



**Financial & Compliance Report
June 30, 2016**

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**Kirkwood Community College
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Board of Trustees		
Dr. Lois Bartelme	President	2017
James Mollenhauer	Vice President	2017
Tracy Pearson	Member	2019
John Swanson	Member	2017
Dr. Keith Stamp	Member	2017
Joel Thys	Member	2017
Lorraine Williams	Member	2019
Alan Jensen	Member	2019
Marcia Rogers	Member	2019
Community College		
Dr. Mick Starcevich	President	
Jim Choate	Board Treasurer, V.P. and Chief Financial/Operating Officer	
Carrie Anderson	Board Secretary	
Kris Riley	Executive Director of Finance	



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kirkwood Community College
Cedar Rapids, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Kirkwood Community College (the College), and its aggregate discretely presented component units as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the College's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit Kirkwood Community College Foundation discussed in Note 1. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to Kirkwood Community College Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the component unit Kirkwood Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audits and the report 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 as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12, and schedules of the College's proportionate share of the net pension liability, College contributions, and funding progress for the retiree health plan on pages 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The financial statements for the nine years ended June 30, 2015 (none of which are presented herein) were audited by other auditors, in accordance with the standards referred to in the third paragraph of this report, whose report dated November 19, 2015, stated they expressed unmodified opinions on those financial statements. The other supplementary information included in Schedules 1 through 11, including the schedule of expenditures of federal awards required by Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of the College's management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017, on our consideration of the College's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
January 9, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Kirkwood Community College (the College) provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

Kirkwood Community College is a public comprehensive community college district established by Iowa Code 260C.1 in 1966 that encompasses all or part of seven counties serving a population base of nearly a half million people. The College is governed by a nine-member Board of Trustees whose members are elected to staggered four year terms within each trustee's district. The College serves approximately 15,000 FTE credit students and approximately 75,000 non-credit participants. In addition to the main campus in Cedar Rapids, Iowa, the College operates a campus in Iowa City, regional sites in the counties of Jones, Linn, Washington and Johnson, and additional sites in Cedar, Benton and Iowa counties.

USING THIS ANNUAL REPORT

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

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

The Basic Financial Statements consist of a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances. The financial statements of Kirkwood Community College's two foundations are discretely presented in these financial statements. Since the assets are the exclusive property of the foundations and do not belong to the College, a discussion of these assets is not included in this Analysis.

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 funding progress of the College's post-employment medical benefit programs and information related to IPERS.

Other Supplementary Information provides detailed information about the individual funds. The Budgetary Comparison Schedule of Expenditures – Budget to Actual further explains and supports the financial statements with a comparison of the College's budget for the year. The Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the College. In addition, detailed information on credit and contact hours enrollment, tax and intergovernmental revenue and current fund revenue by source and expenditures by function is provided.

FINANCIAL HIGHLIGHTS AND ECONOMIC INDICATORS

Kirkwood Community College continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for College officials. Financial highlights of 2016 and some of the realities which may potentially become challenges for the College to meet are:

- State funding levels of State General Aid continue to be a significant uncertainty as to future levels. State General Aid for FY16 was frozen at FY15 levels.
- Local unemployment in the service area of the College continues to be extremely strong. With the high level of employment, the College had an approximate 2.4% reduction in credit hours for FY16. The College planned for this reduction and offset the impact through operating efficiencies.
- High local employment and shortages in certain skill disciplines are putting pressure on select wage levels. The College is actively working on recruitment and retention strategies to address specific needs.
- There have not been any significant new or dislocated companies within our service area and property tax valuations continue to increase at acceptable levels.
- The third and fourth regional centers were completed in Washington and Johnson counties with Washington opening in August of 2014 and Johnson opening in August of 2015. At this time no more regional centers are in development.

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

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

The Statement of Net Position

The detailed Statement of Net Position as of June 30, 2016 can be found at pages 14 and 15 of this report. The Statement of Net Position presents financial information on all of the College's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The Statement of Net Position is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The Statement of Net Position includes year-end information concerning current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources and net position. Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net position. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets which can be used to satisfy those liabilities.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (continued)**Statement of Net Position**

	June 30	
	2016	2015
Current and other assets	\$126,423,741	\$119,896,669
Capital assets, net of accumulated depreciation	<u>238,121,387</u>	<u>210,367,069</u>
Total assets	<u>364,545,128</u>	<u>330,263,738</u>
Deferred outflows of resources	<u>1,983,886</u>	<u>2,119,589</u>
Current liabilities	36,518,283	42,385,975
Noncurrent liabilities	<u>187,992,492</u>	<u>149,436,479</u>
Total liabilities	<u>224,510,775</u>	<u>191,822,454</u>
Deferred inflows of resources	<u>25,316,253</u>	<u>26,706,444</u>
Net position		
Net investment in capital assets	125,771,177	123,358,545
Restricted	8,227,154	10,908,128
Unrestricted	<u>(17,296,345)</u>	<u>(20,412,244)</u>
Total net position	<u>\$116,701,986</u>	<u>\$113,854,429</u>

Statement of Revenues, Expenses and Changes in Net Position

The detailed Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2016 can be found at pages 16 and 17 of this report. Changes in total net position presented in the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned by the College, both operating and nonoperating, the expenses incurred by the College, both operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the College.

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

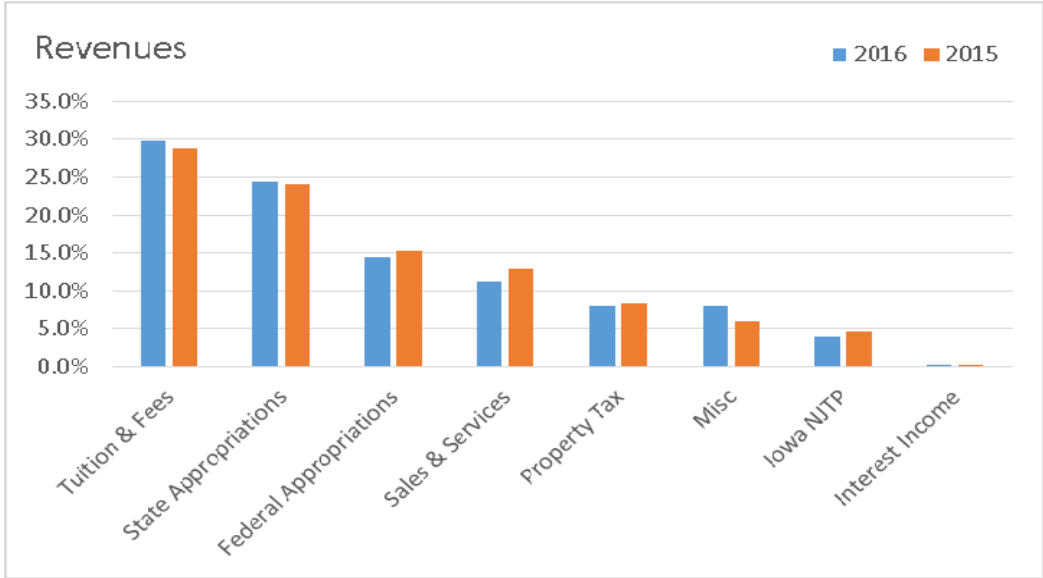
REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (continued)

