4,694,292)
Loan collections from students	4,484,301
Auxiliary enterprise receipts	9,242,873
Other receipts	2,560,679
Net cash used by operating activities	<u>(21,314,708)</u>
Cash flows from non-capital financing activities:	
State appropriations	22,296,735
Property tax	9,680,332
Lending receipts	22,566,285
Lending disbursements	(23,447,088)
Contributions and rent to Kirkwood Community College Foundation and Kirkwood Facilities Foundation	(575,765)
Gifts and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	2,278,575
Principal paid on debt	(5,795,000)
Certificates issued	3,260,000
Interest paid on debt	(1,472,513)
Agency receipts	14,823,306
Agency disbursements	(13,146,930)
Net cash provided by non-capital financing activities	<u>30,467,937</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	36,500
Acquisition of capital assets	(7,565,664)
Principal paid on debt	(1,970,000)
Interest paid on debt	(618,901)
Net cash used by capital and related financing activities	<u>(10,118,065)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,027,340</u>
Net increase in cash	62,504
Cash and cash equivalents beginning of year	<u>40,742,944</u>
Cash and cash equivalents end of year	<u>\$ 40,805,448</u>

Kirkwood Community College

Statement of Cash Flows

Year ended June 30, 2005

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (29,508,297)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	4,058,034
Provision for doubtful accounts	48,046
Changes in assets and liabilities:	
Decrease in accounts receivable	360,635
(Increase) in notes receivable	(193,582)
(Increase) in due from other governments	(15,594)
Decrease in inventories	101,871
(Increase) in prepaid expenses	(104,742)
(Decrease) in accounts payable	(307,580)
Increase in salaries payable	552,809
(Decrease) in deferred revenue	(26,681)
Increase in NJTP deferred revenue	3,523,138
Increase in compensated absences	135,673
Increase in early retirement payable	77,285
(Decrease) in refundable advances on student loans	<u>(15,723)</u>
Total adjustments	<u>8,193,589</u>
Net cash used by operating activities	<u><u>\$ (21,314,708)</u></u>

Noncash operating activities:

Advances of \$13,123 were cancelled by the Federal government for the Federal Perkins Loan Program.

See notes to financial statements.

Exhibit D

Kirkwood Community College

Statement of Net Assets
Component Units

June 30, 2005

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 1,272,358	637,124	1,909,482
Receivables:			
Accounts	13,960	-	13,960
Pledges, net of allowance for doubtful pledges of \$101,853	-	256,649	256,649
Accrued interest	845	-	845
Due from Kirkwood Community College	808	74,000	74,808
Prepaid expenses	7,311	1,291	8,602
Total current assets	<u>1,295,282</u>	<u>969,064</u>	<u>2,264,346</u>
Noncurrent assets:			
Pledges, net of present value discount of \$34,815	-	137,935	137,935
Long-term investment pool	-	10,644,268	10,644,268
Capital assets, net of accumulated depreciation	1,781,652	-	1,781,652
Total noncurrent assets	<u>1,781,652</u>	<u>10,782,203</u>	<u>12,563,855</u>
Total assets	<u>3,076,934</u>	<u>11,751,267</u>	<u>14,828,201</u>
Liabilities			
Current liabilities:			
Accounts payable	287,579	5,900	293,479
Due to Kirkwood Community College	469,729	351,660	821,389
Annuities payable	-	53,600	53,600
Total current liabilities	<u>757,308</u>	<u>411,160</u>	<u>1,168,468</u>
Noncurrent liabilities:			
Annuities payable	-	290,633	290,633
Total liabilities	<u>757,308</u>	<u>701,793</u>	<u>1,459,101</u>
Net assets			
Invested in capital assets	1,781,652	-	1,781,652
Restricted:			
Nonexpendable:			
Scholarships and fellowships	-	6,701,101	6,701,101
Expendable:			
Scholarships and fellowships	-	2,167,054	2,167,054
Instructional department uses	-	1,017,048	1,017,048
Capital projects	-	353,961	353,961
General operating needs of the College	-	479,323	479,323
Unrestricted	537,974	330,987	868,961
Total net assets	<u>\$ 2,319,626</u>	<u>11,049,474</u>	<u>13,369,100</u>

See notes to financial statements.

Kirkwood Community College

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

Year ended June 30, 2005

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Total
Operating revenues:			
Contributions and pledges, net of allowance for doubtful pledges of \$17,039	\$ -	1,155,696	1,155,696
Rental income and facility management	509,385	-	509,385
Royalties and commissions	155,686	-	155,686
Miscellaneous	45,131	183,027	228,158
Total operating revenues	<u>710,202</u>	<u>1,338,723</u>	<u>2,048,925</u>
Operating expenses:			
Facility operations	211,365	-	211,365
Program expenses	-	232,837	232,837
Management and general expenses	189,468	107,254	296,722
Fund raising expenses	-	102,139	102,139
Depreciation	10,659	-	10,659
Total operating expenses	<u>411,492</u>	<u>442,230</u>	<u>853,722</u>
Operating income	<u>298,710</u>	<u>896,493</u>	<u>1,195,203</u>
Non-operating revenues (expenses):			
Additions to permanent endowment	-	-	-
Interest income	64,796	686,723	751,519
Actuarial adjustment to annuities payable	-	(49,821)	(49,821)
Contributions and rent from Kirkwood Community College	55,225	452,276	507,501
Contributions from Kirkwood Community College Foundation	160,500	-	160,500
Gifts and expense reimbursements to Kirkwood Community College	(656,653)	(2,087,694)	(2,744,347)
Contributions to Kirkwood Community College Foundation	(5,000)	-	(5,000)
Contributions from Kirkwood Facilities Foundation	-	5,000	5,000
Contributions to Kirkwood Facilities Foundation	-	(160,500)	(160,500)
Contributions to other non-profit entities	(36,879)	-	(36,879)
Net non-operating expenses	<u>(418,011)</u>	<u>(1,154,016)</u>	<u>(1,572,027)</u>
Income before additions to permanent endowments	(119,301)	(257,523)	(376,824)
Additions to permanent endowments	-	1,490,837	1,490,837
Change in net assets	(119,301)	1,233,314	1,114,013
Net assets beginning of year	2,438,927	9,816,160	12,255,087
Net assets end of year	<u>\$ 2,319,626</u>	<u>11,049,474</u>	<u>13,369,100</u>