Statement of Revenues, Expenses and Changes in Net Position

	Year ended June 30	
	2016	2015
Operating revenues		
Tuition and fees, net	\$ 25,624,454	\$ 23,965,365
Federal appropriations	23,833,123	25,925,125
Sales and services	1,782,199	1,409,186
Iowa Industrial New Jobs Training Program	6,541,684	7,912,423
Auxiliary enterprises	17,784,843	21,224,389
Miscellaneous	<u>10,670,424</u>	<u>4,953,897</u>
Total operating revenues	86,236,727	85,390,385
Total operating expenses	<u>145,227,389</u>	<u>142,186,828</u>
Operating loss	<u>(58,990,662)</u>	<u>(56,796,443)</u>
Nonoperating revenues (expenses)		
State appropriations	40,286,090	41,012,999
Property tax	24,058,881	22,941,271
Investment income	418,148	695,177
Interest income (loss) on student loans	—	(11,286)
Net contributions and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	1,593,276	1,338,717
Gain on disposal of capital assets	923,265	360,324
Interest expense	<u>(5,306,204)</u>	<u>(3,962,746)</u>
Net nonoperating revenues	<u>61,973,456</u>	<u>62,374,456</u>
Transfers to agency fund	<u>(135,237)</u>	<u>(185,890)</u>
Increase in net position	<u>2,847,557</u>	<u>5,392,123</u>
Net position		
Beginning	113,854,429	121,559,671
Cumulative effect of change in accounting principle	<u>—</u>	<u>(13,097,365)</u>
Beginning, as restated	<u>113,854,429</u>	<u>108,462,306</u>
Ending	<u>\$116,701,986</u>	<u>\$113,854,429</u>

REPORTING THE COLLEGE’S FINANCIAL ACTIVITIES (continued)

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, with an increase in net position at the end of the fiscal year. The graph and schedule below represent the total revenues and expenses from the unrestricted, restricted and auxiliary funds. The graph represents the percent of each revenue and expense component compared to total revenues and expenses.

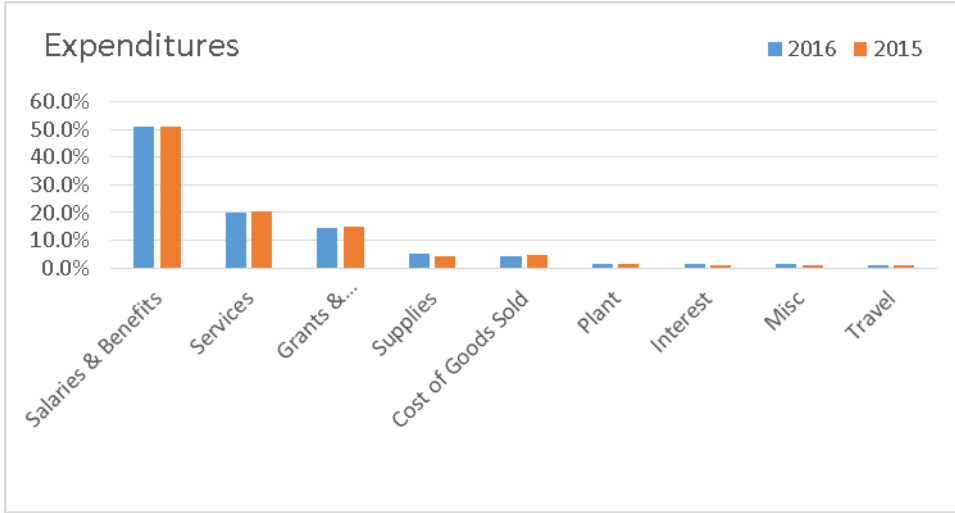


	2016	2015	Chg \$	Chg %
Tuition & Fees	\$ 49,105,381	\$ 48,593,786	\$ 511,595	1.1%
State Appropriations	40,286,090	40,612,999	(326,909)	-0.8%
Federal Appropriations	23,833,123	25,925,125	(2,092,002)	-8.1%
Sales & Services	18,559,726	21,743,134	(3,183,408)	-14.6%
Property Tax	13,124,104	13,969,720	(845,616)	-6.1%
Misc	13,223,425	10,150,651	3,072,774	30.3%
Iowa NJTP	6,541,684	7,912,423	(1,370,739)	-17.3%
Interest Income	162,946	24,721	138,225	559.1%
	\$ 164,836,479	\$ 168,932,559	\$ (4,096,080)	-2.4%

In fiscal year 2016, total revenues decreased approximately \$4.0M (2.4%). The decrease was primarily a result of the following:

- State appropriations were flat while federal appropriations decreased \$2.0M. \$800K of the decrease was related to the Heritage Area Agency on Aging, with the balance was related to Pell Grants awarded to students.
- Sales and services revenue decrease of \$3.1 million is due to a change in revenue recognition implemented in FY15 related to the Iowa New Jobs Training Program of approximately \$3.4 million.
- Miscellaneous revenues increased primarily due to planned higher Operating Equipment Protection Insurance.
- The Iowa NJTP Bond sale decreased from the prior year by approximately \$1.4M.

REPORTING THE COLLEGE’S FINANCIAL ACTIVITIES (continued)



	2016	2015	Chg \$	Chg %
Salaries & Benefits	\$ 83,506,639	\$ 83,097,179	\$ 409,460	0.5%
Services	32,710,747	33,190,750	(480,003)	-1.4%
Grants & Scholarships	23,480,927	24,628,346	(1,147,419)	-4.7%
Supplies	8,405,055	6,794,265	1,610,790	23.7%
Cost of Goods Sold	7,267,392	8,077,682	(810,290)	-10.0%
Plant	2,484,539	2,491,189	(6,650)	-0.3%
Interest	2,389,575	1,917,686	471,889	24.6%
Misc	2,125,690	1,850,749	274,941	14.9%
Travel	1,707,992	1,515,422	192,570	12.7%
	\$ 164,078,556	\$ 163,563,268	\$ 515,288	0.3%

In fiscal year 2016, total expenses increased approximately \$500K or 0.3%. The increase was primarily a result of the following:

- Salaries increase for FY16 was 4% which was offset by early retirements and staffing optimization netting a 0.5% increase.
- Pell Grants awarded in FY16 decreased approximately \$1.6M.
- Supplies and Miscellaneous increased due to additional supplies to support occupancy levels at The Hotel along with additional equipment levy purchases in the year.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (continued)

Statement of Cash Flows

The detailed Statement of Cash Flows for the year ended June 30, 2016 can be found at pages 18 and 19 of this report. 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 and related financing and investing activities.

Cash used by operating activities includes tuition, fees, operating grants and contracts, net of payments to employees and to suppliers. Cash provided by non-capital financing activities includes state appropriations, Pell grant, local property tax received by the College and the receipt and disbursement of federal direct loan program proceeds. Cash used by capital and related financing activities represents the proceeds from debt, the principal and interest payments on debt and the purchase of capital assets. Cash provided by investing activities includes investment income received.

Unrestricted cash increased for the year ended June 30, 2016 by \$212,055.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the College had approximately \$238.1 million invested in capital assets, net of accumulated depreciation of approximately \$117.0 million.