See notes to financial statements.

Kirkwood Community College

Notes to Financial Statements

June 30, 2005

(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 held by the Facilities Foundation 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 held by the Foundation 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.

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

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. 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:

Asset Class	Estimated Useful Lives (In Years)
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.

Deferred Revenue for Iowa Industrial New Jobs Training Program (NJTP) – The Iowa Industrial New Jobs Training Program reported net deferred revenue for the year ended June 30, 2005. This continues a trend dating back to the recession of 2001. Since that time, Kirkwood has generally issued less certificates each year at a lower interest rate than prior to the recession while collecting withholding tax on older higher cost projects. The withholding tax is reported as deferred revenue until the debt is paid.

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, 2005.

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 farm lab, bookstore, day care center, Equestrian Center and other auxiliary enterprises.

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, 2005 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 \$38,234,041 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust is unrated for purposes of credit risk.

(3) Inventories

The Community College's inventories at June 30, 2005 are as follows:

Type	Amount
Supplies and materials	\$ 78,539
Agricultural enterprises	224,161
Merchandise held for resale	<u>1,143,932</u>
Total	<u>\$ 1,446,632</u>

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year, as Restated	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 3,869,478	-	-	3,869,478
Capital assets being depreciated:				
Buildings	88,501,019	5,221,376	-	93,722,395
Improvements other than buildings	13,362,575	317,581	-	13,680,156
Equipment and vehicles	9,134,581	619,744	254,241	9,500,084
Total capital assets being depreciated	<u>110,998,175</u>	<u>6,158,701</u>	<u>254,241</u>	<u>116,902,635</u>
Less accumulated depreciation for:				
Buildings	29,646,133	2,883,335	-	32,529,468
Improvements other than buildings	3,393,177	448,157	-	3,841,334
Equipment and vehicles	6,796,298	726,542	183,782	7,339,058
Total accumulated depreciation	<u>39,835,608</u>	<u>4,058,034</u>	<u>183,782</u>	<u>43,709,860</u>
Total capital assets being depreciated, net	<u>71,162,567</u>	<u>2,100,667</u>	<u>70,459</u>	<u>73,192,775</u>
Capital assets, net	<u>\$ 75,032,045</u>	<u>2,100,667</u>	<u>70,459</u>	<u>77,062,253</u>

(5) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Certificates Payable	Notes Payable	Total
Balance beginning of year	\$ 28,400,000	16,140,000	44,540,000
Additions	3,260,000	-	3,260,000
Reductions	5,795,000	1,970,000	7,765,000
Balance end of year	<u>\$ 25,865,000</u>	<u>14,170,000</u>	<u>40,035,000</u>

Certificates Payable

In accordance with agreements dated between December 1, 1997 and November 1, 2004, the College issued certificates totaling \$45,590,000 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:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 4,625,000	1,241,210	5,866,210
2007	4,765,000	1,010,980	5,775,980
2008	5,080,000	769,665	5,849,665
2009	3,860,000	516,078	4,376,078
2010	2,900,000	327,873	3,227,873
2011-2014	4,635,000	372,399	5,007,399
Total	\$25,865,000	4,238,205	30,103,205

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, 2005 notes payable indebtedness are as follows:

Year Ending June 30,	Note Issuance of December 1998			
	Interest Rates	Principal	Interest	Total
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	4.00	875,000	112,372	987,372
2010	4.10	910,000	76,497	986,497
2011	4.13	950,000	39,188	989,188
Total		\$ 5,165,000	761,975	5,926,975

Year Ending June 30,	Note Issuance of December 1999			
	Interest Rates	Principal	Interest	Total
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	5.00	820,000	83,750	903,750
2011	5.00	855,000	42,750	897,750
Total		\$ 4,580,000	819,137	5,399,137

Year Ending June 30,	Note Issuance of August 2003			
	Interest Rates	Principal	Interest	Total
2006	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	2.80	645,000	50,370	695,370
2011-2012	3.00-3.10	1,355,000	42,060	1,397,060
Total		\$ 4,425,000	439,805	4,864,805
Total all notes		\$ 14,170,000	2,020,917	16,190,917

(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, 2005:

Year Ending June 30,	Amount
2006	\$ 42,646
2007	39,949
2008	40,925
2009	41,931
2010	37,966
2010-2010	372,097
Total	\$ 575,514

Rents for the year ended June 30, 2005 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$59,953.

(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, 2005, 2004 and 2003. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$785,251, \$743,513 and \$743,043, 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% of their annual covered salary and the College is required to contribute 5.75% of annual covered payroll. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2005 were \$1,267,838 and \$815,826, 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 \$200,000 per claim. Excess insurance for all lines is \$800,000 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, 2005, no liability has been recorded in the College's financial statements. As of June 30, 2005, 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 and accidental death and dismemberment. The College assumes liability for any deductibles and claims in excess of coverage limits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(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 289 projects, with 55 currently receiving project funding. The remaining 234 projects have been completed, of which 49 are in the repayment process and 185 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, 2005 for those employees who have elected early retirement was \$177,140. 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, 2005 was \$990,221.

At June 30, 2005, the potential liability, if all eligible employees accepted early retirement, is approximately \$9,459,000.

(12) Prior Period Adjustment

On July 1, 2004, the College implemented a new accounting system and restructured cost centers and account codes. The College also analyzed all accounts and reclassified several cost centers/programs from Agency Funds to Restricted Funds. Certain capital assets that had previously been excluded are now reported by the College in the Plant Fund.

Basic Financial Statements	Total		
Net assets at June 30, 2004	\$	67,166,556	
Agency Funds capital assets recorded		105,255	
Other assets reclassified from Agency Funds		728,565	
Net assets July 1, 2004, as restated	\$	68,000,376	

	Balance Beginning of Year	Adjustments	Restated Balance
Capital Assets			
Equipment and vehicles	\$ 9,029,326	105,255	9,134,581

	Net		
	Investment in Plant	Restricted	Agency
Supplementary Information			
Net assets at June 30, 2004	\$ 98,622,398	584,686	-
Deposits held in custody for others at June 30, 2004	-	-	1,964,779
Other assets reclassified from Agency Funds to Restricted Fund	-	728,565	(728,565)
Agency Funds capital assets recorded	105,255	-	-
Balances at July 1, 2004, as restated	\$ 98,727,653	1,313,251	1,236,214

The College also determined the Equestrian Center should be reported separately from the Farm Lab in the Auxiliary Fund. Accordingly, the Farm Lab fund balance was reduced by \$36,901 and the beginning balance of the Equestrian Center was established at the same amount.

(13) Subsequent Event

In September 2005, Kirkwood Community College passed a \$25,000,000 bond issue for future expansion of facilities to accommodate anticipated enrollment growth. The bonds will be repaid with a property tax levy not to exceed 20 cents per \$1,000 of taxable valuation over the next 10 years. In order to comply with IRS arbitrage guidelines, the College elected to sell \$5,000,000 in bonds in December 2005 and another \$5,000,000 in January 2006, with the remaining \$15,000,000 to be sold in January 2007. This timing allows the borrowing to be more closely aligned with the spending on construction contracts and holding interest expense on the bonds as low as possible. Plans for new construction have not been finalized yet, but may include a Conference Center as well as other education related buildings.

Required Supplementary Information

Kirkwood Community College

Budgetary Comparison Schedule of Expenditures -
Budget and Actual

Required Supplementary Information

Year ended June 30, 2005

Funds/Levy	Original/ Final Budget	Actual	Variance between Actual and Final Budget
Unrestricted	\$ 61,136,656	61,949,001	(812,345)
Less utilities transferred to Plant	1,656,962	1,656,962	-
Unrestricted, as adjusted	59,479,694	60,292,039	(812,345)
Restricted	30,411,336	15,013,378	15,397,958
Unemployment	60,000	63,782	(3,782)
Tort Liability	152,376	182,051	(29,675)
Insurance	877,764	896,190	(18,426)
Early Retirement	69,219	990,221	(921,002)
Equipment Replacement	1,345,875	993,181	352,694
Total Restricted	32,916,570	18,138,803	14,777,767
Plant	9,000,000	5,064,677	3,935,323
Plus utilities transferred from			
Unrestricted	1,656,962	1,656,962	-
Plant, as adjusted	10,656,962	6,721,639	3,935,323
Total	\$103,053,226	85,152,481	17,900,745

The variance in the Restricted Fund is due to the College budgeting an allowance for NJTP projects which may or may not come to fruition.

See accompanying independent auditor's report.

Kirkwood Community College

Note to Required Supplementary Information -
Budgetary Reporting

June 30, 2005

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 Accounts, 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 intended to provide non-instructional services for sales to students, staff and/or institutional departments which are supplemental to the educational and general objectives of the College.

Restricted Fund – The Restricted Fund is used to account for resources 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 as 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
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances
 All Funds

Year ended June 30, 2005

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Revenues:			
General:			
State appropriations	\$ 19,935,668	2,527,447	-
Tuition and fees	35,259,120	462,007	-
Property tax	2,931,936	3,816,456	-
Federal appropriations	2,309,080	20,782,593	-
Sales and services	618,750	1,018,416	-
Interest on investments	43,238	860,116	-
Interest on student loans	-	-	40,206
Iowa Industrial New Jobs Training Program	-	3,769,596	-
Increase in plant investment due to plant expenditures (including \$1,662,332 in current fund expenditures)	-	-	-
Increase in plant investment due to retirement of debt	-	-	-
Miscellaneous	2,284,342	2,148,859	175,405
	<u>63,382,134</u>	<u>35,385,490</u>	<u>215,611</u>
Auxiliary enterprises:			
Tuition and fees	23,812	-	-
Federal appropriations	27,302	-	-
Sales and services	10,622,318	-	-
Interest on investments	74,514	-	-
Miscellaneous	47,422	-	-
	<u>10,795,368</u>	<u>-</u>	<u>-</u>
Total revenues	<u>74,177,502</u>	<u>35,385,490</u>	<u>215,611</u>