Depreciation expense totaled \$10,942,999 for fiscal year 2016. Details of capital assets are shown in Note 4 to the financial statements.

Planned capital expenditures for the fiscal year ending June 30, 2017 and beyond includes the maintenance and major mechanical replacements on older College facilities.

Debt

At June 30, 2016, the College had approximately \$177.1 million of debt outstanding excluding early retirement payable, compensated absences, other post-employment benefits and net pension liability, an increase of \$30.1 million from June 30, 2015. More detailed information about the College's outstanding debt is presented in Note 5 to the financial statements.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

**Kirkwood Community College
STATEMENT OF NET POSITION
June 30, 2016**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>College</u>	<u>Component Units</u>
ASSETS		
Current Assets		
Cash and investments	\$ 66,974,840	\$ 1,715,822
Receivables		
Accounts, net of allowance for uncollectible accounts of \$10,385,821	3,827,665	-
Property tax, succeeding year	23,880,748	-
Pledges, net of allowance for doubtful pledges of \$2,000	-	185,526
Due from component units	1,213,428	-
Due from primary government	-	360
Due from other governments	2,835,161	-
Inventories	3,005,372	-
Prepaid expenses	<u>1,365,135</u>	<u>10,382</u>
Total current assets	<u>103,102,349</u>	<u>1,912,090</u>
Noncurrent Assets		
Receivables, Iowa Industrial New Jobs Training Program	12,725,119	-
Pledges, net of allowance for doubtful pledges	-	127,939
Due from component units	733,333	-
Investments, unrestricted	-	26,856,923
Investments, restricted	7,567,610	-
Cash value of life insurance	-	265,673
Other long-term assets	2,295,330	400,530
Capital assets, nondepreciable	7,313,740	3,232,565
Capital assets, depreciable, net	<u>230,807,647</u>	<u>-</u>
Total noncurrent assets	<u>261,442,779</u>	<u>30,883,630</u>
Total assets	<u>364,545,128</u>	<u>32,795,720</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>1,983,886</u>	<u>-</u>

Kirkwood Community College
STATEMENT OF NET POSITION (continued)
June 30, 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>College</u>	<u>Component Units</u>
Current Liabilities		
Accounts payable	\$ 3,906,245	\$ 14,903
Salaries and benefits payable	8,474,389	-
Due to primary government	-	644,209
Due to other agency	-	240,533
Note payable to Kirkwood Community College, current portion	-	366,667
Annuities payable	-	21,060
Interest payable	1,020,766	-
Unearned revenue	4,596,325	50,754
Early retirement payable	721,317	-
Compensated absences	2,040,034	-
Certificates payable, current portion	6,940,000	-
Notes payable, current portion	4,672,334	-
Bonds payable, current portion	3,165,000	-
Certificates of participation, current portion	540,000	-
Deposits held in custody for others	441,873	-
Total current liabilities	<u>36,518,283</u>	<u>1,338,126</u>
Noncurrent Liabilities		
Note payable to Kirkwood Community College	-	733,333
Annuities payable	-	77,040
Other long-term liabilities	1,095,330	-
Net other postemployment benefits obligation	10,645,092	-
Net pension liability	12,286,595	-
Line of credit	5,000,000	-
Certificates payable	31,052,599	-
Notes payable	21,169,540	-
Bonds payable	41,403,095	-
Certificates of participation	65,340,241	-
Total noncurrent liabilities	<u>187,992,492</u>	<u>810,373</u>
Total liabilities	<u>224,510,775</u>	<u>2,148,499</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue	23,880,748	-
Pension related deferred inflows	1,435,505	-
Total deferred inflows of resources	<u>25,316,253</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	125,771,177	2,132,565
Temporarily restricted	-	683,104
Restricted		
Expendable		
Cash reserve	621,989	-
New Jobs Training Program	932,384	-
Employee benefits	4,798,258	-
Equipment replacement	431,043	-
Other	1,443,480	-
Total restricted	<u>8,227,154</u>	<u>-</u>
Unrestricted		
Unrestricted (deficit)	(17,296,345)	2,777,470
Unrestricted, board designated	-	1,744,677
Unrestricted, donor advised	-	23,309,405
Total unrestricted	<u>(17,296,345)</u>	<u>27,831,552</u>
Total net position	<u>\$116,701,986</u>	<u>\$30,647,221</u>

See Notes to Financial Statements.

Kirkwood Community College
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2016

	College	Component Units
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$23,480,927	\$ 25,624,454	\$ —
Federal appropriations	23,833,123	—
Sales and services	1,782,199	—
Iowa Industrial New Jobs Training Program	6,541,684	—
Auxiliary enterprises	17,784,843	—
Contributions and pledges, including in-kind contributions of \$122,797	—	1,009,571
Rental income and facility management	—	300,165
Royalties and commission	—	81,338
Contributions from primary government	—	1,985,750
Miscellaneous	<u>10,670,424</u>	<u>12,834</u>
Total operating revenues	<u>86,236,727</u>	<u>3,389,658</u>
OPERATING EXPENSES		
Education and support		
Liberal arts and sciences	24,665,561	—
Vocational technical	21,860,908	—
Adult education	9,138,303	—
Cooperative services	9,849,169	—
Administration	15,294,565	—
Student services	6,073,761	—
Learning resources	1,970,521	—
Physical plant	8,899,264	—
General institution	19,920,456	—
Auxiliary enterprises	16,611,882	—
Distributions to Kirkwood Community College	—	2,843,567
Facility operations	—	48,091
Program services	—	468,063
Management and general	—	1,006,345
Fundraising	—	69,183
Depreciation	<u>10,942,999</u>	<u>—</u>
Total operating expenses	<u>145,227,389</u>	<u>4,435,249</u>
OPERATING LOSS	<u>(58,990,662)</u>	<u>(1,045,591)</u>

Kirkwood Community College
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)
Year ended June 30, 2016

	College	Component Units
NONOPERATING REVENUES (EXPENSES)		
State appropriations	40,286,090	-
Property tax	24,058,881	-
Investment income (loss)	418,148	(904,346)
Actuarial adjustment of annuities payable	-	31,055
Gifts from component units	3,614,927	-
Rent from primary government	-	35,901
Gift to affiliates	-	(8,641)
Contributions and rent to component units	(2,021,651)	-
Gain on sale of capital assets	923,265	-
Contributions to other nonprofit entities	-	(49,748)
Donated land	-	1,100,000
Interest expense	(5,306,204)	-
Release from temporarily restricted	-	432,816
Total nonoperating revenues (expenses), net	<u>61,973,456</u>	<u>637,037</u>
TRANSFERS TO AGENCY FUND	<u>(135,237)</u>	<u>-</u>
SUPPORT AND REVENUES, TEMPORARILY RESTRICTED		
Contributions, pledges and cash, net	-	21,257
Release from restriction	-	(432,816)
Total temporarily restricted support and revenues	<u>-</u>	<u>(411,559)</u>
CHANGE IN NET POSITION	2,847,557	(820,113)
NET POSITION		
Beginning	<u>113,854,429</u>	<u>31,467,334</u>
Ending	<u>\$116,701,986</u>	<u>\$30,647,221</u>

**Kirkwood Community College
STATEMENT OF CASH FLOWS
Year ended June 30, 2016**

	<u>Primary Government</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 26,842,578
Federal appropriations	23,418,389
Iowa Industrial New Jobs Training Program (NJTP)	5,832,508
Payments to employees for salaries and benefits	(82,498,405)
Payments to suppliers for goods and services	(46,783,979)
Payments to NJTP subrecipients	(5,927,633)
Auxiliary enterprise receipts	17,784,843
Other receipts/payments	11,989,586
Net cash used in operating activities	<u>(49,342,113)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	40,286,090
Property tax	24,058,879
Federal direct lending receipts	30,775,103
Federal direct lending disbursements	(30,775,103)
Contributions and rent paid to component units	(2,021,651)
Gifts from component units	2,470,876
Proceeds from certificates payable	4,660,000
Principal paid on certificates payable	(4,940,000)
Interest paid on certificates payable	(1,373,174)
Transfers to agency fund	(135,237)
Agency receipts	1,964,267
Agency disbursements	<u>(2,044,274)</u>
Net cash provided by noncapital financing activities	<u>62,925,776</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(38,113,906)
Interest capitalized	(32,313)
Proceeds from sale of capital assets	843,561
Net change in line of credit	5,000,000
Debt issued	51,201,000
Bond premiums (discounts), net	(29,593)
Principal paid on debt	(25,805,332)
Interest paid on debt	<u>(3,645,980)</u>
Net cash used in capital and related financing activities	<u>(10,582,563)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	418,148
Purchases of investments	(112,248,012)
Proceeds from sale and maturities of investments	<u>109,040,819</u>
Net cash used in investment activities	<u>(2,789,045)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	212,055
CASH AND CASH EQUIVALENTS, beginning	<u>10,441,327</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 10,653,382</u>

See Notes to Financial Statements.

Kirkwood Community College
STATEMENT OF CASH FLOWS (continued)
Year ended June 30, 2016

	<u>Primary Government</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS USED IN OPERATING ACTIVITIES	
Operating loss	\$ <u>(58,990,662)</u>
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	10,942,999
Accretion, net of amortization	(585,834)
In-kind donations from component units	122,797
Changes in assets and liabilities	
Decrease in accounts receivable	1,004,226
Increase in NJTP receivable	(709,176)
Increase in due from other governments	(414,734)
Increase in inventories	(186,728)
Increase in prepaid expenses	(500,709)
Decrease in accounts payable	(1,728,517)
Increase in salaries payable	1,169,883
Increase in unearned revenue	213,898
Decrease in compensated absences	(85,004)
Decrease in early retirement payable	(76,645)
Increase in OPEB payable	1,013,456
Decrease in deferred outflows	135,703
Decrease in deferred inflows	(2,671,344)
Increase in net pension liability	<u>2,004,278</u>
Total adjustments	<u>9,648,549</u>
Net cash flows used in operating activities	\$ <u>(49,342,113)</u>

Kirkwood Community College
STATEMENT OF NET POSITION/NET ASSETS – DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2016

ASSETS	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$1,124,146	\$ 591,676	\$ –	\$ 1,715,822
Receivables				
Pledges, less allowance for doubtful pledges	–	186,830	(1,304)	185,526
Due from Kirkwood Community College	360	–	–	360
Prepaid expenses	10,382	–	–	10,382
Total current assets	<u>1,134,888</u>	<u>778,506</u>	<u>(1,304)</u>	<u>1,912,090</u>
NONCURRENT ASSETS				
Pledges at net present value, less allowance for doubtful pledges	–	127,939	–	127,939
Investments	–	26,856,923	–	26,856,923
Cash value of life insurance	–	265,673	–	265,673
Other	–	400,530	–	400,530
Capital assets, nondepreciable	<u>3,232,565</u>	<u>–</u>	<u>–</u>	<u>3,232,565</u>
Total noncurrent assets	<u>3,232,565</u>	<u>27,651,065</u>	<u>–</u>	<u>30,883,630</u>
 Total assets	 <u>4,367,453</u>	 <u>28,429,571</u>	 <u>(1,304)</u>	 <u>32,795,720</u>
LIABILITIES AND NET POSITION/NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	926	13,977	–	14,903
Due to Kirkwood Community College Foundation	1,304	–	(1,304)	–
Due to Kirkwood Community College	338	95,110	–	95,448
Due to KCCCK-FM Radio	–	548,761	–	548,761
Due to other agency	–	240,533	–	240,533
Unearned revenue	50,754	–	–	50,754
Note payable to Kirkwood Community College, current portion	366,667	–	–	366,667
Annuities payable	–	21,060	–	21,060
Total current liabilities	<u>419,989</u>	<u>919,441</u>	<u>(1,304)</u>	<u>1,338,126</u>
NONCURRENT LIABILITIES				
Note payable to Kirkwood Community College	733,333	–	–	733,333
Annuities payable	–	77,040	–	77,040
Total noncurrent liabilities	<u>733,333</u>	<u>77,040</u>	<u>–</u>	<u>810,373</u>
Total liabilities	<u>1,153,322</u>	<u>996,481</u>	<u>(1,304)</u>	<u>2,148,499</u>
NET POSITION/NET ASSETS				
Investment in capital assets	2,132,565	–	–	2,132,565
Temporarily restricted	–	683,104	–	683,104
Unrestricted				
Unrestricted	1,081,566	1,695,904	–	2,777,470
Unrestricted, board designated	–	1,744,677	–	1,744,677
Unrestricted, donor advised	–	23,309,405	–	23,309,405
 Total net position/net assets	 <u>\$3,214,131</u>	 <u>\$27,433,090</u>	 <u>\$ –</u>	 <u>\$30,647,221</u>

See Notes to Financial Statements.

Kirkwood Community College
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION/NET ASSETS – DISCRETELY PRESENTED COMPONENT UNITS
Year ended June 30, 2016

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Total
OPERATING REVENUES			
Contributions and pledges	\$ —	\$ 539,655	\$ 539,655
Contributions, in-kind	—	122,797	122,797
Rental income and facility management	300,165	—	300,165
Royalties and commissions	81,338	—	81,338
Contributions from Kirkwood Community College	—	1,985,750	1,985,750
Contributions to donor advised for endowment	—	347,119	347,119
Miscellaneous	16,438	(3,604)	12,834
Total operating revenues	<u>397,941</u>	<u>2,991,717</u>	<u>3,389,658</u>
OPERATING EXPENSES			
Distributions to Kirkwood Community College	—	2,843,567	2,843,567
Facility operations	48,091	—	48,091
Programs	—	468,063	468,063
Management and general	142,314	864,031	1,006,345
Fund raising	—	69,183	69,183
Total operating expenses	<u>190,405</u>	<u>4,244,844</u>	<u>4,435,249</u>
OPERATING INCOME (LOSS)	<u>207,536</u>	<u>(1,253,127)</u>	<u>(1,045,591)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment (loss)	—	(904,346)	(904,346)
Actuarial adjustments of annuities payable	—	31,055	31,055
Rent from Kirkwood Community College	35,901	—	35,901
Gifts to affiliates	(8,641)	—	(8,641)
Contributions to other nonprofit entities	(15,260)	(34,488)	(49,748)
Donated land	1,100,000	—	1,100,000
Release from temporarily restricted	—	432,816	432,816
Net nonoperating revenues (expenses)	<u>1,112,000</u>	<u>(474,963)</u>	<u>637,037</u>
SUPPORT AND REVENUES, TEMPORARILY RESTRICTED			
Contributions, pledges and cash, net	—	21,257	21,257
Release from restriction	—	(432,816)	(432,816)
Total temporarily restricted support and revenues	<u>—</u>	<u>(411,559)</u>	<u>(411,559)</u>
CHANGE IN NET POSITION/NET ASSETS	1,319,536	(2,139,649)	(820,113)
NET POSITION/NET ASSETS			
Beginning	1,894,595	29,572,739	31,467,334
Ending	<u>\$3,214,131</u>	<u>\$27,433,090</u>	<u>\$30,647,221</u>