Plant Funds				
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
-	-	-	(10,000)	22,453,115
-	-	-	(9,200,657)	26,520,470
2,931,940	-	-	-	9,680,332
-	-	-	-	23,091,673
1,210	-	-	(673,027)	965,349
85,528	-	-	-	988,882
-	-	-	-	40,206
-	-	-	-	3,769,596
-	-	6,122,201	(6,122,201)	-
-	-	1,970,000	(1,970,000)	-
293,391	-	36,500	(166,767)	4,771,730
3,312,069	-	8,128,701	(18,142,652)	92,281,353
-	-	-	(3,516)	20,296
-	-	-	-	27,302
-	-	-	(1,651,342)	8,970,976
-	-	-	-	74,514
-	-	-	(517)	46,905
-	-	-	(1,655,375)	9,139,993
3,312,069	-	8,128,701	(19,798,027)	101,421,346

Kirkwood Community College

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

Year ended June 30, 2005

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Expenditures:			
Education and support:			
Liberal arts and sciences	16,344,925	128,266	-
Vocational technical	15,247,845	2,501,403	-
Adult education	6,936,011	4,085,609	-
Cooperative services	447,369	2,589,220	-
Administration	3,667,623	2,132,244	-
Student services	3,200,054	751,603	-
Learning resources	2,382,491	402,326	-
Physical plant	7,410,386	-	-
General institution	4,655,335	5,821,284	-
Total education and support	60,292,039	18,411,955	-
Auxiliary enterprises	10,086,115	-	-
Scholarships and grants	-	14,141,826	-
Loan cancellations and bad debts	-	-	48,046
Administrative and collection costs	-	-	166,943
Plant asset acquisitions	-	-	-
Retirement of indebtedness	-	-	-
Disposal of plant assets	-	-	-
Interest on indebtedness	-	1,472,513	-
Depreciation	-	-	-
Loss on disposal of capital assets	-	-	-
Total expenditures	70,378,154	34,026,294	214,989
Excess (deficiency) of revenues over (under) expenditures	3,799,348	1,359,196	622
Transfers:			
Mandatory transfers	(2,574,808)	-	-
Non-mandatory transfers	(2,210,423)	(1,726,839)	(622)
Total transfers	(4,785,231)	(1,726,839)	(622)
Net	(985,883)	(367,643)	-
Fund balances beginning of year, as restated	3,254,634	1,313,251	-
Fund balances end of year	\$ 2,268,751	945,608	-

See accompanying independent auditor's report.

Plant Funds				
Unex- pended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
-	-	-	(26,272)	16,446,919
-	-	-	(178,181)	17,571,067
-	-	-	(239,255)	10,782,365
-	-	-	(489,840)	2,546,749
-	-	-	(18,184)	5,781,683
-	-	-	(142,470)	3,809,187
-	-	-	(272,699)	2,512,118
1,656,962	-	-	(848,352)	8,218,996
-	-	-	(77,093)	10,399,526
1,656,962	-	-	(2,292,346)	78,068,610
-	-	-	(377,367)	9,708,748
-	-	-	(10,661,945)	3,479,881
-	-	-	-	48,046
-	-	-	-	166,943
4,459,869	-	-	(4,459,869)	-
-	1,970,000	-	(1,970,000)	-
-	-	254,241	(254,241)	-
-	604,808	-	-	2,077,321
-	-	-	4,058,034	4,058,034
-	-	-	33,959	33,959
6,116,831	2,574,808	254,241	(15,923,775)	97,641,542
(2,804,762)	(2,574,808)	7,874,460	(3,874,252)	3,779,804
-	2,574,808	-	-	-
3,937,884	-	-	-	-
3,937,884	2,574,808	-	-	-
1,133,122	-	7,874,460	(3,874,252)	3,779,804
4,540,446	-	98,727,653	(39,835,608)	68,000,376
5,673,568	-	106,602,113	(43,709,860)	71,780,180