See Notes to Financial Statements.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

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

The College's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Financial Reporting Entity

Accounting principles generally accepted in the United States of America (GAAP) require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, the Governmental Accounting Standards Board (GASB) standards set forth additional criteria to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. These criteria include 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 discretely presented component units. The discretely presented component units discussed below are included in the College's reporting entity because of the significance of their operational or financial relationships with the College. Certain disclosures about the component units are not included because the component units have been audited separately for the year ended June 30, 2016, and their reports have been issued under separate cover. The audited financial statements are available at the College.

Discrete Component Units

Kirkwood Facilities Foundation (the Facilities Foundation) is a legally separate not-for-profit foundation. The Facilities Foundation was established for the purpose of maintaining, developing and extending its facilities and services for the benefit of Kirkwood Community College. The Facilities Foundation is governed by a board of directors who is elected by the existing Foundation board members from a listing of nominees from the board of trustees of the College. Although the College does not control the timing or amount of receipts from the Facilities Foundation, the majority of the resources held by the Facilities Foundation are used for the benefit of the College and its students. Because the College has the unilateral right to dissolve the Foundation, the Foundation's financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) that apply to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The audited financial statements are available at the College offices.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (continued)

Discrete Component Units (continued)

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

The Foundation is a not-for-profit organization that reports under the Not-for-Profit Entities Topic of the *FASB Accounting Standards Codification*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting for these differences. The Foundation reports net assets, which is equivalent to net position reported by the College. Complete financial statements of the Foundation can be obtained by calling the Foundation at (319) 398-5442.

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 net position categories:

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets. The portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted Net Position

Nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the College including the College's permanent endowment funds.

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

The basic financial statements (the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows) report information on all of the activities of the College. For the most part, the effect of interfund activity has been removed from these statements.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (continued)

Measurement Focus and Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include deposits held at banks and certificates of deposit purchased with an original maturity of three months or less. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is stated at amortized cost, which approximates fair value. The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The value of the position in the trust is the same as the amortized cost value of the shares. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Accounts Receivable

Accounts receivable primarily includes amounts due from students for tuition and fees, and amounts due from sponsoring agencies for grants and contracts, and other miscellaneous receivables. It is the College's policy to provide for future losses on uncollectible accounts based on evaluation of underlying account, the historical collectability experienced by the College on such balances and such other factors which, in management's judgment, require consideration in estimating doubtful accounts.

Property Taxes

Property tax receivable is recognized on the levy or lien date, which is the date the tax request is certified by the Board of Trustees to the appropriate county auditors. The succeeding year property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the board of trustees is required to certify its budget to the County Auditor by 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.

Property tax revenues recognized become due and collectible in September and March of the current fiscal year and are based on January 1, 2014 assessed property valuations for the tax accrual period July 1, 2015 through June 30, 2016, and reflects the tax request contained in the budget certified to the appropriate county auditor in April 2015.

Iowa Industrial New Jobs Training Program (NJTP) Receivable

This receivable represents the total amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2016, plus interest incurred on NJTP certificates, less revenues received to date.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (continued)

Due from Other Governments

This represents state aid, grants, and reimbursements due from other governmental agencies.

Inventories

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

Capital Assets

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

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. Interest costs of \$47,391 were capitalized for the year ended June 30, 2016.

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

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

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

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

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

Deferred Outflows of Resources

Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (continued)

Unearned Revenue

Unearned revenue represents the amount of cash that has been received, but the related revenue has not been recognized since it has not been earned or the cash has not been spent for its intended purpose restriction.

Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

College employees accumulate vacation hours for subsequent use or for payment upon termination, death or retirement. No more than five days of vacation earned in a fiscal year can be banked for future use in a subsequent fiscal year. Unused, banked vacation entitlement may be cumulative to a maximum of 30 days effective July 1, 2014. Employees who had more than 30 vacation days banked as of July 1, 2014, will maintain that balance not to exceed the prior limit of 60 days. Amounts earned but unused are recorded as liabilities. These liabilities have been computed based on rates of pay in effect as of June 30, 2016.

Bond Premiums and Discounts

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowings used for acquisition, construction, or improvement of those assets. The debt related to the sinking fund and reserve accounts totaling \$7,567,610 are not included in this category. Restricted net position represent the amounts segregated for specific purposes as restricted by the Code of Iowa, bond covenants, donors or outside agencies and amounts where there are limitations imposed on their use through enabling legislation. Restricted net position includes both expendable and nonexpendable funds. Expendable funds may be used by the College for their restricted purpose. Nonexpendable funds may not be used. All remaining net position (deficit) is unrestricted. The College first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (continued)

Auxiliary Enterprise Revenues and Expenses

Auxiliary enterprise revenues and expenses primarily represent revenues generated by and expenses associated with the farm lab, bookstore, equestrian center, restaurant, hotel, and other miscellaneous auxiliary enterprises. Revenues are recognized when goods or services are provided; expenses are recognized when incurred.

Summer Session

The College operates summer sessions during May, June, July, and August. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year, based on when classes are held and the percentage of the class completed.

Tuition and Fees

Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses. Tuition revenue is recognized as earned by providing classes.

In-Kind Contributions and Collections

The College periodically receives donations of items to be used by instructional departments of the College through the Kirkwood Community College Foundation. These items are considered collection items as they are held for educational rather than financial gain, are protected and preserved, and are generally not sold. These items are recognized as gifts from component units and expensed as instructional expense when received.

Miscellaneous Revenue

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

Operating and Nonoperating Activities

Operating activities, as reported in the statement of revenues, expenses and changes in net position, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Federal appropriations revenue consisting primarily of Pell grants and federal grants are reported as operating revenue as these funds replace an equal amount of tuition revenue and/or are directly related to the principal operations of the College. Contributions are reported in the statement of revenues, expenses and changes in net position as operating activities of the Foundation since soliciting contributions is the Foundation's primary purpose. Nonoperating activities include state appropriations, property taxes and interest earnings.

Income Tax Status

The College is exempt from income tax as a local government unit. The Internal Revenue Service (IRS) has recognized the Foundations as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Certain Kirkwood Facilities Foundation transactions are subject to unrelated business income tax.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (continued)

Student Aid

Certain federal financial aid grants to students are reported as federal appropriations in operating revenue in the financial statements as prescribed by the National Association of College and University Business Officers (NACUBO). Since certain of these grants (including Pell and Federal Supplemental Educational Opportunity Grants) are for the payment of students' tuition and fees, a like amount is reported as scholarship allowance which is reported as an offset to tuition and fees in the financial statements. Federal Work Study grant expenses are reported as operating expenses as students work for compensation. Certain other student aid sources (loans, funds provided to students as awarded by third parties and Federal Direct Lending) are paid directly to the students or credited to the students' account and do not impact revenues or expenses reported in the financial statements.

NOTE 2 CASH AND INVESTMENTS

The College is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

As of June 30, 2016, the College's cash and investments consist of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash	\$10,653,382	\$ -	\$10,653,382
Investments	<u>56,321,458</u>	<u>7,567,610</u>	<u>63,889,068</u>
Totals	<u>\$66,974,840</u>	<u>\$7,567,610</u>	<u>\$74,542,450</u>

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Cash equivalents	\$ 2,029,810	Less than 1 month
Iowa Schools Joint Investment Trust	29,520,675	Less than 1 month
Money Market Mutual Funds	5,854,235	Less than 1 month
U.S. Government Bonds		
FNMA	11,005,822	July 2016 – June 2020
Federal Home Loan Banks	8,319,994	August 2016 – December 2019
FHLMC	2,611,577	January 2017 – June 2018
Federal Farm Credit Banks	<u>4,546,975</u>	December 2017 – January 2019
Total U.S. Government Bonds	<u>26,484,348</u>	
Total	<u>\$63,889,068</u>	

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 CASH AND INVESTMENTS (continued)

The College uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the U.S. Government Bonds of \$26,484,348 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

The investment in Iowa Schools Joint Investment Trust (ISJIT) are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the ISJIT investments.

The College had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest Rate Risk

The College's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the College.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The College's investment policy limits investments in commercial paper to obligations that mature within 270 days and that are rated within the two highest classifications, as established by at least one of the standard rating services, with no more than 5% at the time of purchase placed in the second highest classification. At the time of purchase not more than 10% of the investment portfolio can be in prime bankers' acceptances and commercial paper and no more than 5% of the investment portfolio can be invested in the securities of a single issuer.

The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services. The money market mutual funds are not rated. The U.S. Government Bonds are not subject to credit risk as they are backed by the full faith and credit of the federal government.

Concentration of Credit Risk

The College's general investment policy is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The College's investment policy seeks to provide safety of the principal, maintain the necessary liquidity to match expected liabilities and obtain a reasonable rate of return. The policy allows for investment of up to 100% in interest-bearing savings, money market and checking accounts, certificates of deposit, repurchase agreements, money market mutual funds, bonds, notes, certificates of indebtedness, treasury bills or other securities issued by the United States of America, its agencies and allowable instrumentalities; up to 10% in prime bankers' acceptances; and up to 10% in commercial paper. The policy does not allow the College to invest in reverse repurchase agreements, futures or options. The College did not have any investments in any one issuer that represents 5% or more of total College investments. External investment pools and money market mutual funds are excluded from this consideration.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 CASH AND INVESTMENTS (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. It is the College's policy to require that deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. As of June 30, 2016, the carrying amount of the College's deposits, excluding \$19,872 of petty cash, totaled \$10,633,510 with a bank balance of \$10,889,831. The College's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction the College will not be able to recover the value of its investments or collateral securities that are in the possession of another party. External investment pools and money market mutual funds are not subject to custodial credit risk.

NOTE 3 INVENTORIES

The College's inventories as of June 30, 2016 consisted of the following:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 207,170
Agricultural enterprises	547,460
Hotel inventory	411,956
Merchandise held for resale	<u>1,838,786</u>
Total	<u>\$3,005,372</u>

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows:

	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance end of year</u>
Capital assets not being depreciated					
Land	\$ 6,125,530	\$ 117,062	\$ —	\$ —	\$ 6,242,592
Construction in progress	<u>520,794</u>	<u>36,398,509</u>	<u>—</u>	<u>(35,848,155)</u>	<u>1,071,148</u>
Total capital assets not being depreciated	<u>6,646,324</u>	<u>36,515,571</u>	<u>—</u>	<u>(35,848,155)</u>	<u>7,313,740</u>
Capital assets being depreciated					
Buildings	176,030,138	—	(486,179)	34,505,019	210,048,978
Improvements other than buildings	109,129,206	14,202	(26,414)	1,343,136	110,460,130
Equipment and vehicles	<u>24,994,876</u>	<u>2,397,912</u>	<u>(144,082)</u>	<u>—</u>	<u>27,248,706</u>
Total capital assets being depreciated	<u>310,154,220</u>	<u>2,412,114</u>	<u>(656,675)</u>	<u>35,848,155</u>	<u>347,757,814</u>
Less accumulated depreciation for					
Buildings	67,424,346	5,840,414	(280,981)	—	72,983,779
Improvements other than buildings	18,489,594	3,653,728	(12,079)	—	22,131,243
Equipment and vehicles	<u>20,519,535</u>	<u>1,448,857</u>	<u>(133,247)</u>	<u>—</u>	<u>21,835,145</u>
Total accumulated depreciation	<u>106,433,475</u>	<u>10,942,999</u>	<u>(426,307)</u>	<u>—</u>	<u>116,950,167</u>
Total capital assets being depreciated, net	<u>203,720,745</u>	<u>(8,530,885)</u>	<u>(230,368)</u>	<u>35,848,155</u>	<u>230,807,647</u>
Capital assets, net	<u>\$210,367,069</u>	<u>\$27,984,686</u>	<u>\$ (230,368)</u>	<u>\$ —</u>	<u>\$238,121,387</u>

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 CHANGES IN NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended June 30, 2016 is as follows:

	Early Retirement Payable (Note 12)	Compensated Absences	Net OPEB Obligation (Note 13)	Net Pension Liability (Note 7)	Line of Credit	Certificates Payable	Notes Payable	Bonds Payable	Certificates of Participation	Total
Balance, beginning of year	\$797,962	\$2,133,091	\$ 9,631,636	\$10,282,317	\$ —	\$38,160,000	\$38,426,876	\$45,900,000	\$24,465,000	\$169,796,882
Additions	721,317	2,040,034	1,013,456	2,004,278	5,000,000	4,660,000	9,201,000	—	42,000,000	66,640,085
Reductions	<u>(797,962)</u>	<u>(2,133,091)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,940,000)</u>	<u>(22,190,332)</u>	<u>(3,090,000)</u>	<u>(525,000)</u>	<u>(33,676,385)</u>
	721,317	2,040,034	10,645,092	12,286,595	5,000,000	37,880,000	25,437,544	42,810,000	65,940,000	202,760,582
Plus (less) net Unamortized premium and (discount)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>112,599</u>	<u>404,330</u>	<u>1,758,095</u>	<u>(59,759)</u>	<u>2,215,265</u>
Balance, end of year	<u>\$721,317</u>	<u>\$2,040,034</u>	<u>\$10,645,092</u>	<u>\$12,286,595</u>	<u>\$5,000,000</u>	<u>\$37,992,599</u>	<u>\$25,841,874</u>	<u>\$44,568,095</u>	<u>\$65,880,241</u>	<u>\$204,975,847</u>
Due within one year	<u>\$721,317</u>	<u>\$2,040,034</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,940,000</u>	<u>\$ 4,672,334</u>	<u>\$ 3,165,000</u>	<u>\$ 540,000</u>	<u>\$ 18,078,685</u>

Line of Credit

The College has a line of credit agreement with a financial institution with a total commitment available of \$5,000,000. The line requires quarterly payments of interest at the LIBOR rate plus an applicable margin determined by the financial institution. The interest rate resets on the first day of each month. The interest rate at June 30, 2016 was 1.20%. All outstanding principal and interest are due and payable in full on November 9, 2018. The principal balance was \$5,000,000 at June 30, 2016.