Kirkwood Community College

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

Year ended June 30, 2005

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
Revenues:				
State appropriations	\$ 9,020,296	7,343,192	3,476,966	69,850
Tuition and fees	16,817,290	11,846,846	6,105,602	487,402
Property tax	-	-	-	-
Federal appropriations	15,032	1,069,356	474,410	-
Sales and services	90,366	23,116	52,779	-
Interest on investments	-	-	-	-
Miscellaneous	2,027	951,158	19,151	44,000
	<u>25,945,011</u>	<u>21,233,668</u>	<u>10,128,908</u>	<u>601,252</u>
Allocation of support services	2,485,038	2,072,764	915,493	-
Total revenues	<u>28,430,049</u>	<u>23,306,432</u>	<u>11,044,401</u>	<u>601,252</u>
Expenditures:				
Salaries and benefits	15,609,564	14,149,595	5,229,787	389,535
Services	129,778	213,390	1,002,170	12,095
Materials and supplies	234,853	544,225	516,345	43,894
Travel	206,730	171,518	102,594	1,845
Plant asset acquisitions	-	9,117	85,115	-
Miscellaneous	164,000	160,000	-	-
	<u>16,344,925</u>	<u>15,247,845</u>	<u>6,936,011</u>	<u>447,369</u>
Allocation of support services	9,678,045	8,072,434	3,565,410	-
Total expenditures	<u>26,022,970</u>	<u>23,320,279</u>	<u>10,501,421</u>	<u>447,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,407,079</u>	<u>(13,847)</u>	<u>542,980</u>	<u>153,883</u>
Transfers:				
Mandatory transfers	-	-	-	-
Non-mandatory transfers	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net	<u>\$ 2,407,079</u>	<u>(13,847)</u>	<u>542,980</u>	<u>153,883</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	
24,748	-	616	-	-	19,935,668
-	1,980	-	-	-	35,259,120
2,931,936	-	-	-	-	2,931,936
503,911	225,408	20,963	-	-	2,309,080
54,210	11,627	88,787	134,371	163,494	618,750
43,238	-	-	-	-	43,238
43,417	23,862	112,948	1,085,013	2,766	2,284,342
3,601,460	262,877	223,314	1,219,384	166,260	63,382,134
(3,601,460)	(262,877)	(223,314)	(1,219,384)	(166,260)	-
-	-	-	-	-	63,382,134
2,324,349	2,695,224	1,649,278	2,395,999	1,818,539	46,261,870
1,141,866	169,159	82,232	2,727,140	2,477,708	7,955,538
95,147	139,019	531,983	1,425,626	266,782	3,797,874
100,563	23,840	10,446	4,439	92,306	714,281
-	6,540	108,552	857,062	-	1,066,386
5,698	166,272	-	120	-	496,090
3,667,623	3,200,054	2,382,491	7,410,386	4,655,335	60,292,039
(3,667,623)	(3,200,054)	(2,382,491)	(7,410,386)	(4,655,335)	-
-	-	-	-	-	60,292,039
-	-	-	-	-	3,090,095
(2,574,808)	-	-	-	-	(2,574,808)
548,626	(402,561)	-	(1,656,962)	-	(1,510,897)
(2,026,182)	(402,561)	-	(1,656,962)	-	(4,085,705)
(2,026,182)	(402,561)	-	(1,656,962)	-	(995,610)
					2,754,698
					<u>\$ 1,759,088</u>

Kirkwood Community College

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

Year ended June 30, 2005

	Farm Lab	Bookstore	Day Care Center	Other Vocational
Revenues:				
Tuition and fees	\$ -	-	-	-
Federal appropriations	-	-	27,302	-
Sales and services	410,464	7,651,776	427,666	847,409
Interest on investments	-	3,747	-	-
Miscellaneous	5,632	-	-	100
Total revenues	<u>416,096</u>	<u>7,655,523</u>	<u>454,968</u>	<u>847,509</u>
Expenditures:				
Salaries and benefits	33,465	532,340	493,462	305,914
Services	93,320	70,849	35,616	16,544
Materials and supplies	218,490	51,046	5,609	84,836
Travel	2,318	6,344	1,054	2,777
Plant asset acquisitions	-	-	-	-
Cost of goods sold	42,310	5,892,234	-	454,142
Miscellaneous	-	-	-	-
Total expenditures	<u>389,903</u>	<u>6,552,813</u>	<u>535,741</u>	<u>864,213</u>
Excess (deficiency) of revenues over (under) expenditures	26,193	1,102,710	(80,773)	(16,704)
Transfers:				
Non-mandatory transfers	-	(1,102,088)	-	-
Net	26,193	622	(80,773)	(16,704)
Fund balances beginning of year, as restated	<u>82,862</u>	<u>(2,355)</u>	<u>(63,571)</u>	<u>131,510</u>
Fund balances end of year	<u>\$ 109,055</u>	<u>(1,733)</u>	<u>(144,344)</u>	<u>114,806</u>

See accompanying independent auditor's report.

Equestrian Center	Miscellaneous	Total
-	23,812	23,812
-	-	27,302
304,404	980,599	10,622,318
-	70,767	74,514
-	41,690	47,422
304,404	1,116,868	10,795,368
165,642	306,619	1,837,442
12,044	328,289	556,662
8,612	132,434	501,027
1,337	160,164	173,994
7,477	369,890	377,367
78,944	147,016	6,614,646
-	24,977	24,977
274,056	1,469,389	10,086,115
30,348	(352,521)	709,253
-	402,562	(699,526)
30,348	50,041	9,727
36,901	314,589	499,936
67,249	364,630	509,663