Certificates Payable

In accordance with agreements dated between November 1, 2007 and June 9, 2016, the College issued certificates totaling \$67,505,000 with interest rates ranging from 1.0% to 5.9% per annum. The debt was issued to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). The NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 6,940,000	\$ 973,985	\$ 7,913,985
2018	5,890,000	750,652	6,640,652
2019	4,860,000	582,567	5,442,567
2020	4,575,000	467,561	5,042,561
2021	3,950,000	357,411	4,307,411
2022-2026	<u>11,665,000</u>	<u>649,967</u>	<u>12,314,967</u>
Total	<u>\$37,880,000</u>	<u>\$3,782,143</u>	<u>\$41,662,143</u>

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)

Notes Payable

The College has issued capital loan notes for the purchase and construction of College properties as allowed by Section 260C.19 of the Code of Iowa. Interest rates range from 1.39% to 2.25% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2021. Collateral on the capital loan notes payable is the underlying capital assets that the proceeds were used for.

The College has entered into loan agreements (Iowa Energy Loans) to finance the construction of a wind turbine as allowed by Section 476.46 of the Code of Iowa. Interest rates for the loan agreements are 0.25% and 1.25% per annum. Interest and principal are due monthly in varying amounts through 2030.

Details of the College's June 30, 2016 notes payable indebtedness are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,672,334	\$ 420,687	\$ 5,093,021
2018	4,578,272	339,217	4,917,489
2019	4,679,036	263,213	4,942,249
2020	4,788,871	185,636	4,974,507
2021	4,815,776	106,420	4,922,196
2022-2026	1,257,651	72,122	1,329,773
2027-2030	<u>645,604</u>	<u>18,934</u>	<u>664,538</u>
Total	<u>\$25,437,544</u>	<u>\$1,406,229</u>	<u>\$26,843,773</u>

General Obligation School Bonds Payable

The College has issued bonds for the construction and expansion of College facilities to accommodate anticipated enrollment growth. Interest rates range from 1.00% to 3.80% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2027.

Details of the College's June 30, 2016 bonds payable indebtedness are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,165,000	\$1,399,825	\$ 4,564,825
2018	3,295,000	1,273,225	4,568,225
2019	3,425,000	1,141,425	4,566,425
2020	3,560,000	1,004,425	4,564,425
2021	3,705,000	862,025	4,567,025
2022-2026	19,660,000	2,285,713	21,945,713
2027	<u>6,000,000</u>	<u>165,000</u>	<u>6,165,000</u>
Total	<u>\$42,810,000</u>	<u>\$8,131,638</u>	<u>\$50,941,638</u>

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)

Certificates of Participation

The College has issued certificates of participation for the construction and expansion of College facilities to accommodate anticipated enrollment growth and expand the lodging management, restaurant management and culinary arts programs. Interest rates range from 2% to 5% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2030. Collateral on the certificates of participation is the underlying capital assets that the proceeds were used for:

Details of the College's June 30, 2016 certificates of participation are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 540,000	\$ 2,009,169	\$ 2,549,169
2018	560,000	1,991,125	2,551,125
2019	580,000	1,969,606	2,549,606
2020	600,000	1,946,256	2,546,256
2021	625,000	1,921,981	2,546,981
2022-2026	45,530,000	5,241,856	50,771,856
2027-2030	<u>17,505,000</u>	<u>2,122,344</u>	<u>19,627,344</u>
Total	<u>\$65,940,000</u>	<u>\$17,202,337</u>	<u>\$83,142,337</u>

Some of these certificates of participation include requirements to maintain a reserve fund. These reserve funds are included in restricted investments on the statement of net position.

Long-Term Debt

A summary of maturities of all long-term debt obligations, including the line of credit, the certificates, notes and bonds payable and the certificates of participation above are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 15,317,334	\$ 4,803,666	\$ 20,121,000
2018	14,323,272	4,354,219	18,677,491
2019	13,544,036	3,956,811	17,500,847
2020	13,523,871	3,603,878	17,127,749
2021	13,095,776	3,247,837	16,343,613
2022-2026	78,112,651	8,249,658	86,362,309
2027-2030	<u>24,150,604</u>	<u>2,306,278</u>	<u>26,456,882</u>
Total	<u>\$172,067,544</u>	<u>\$30,522,347</u>	<u>\$202,589,891</u>

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 OPERATING LEASES

The College has leased equipment and various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2017 and 2022 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects the leases will be renewed or replaced by other leases. The following is a schedule by year of future minimum rental payments required under operating leases which have initial non-cancelable lease terms in excess of one year as of June 30, 2016:

<u>Year ending June 30</u>	<u>Amount</u>
2017	\$ 224,496
2018	206,710
2019	183,791
2020	129,575
2021	78,868
2022	<u>10,843</u>
Total	<u>\$ 834,283</u>

Rents for the year ended June 30, 2016, for all operating leases, except those with terms of a month or less that were not renewed, totaled \$281,407.

NOTE 7 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)

Plan Description – IPERS membership is mandatory for employees of the College except for those covered by another retirement system. Employees of the College are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code, Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary. For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) (continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, regular members contributed 5.95% of covered payroll and the College contributed 8.93% of covered payroll for a total rate of 14.88%.

The College's contributions to IPERS for the year ended June 30, 2016 were \$1,459,970.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the College reported a liability of \$12,286,595 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the College's collective proportion was 0.248692%, which was a decrease of 0.010576% from its proportion measured as of June 30, 2014.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) (continued)

For the year ended June 30, 2016, the College recognized pension expense of \$963,744. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 185,635	\$ -
Changes in assumptions	338,281	-
Net difference between projected and actual earnings on IPERS' investments	-	1,022,567
Changes in proportion and difference between College contributions and proportionate share of contributions	-	412,938
College contributions subsequent to the measurement date	<u>1,459,970</u>	<u>-</u>
Totals	<u>\$1,983,886</u>	<u>\$1,435,505</u>

An amount of \$1,459,970 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2017	\$ (446,510)
2018	(446,510)
2019	(446,510)
2020	439,868
2021	<u>(11,927)</u>
Totals	<u>\$ (911,589)</u>

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership groups.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) (continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	24%	6.29%
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Core plus fixed income	28	2.04
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the College will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
College's proportionate share of the net pension liability	<u>\$21,511,617</u>	<u>\$12,286,595</u>	<u>\$4,500,014</u>

IPERS' Fiduciary Net Position – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

**NOTE 8 TEACHERS INSURANCE AND ANNUITY ASSOCIATION – COLLEGE RETIREMENT
EQUITIES FUND (TIAA-CREF)**

The College contributes to the TIAA-CREF retirement program, which is a defined contribution pension plan. TIAA-CREF administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed.