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

Year ended June 30, 2005

	Iowa			
	Scholarships and Grants	Industrial New Jobs Training Program	Workforce Investment Act	Heritage Agency on Aging
Revenues:				
State appropriations	\$ 593,716	-	-	1,092,658
Tuition and fees	-	-	-	-
Property tax	-	-	-	-
Federal appropriations	11,978,893	-	1,736,598	2,093,969
Sales and services	3,000	-	-	935,763
Interest on investments	-	859,142	-	691
Iowa Industrial New Jobs Training Program	-	3,769,596	-	-
Miscellaneous	1,526,608	-	-	74,056
Total revenues	<u>14,102,217</u>	<u>4,628,738</u>	<u>1,736,598</u>	<u>4,197,137</u>
Expenditures:				
Salaries and benefits	-	-	1,241,283	642,670
Services	-	2,478,013	305,162	3,400,190
Materials and supplies	-	-	73,913	53,765
Travel	-	-	28,136	38,197
Plant asset acquisitions	-	-	-	-
Interest on indebtedness	-	1,472,513	-	-
Miscellaneous	-	-	97,171	-
Federal Pell grant program	11,655,338	-	-	-
Federal supplemental educational opportunity grant	362,498	-	-	-
Iowa College Student Aid Commission	593,382	-	-	-
Private scholarships	1,530,608	-	-	-
Total expenditures	<u>14,141,826</u>	<u>3,950,526</u>	<u>1,745,665</u>	<u>4,134,822</u>
Excess (deficiency) of revenues over (under) expenditures	(39,609)	678,212	(9,067)	62,315
Transfers:				
Non-mandatory transfers	-	(678,212)	-	(68,507)
Net	(39,609)	-	(9,067)	(6,192)
Fund balances beginning of year, as restated	75,014	-	(57,283)	(21,770)
Fund balances end of year	<u>\$ 35,405</u>	<u>-</u>	<u>(66,350)</u>	<u>(27,962)</u>

See accompanying independent auditor's report.

Other Federal	State	Equipment Replacement	Tort Liability and Insurance	Early Retirement	Unemployment Compensation	Cash Reserve	Miscellaneous	Total
-	783,666	-	-	-	-	-	57,407	2,527,447
-	900	-	-	-	-	-	461,107	462,007
-	-	1,303,098	1,134,141	1,286,337	92,880	-	-	3,816,456
4,788,118	185,015	-	-	-	-	-	-	20,782,593
-	-	-	-	-	-	-	79,653	1,018,416
-	-	-	-	-	-	-	283	860,116
-	-	-	-	-	-	-	-	3,769,596
-	1,008	-	-	-	-	-	547,187	2,148,859
4,788,118	970,589	1,303,098	1,134,141	1,286,337	92,880	-	1,145,637	35,385,490
1,772,361	439,829	-	-	990,221	63,782	-	578,115	5,728,261
1,737,613	402,214	37,366	1,078,241	-	-	-	423,910	9,862,709
517,128	33,664	837,748	-	-	-	-	106,038	1,622,256
641,082	6,342	-	-	-	-	-	41,171	754,928
72,851	84	118,067	-	-	-	-	50,378	241,380
-	-	-	-	-	-	-	-	1,472,513
89,623	15,627	-	-	-	-	-	-	202,421
-	-	-	-	-	-	-	-	11,655,338
-	-	-	-	-	-	-	-	362,498
-	-	-	-	-	-	-	-	593,382
-	-	-	-	-	-	-	-	1,530,608
4,830,658	897,760	993,181	1,078,241	990,221	63,782	-	1,199,612	34,026,294
(42,540)	72,829	309,917	55,900	296,116	29,098	-	(53,975)	1,359,196
-	-	(106,521)	(55,900)	(296,116)	(21,583)	-	(500,000)	(1,726,839)
(42,540)	72,829	203,396	-	-	7,515	-	(553,975)	(367,643)
(56,346)	(44,677)	(2,788)	-	-	-	621,989	799,112	1,313,251
(98,886)	28,152	200,608	-	-	7,515	621,989	245,137	945,608

Kirkwood Community College

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

Year ended June 30, 2005

	Student Activities	Other Agency Programs	Retraining Program
Balances beginning of year, as restated	\$ 136,174	319,861	393,593
Additions:			
State appropriations	-	-	532,396
Federal appropriations	-	-	-
Sales and services	-	530,363	-
Interest on investments	-	9,504	-
Flexible spending contributions	-	250,726	-
Partnership loan program	-	6,601,707	-
Miscellaneous	382,833	1,132	-
Total additions	382,833	7,393,432	532,396
Deductions:			
Salaries and benefits	2,597	55,228	-
Services	49,924	6,685,545	557,202
Materials and supplies	73,900	17,516	-
Travel	94,368	-	-
Plant asset acquisitions	-	-	-
Cost of goods sold	-	12,371	-
Miscellaneous	163,858	335,127	-
Flexible spending claims	-	226,977	-
Total deductions	384,647	7,332,764	557,202
Balances end of year	\$ 134,360	380,529	368,787

See accompanying independent auditor's report.

ACCES	Federal Family Educational Loan Program	Community Colleges for International Development, Inc.	Total
335,590	-	50,996	1,236,214
-	-	-	532,396
-	23,447,088	56,301	23,503,389
4,496,435	-	188,371	5,215,169
-	-	-	9,504
-	-	-	250,726
-	-	-	6,601,707
-	-	222,336	606,301
4,496,435	23,447,088	467,008	36,719,192
819,675	-	144,705	1,022,205
3,052,900	23,447,088	101,388	33,894,047
18,183	-	4,182	113,781
2,012	-	171,157	267,537
23,848	-	-	23,848
-	-	-	12,371
-	-	-	498,985
-	-	-	226,977
3,916,618	23,447,088	421,432	36,059,751
915,407	-	96,572	1,895,655

Schedule 6

Kirkwood Community College
Schedule of Credit and Contact Hours
Year ended June 30, 2005

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	197,553	-	197,553	3,359,492	-	3,359,492
Vocational Education	144,510	-	144,510	2,802,144	-	2,802,144
Adult Education / Continuing Education	-	-	-	1,237,643	167,693	1,405,336
Related Services and Activities	-	-	-	-	70,440	70,440
Total	342,063	-	342,063	7,399,279	238,133	7,637,412

See accompanying independent auditor's report

Kirkwood Community College
 Schedule of Tax and Intergovernmental Revenues
 For the Last Six Years

	Years ended June 30,					
	2005	2004	2003	2002	2001	2000
Local (property tax)	\$ 9,680,332	9,684,349	9,333,736	8,222,098	7,297,130	7,776,589
State	22,463,115	22,800,650	22,279,884	23,189,485	24,073,488	22,737,326
Federal	23,118,975	21,248,789	18,923,851	14,713,276	11,662,597	9,376,791
Total	\$ 55,262,422	53,733,788	50,537,471	46,124,859	43,033,215	39,890,706

See accompanying independent auditor's report.

Kirkwood Community College

Kirkwood Community College
 Schedule of Current Fund Revenues by Source
 and Expenditures by Function

For the Last Six Years

	Years ended June 30,					
	2005	2004	2003	2002	2001	2000
Revenues:						
State appropriations	\$ 22,463,115	22,183,697	21,995,627	22,466,332	24,073,488	22,709,588
Tuition and fees	35,721,127	32,848,006	29,911,209	26,563,675	22,542,285	20,935,265
Property tax	6,748,392	6,796,528	6,494,286	5,478,585	4,634,255	5,215,561
Federal appropriations	23,091,673	21,220,452	18,897,889	14,689,698	11,640,044	9,355,197
Sales and services	1,637,166	1,695,418	1,411,115	1,946,954	1,727,559	1,642,997
Interest on investments	225,142	232,394	300,033	542,812	531,493	1,008,071
Iowa Industrial New Jobs Training Program	3,769,596	6,113,743	7,503,336	7,410,910	7,887,905	9,088,161
Auxiliary enterprises	10,795,368	9,861,698	8,953,745	8,003,548	9,094,790	6,359,475
Miscellaneous	4,433,201	3,454,293	3,316,778	2,467,016	2,304,935	2,286,463
Total	\$ 108,884,780	104,406,229	98,784,018	89,569,530	84,436,754	78,600,778
Expenditures:						
Liberal arts and sciences	\$ 16,473,191	15,116,294	13,098,399	12,078,393	11,558,091	10,589,520
Vocational technical	17,749,248	18,785,712	16,593,964	15,249,527	13,475,822	13,864,501
Adult education	11,021,620	8,659,955	7,793,787	7,950,952	8,003,366	7,597,940
Cooperative services	3,036,589	6,262,188	8,011,395	7,790,315	7,659,102	10,546,809
Administration	5,799,867	4,562,206	4,506,549	7,247,323	3,695,904	3,820,518
Student services	3,951,657	3,682,512	3,893,243	3,065,359	2,984,127	2,946,426
Learning resources	2,784,817	2,368,509	2,704,787	2,328,594	2,408,505	2,196,659
Physical plant	7,410,386	7,005,425	7,540,545	7,891,631	5,159,266	5,080,163
General institution	10,476,619	8,875,303	8,864,895	8,551,203	8,071,915	7,579,227
Auxiliary enterprises	10,086,115	12,779,711	8,222,550	7,772,127	9,201,280	6,191,561
Scholarships and grants	14,141,826	13,448,214	11,893,670	9,155,009	7,471,812	6,354,654
Interest on indebtedness	1,472,513	1,791,281	2,000,563	2,269,568	2,416,969	-
Total	\$ 104,404,448	103,337,310	95,124,347	91,350,001	82,106,159	76,767,978

Kirkwood Community College
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

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 Occupational Safety and Health - Susan Harwood Training Grants	17.261 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
U.S. Department of Small Business Administration Mass Fatalities Response Training for Funeral Service Directors	59.000
Environmental Protection Agency: Wastewater Operator Training Grant Program (Technical Assistance)	66.467
U.S. Department of Education: Federal Supplemental Educational Opportunity Grants Federal Family Education Loans Federal Work-Study Program Federal Perkins Loan - Federal Capital Contribution Federal Pell Grant Program	84.007 84.032 84.033 84.038 84.063
TRIO - Student Support Services Child Care Access Means Parents in School	84.042 84.335
U.S. Department of Health and Human Services: Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283
U.S. Department of Homeland Security: Competitive Training Grants	97.068
Total direct	
U.S. Department of Agriculture: Indirect through Iowa Department of Education: Child and Adult Care Food Program	10.558

Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees	Amounts Provided to Subrecipients
	925,024	-	-
	145,531	-	-
	162,161	-	-
	3,108	-	-
	1,411	-	-
	1,139,204	-	-
	46,094	-	-
	38,607	-	-
	323,555	-	-
	-	23,447,088	-
	419,903	-	-
	-	350,392	-
	11,708,503	-	-
	12,451,961	23,797,480	-
	294,026	-	-
	31,894	-	-
	304,410	-	-
	550,624	-	-
	16,094,055	23,797,480	-
	27,302	-	-

Kirkwood Community College
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number
Indirect (continued):	
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
Trade Adjustment Assistance_Workers	17.245
Work Incentives Grant	17.266
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
Indirect through Iowa Department of Education:	
Mine Health and Safety Grants	17.600
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

Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees	Amounts Provided to Subrecipients
	191,945	-	-
	287,560	-	287,560
1-W-10-FR-0	82,560	-	-
1-W-10-FR-0	72,614	-	-
	461	-	-
	1,604	-	-
1-W-10-FR-0	4,918	-	-
1-W-10-FR-0	3,652	-	-
1-W-10-FR-0	167,786	-	-
1-W-10-FR-0	246,625	-	-
1-W-10-FR-0	587,719	-	-
	1,002,130	-	-
	1,650	-	-
1-W-10-FR-0	12,983	-	-
	56,663	-	-
	416,097	-	-
	38,193	-	-
57-9910	877,364	-	-
57-9910	89,686	-	-
	9,300	-	-
	2,926	-	-
	63,571	-	-
	66,497	-	-

Kirkwood Community College
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number
Indirect (continued):	
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
Nutrition Services Incentive Program	93.053
National Family Caregiver Support	93.052
Medical Assistance Program	93.778
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
U.S. Department of Health and Human Services:	
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
	8,369	-	8,369
	399,949	-	130,087
	712,542	-	712,542
	292,779	-	292,779
	1,405,270	-	1,135,408
	199,442	-	96,931
	54,079	-	54,079
	2,473	-	-
	98,580	-	-
	101,053	-	-
	961,318	-	-
	199,936	-	-
1-W-10-FR-0	821,010	-	-
	9,200	-	-
	7,002,856	-	1,582,347
	\$ 23,096,911	23,797,480	1,582,347

Kirkwood Community College



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Directors of
Kirkwood Community College:

We have audited the accompanying financial statements of Kirkwood Community College, Cedar Rapids, Iowa, and the aggregate discretely presented component units as of and for the year ended June 30, 2005, which collectively comprise the College's basic financial statements listed in the table of contents, and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

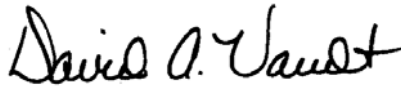
Compliance and Other Matters

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

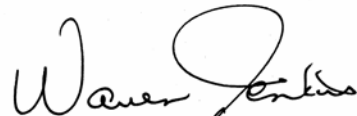
Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all 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.

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.

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 7, 2005



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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, 2005. 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 grant agreements 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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.

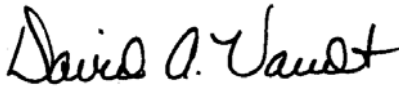
In our opinion, Kirkwood Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

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 grant agreements 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 internal control that might be material weaknesses. A material weakness is a reportable 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 grant agreements caused by error or fraud 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 internal control over compliance and its operations 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 7, 2005

Kirkwood Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

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 audit 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 Grants
 - CFDA Number – 84.032 Federal Family Education Loans
 - CFDA Number – 84.033 Federal Work-Study Program
 - CFDA Number – 84.038 Federal Perkins Loan Federal Capital Contribution
 - CFDA Number – 84.063 Federal Pell Grant Program
 - CFDA Number – 47.076 Education and Human Resources
 - CFDA Number – 93.142 NIEHS Hazardous Waste Worker Health and Safety Training
 - Special Programs for the Aging – Cluster:
 - CFDA Number – 93.044 Special Programs for the Aging – Title III Part B – Grants for the Supportive Services and Senior Centers
 - CFDA Number – 93.045 Special Programs for the Aging – Title III Part C – Nutrition Services
 - CFDA Number – 97.068 Competitive Training Grants
- (h) The dollar threshold used to distinguish between Type A and Type B was \$693,600.
- (i) Kirkwood Community College did qualify as a low-risk auditee.

Kirkwood Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

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, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-05 Official Depositories – Official depositories have been adopted by the Board. The maximum deposit amounts were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget – Expenditures for the year ended June 30, 2005 did not exceed the amounts budgeted.
- IV-C-05 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-05 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-05 Business Transactions – No business transactions between the College and College officials or employees were noted.
- IV-F-05 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-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-05 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-05 Deposits and Investments – 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.
- IV-J-05 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College except for the contact hours for three programs within Adult/Continuing Education. The Fire Science program was understated by 3.8 hours, the Sign Language Interpretation/Translation program was understated by 0.1 hours and the Foreign Language and Literature program was understated by 1.8 hours.
- Recommendation – The College should develop procedures to ensure the report submitted to the Iowa Department of Education reconciles to the supporting detailed records.

Kirkwood Community College
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Response – Kirkwood Community College is converting all reporting systems to a new software package over a 2 year window that should improve our ability to prepare detailed reports once it is fully implemented.

Conclusion – Response accepted.

IV-K-05 Authorized Signers – The list of authorized signers on the College’s checking and savings accounts include individuals who are not current College employees.

Recommendation – The list of authorized signers should be reviewed to determine all authorized signers are current College employees.

Response – Kirkwood Community College is reviewing and updating all of the bank signature cards to assure we have the current board and officer’s signatures up to date.

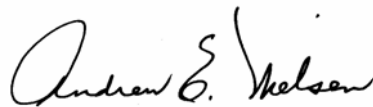
Conclusion – Response accepted.

Kirkwood Community College

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Tammy A. Wolterman, Senior Auditor
Kip M. Druecker, Staff Auditor
Ryan J. Johnson, CPA, Staff Auditor
Jennifer S. Reynolds, Assistant Auditor
Scott D. Trauger, Assistant Auditor
Brandon J. Yuska, Assistant Auditor
Kara E. Rassmussen, Auditor Intern



Andrew E. Nielsen, CPA
Deputy Auditor of State