Benefit terms, including contribution requirements, for TIAA-CREF are established and specified by the contract with TIAA-CREF and in accordance with the Code of Iowa. For each employee in the pension plan, the College is required to contribute 8.93% of annual salary, including overtime pay, to an individual employee account. Each employee is required to contribute 5.95%. Contributions made by both the College and employees vest immediately. For the year ended June 30, 2016, employee contributions totaled \$2,035,671 and the College recognized pension expense of \$3,055,218.

NOTE 9 RISK MANAGEMENT

The College carries commercial insurance for coverage associated with general liability, automobile liability, automobile physical damage, property and inland marine, educator's legal liability, workers' compensation and employer's liability, crime insurance, and catastrophic and accidental death and dismemberment. The College also carries coverage for operating equipment protection insurance up to \$5.3 million of costs. The College assumes liability for any deductibles and claims in excess of coverage limits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 METRO INTERAGENCY INSURANCE PROGRAM

The College is a member of the Metro Interagency Insurance Program (MIIP). The program provides services necessary and appropriate for the establishment, operation and maintenance of an insurance program for employee health and medical claims for member institutions. Premiums billed to the participants are determined on an actuarial basis based on the institution's claim experience. The College's contribution to the program for the year ended June 30, 2016 was \$6,626,970.

In the event that a member withdraws from MIIP, the withdrawn member continues to be responsible for its share of cost arising from events occurring while it was a participating member. If the withdrawn member at any time has a negative balance, the withdrawn member is immediately liable and obligated to MIIP for that amount.

MIIP uses reinsurance to reduce its exposure to large losses. The MIIP has stop/loss coverage of \$200,000 per individual and an aggregate stop/loss of 125% of actuarial projections for the rating period.

In the event any claim or series of claims exceed the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The College does not report a liability for losses in excess of reinsurance unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2016, no liability has been recorded by the College. Settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

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

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 NEW JOBS TRAINING PROGRAMS

Kirkwood Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area X in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the cash of default, from standby property taxes. Since inception, the College has administered 538 projects, with 133 currently receiving project funding. The remaining 405 projects have been completed, of which 78 are in the repayment process and 327 have been fully repaid.

NOTE 12 EARLY RETIREMENT AND CONTINGENT LIABILITY

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

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

The liability as of June 30, 2016 for the 18 employees who have elected early retirement during fiscal year 2016 was \$721,317. Early retirement is funded on a pay-as-you-go basis through property tax levies. The College's early retirement cost for the year ended June 30, 2016 was \$1,134,930.

As of June 30, 2016, the potential liability, if all eligible employees accepted early retirement, is approximately \$8,000,000.

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The College sponsors a single-employer other postemployment benefit plan that provides medical benefits to all active (759) and retired employees (98) and their eligible dependents (24). All full-time or regular part-time administration, faculty, professional service or support staff employees are eligible to participate in the plan. The employee must have terminated service with the College through voluntary early retirement after the age of 55 and have worked for the College for the most recent 10 consecutive years of service.

Medical Benefit

The medical benefit is a self-funded medical plan administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical benefit as active employees which results in an implicit subsidy.

Funding Policy

The College establishes and amends contribution requirements. The College pays the single retiree premium until age 65; eligible spouses and dependents are required to contribute 100% of the premium.

The current funding policy of the College is to fund benefits on a pay-as-you-go basis. This arrangement does not qualify as other postemployment benefits (OPEB) plan assets under GASB Statement No. 45 for current GASB reporting.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation

The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the College's annual OPEB cost for the year ended June 30, 2016, the amount actuarially contributed to the plan, and changes in the College's net OPEB obligation:

Annual required contribution	\$ 1,718,624
Interest on net OPEB obligation	481,582
Adjustment to annual required contribution	<u>(596,719)</u>
Annual OPEB cost (expense)	1,603,487
Contributions and payments made	<u>590,031</u>
Increase in net OPEB obligation	1,013,456
Net OPEB obligation, beginning of year	<u>9,631,636</u>
Net OPEB obligation, end of year	<u>\$10,645,092</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 follows:

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$1,603,487	36.80%	\$10,645,092
June 30, 2015	1,571,234	7.16%	9,631,636
June 30, 2014	1,551,878	74.34%	8,172,935

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0.0% funded. The College's actuarial accrued liability for benefits was \$14,639,042 and the actuarial value of assets is none, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,639,042. Covered payroll was \$42,379,964, resulting in UAAL as a percentage of covered payroll of 34.5%.

Actuarial Methods and Assumptions

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

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

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

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5% investment return rate, an inflation rate of 3%, salary increases of 4% and an annual health care cost trend rate for medical and dental/vision of 5%. The UAAL is being amortized as a level dollar amount on an open basis. The amortization of UAAL is done over a period of 30 years.

Mortality rates are from RP2014 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Scale T-8 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$717 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

NOTE 14 RELATED PARTY TRANSACTIONS

The Kirkwood Community College Foundation and the Kirkwood Facilities Foundation provide services for the benefit of the College. In return, the College has provided the Foundations with certain staff, facilities and insurance coverage for its operations without charge. The College received contributions from the Foundations for facilities additions and equipment, scholarships and various amounts for programs conducted by the College, reimbursement for custodial services, and pledged funds for capital improvement projects, totaling \$2,879,468 for the year ended June 30, 2016. The College has recorded a receivable from the Foundations of \$1,946,761 as of June 30, 2016.

The Foundations received contributions to fund scholarships and facilities of \$2,021,651 from Kirkwood Community College during the year ended June 30, 2016.

The College has \$172,087 of receivables due from employees for computer purchases that are being paid through payroll deductions.

NOTE 15 COMMITMENTS AND SUBSEQUENT EVENTS

The College is contingently liable for the outstanding promissory notes that one of its vendors/service providers holds with a financial institution. The College is named as the guarantor for approximately \$4,500,000 of promissory notes due and outstanding as of June 30, 2016. The notes are secured by equipment currently in use by the College which would become the property of the College should the vendor/service provider default on the notes.

As of June 30, 2016, the College had construction commitments of approximately \$4,460,000 to complete the Johnson Hall office, Iowa City remodeling, campus wide lighting, art and theater annex parking lot, baseball and softball fields, and recreation area projects.

REQUIRED SUPPLEMENTARY INFORMATION

Kirkwood Community College
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
For the Last Two Fiscal Years*

Required Supplementary Information

	<u>Year ended June 30</u>	
	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability (asset)	0.248692%	0.259268%
College's proportionate share of the net pension liability (asset)	\$12,286,595	\$10,282,317
College's covered-employee payroll	\$17,485,378	\$17,025,958
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	70.27%	60.39%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* The amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is completed, the College will present information for those years for which information is available.

See accompanying independent auditor's report.

**Kirkwood Community College
SCHEDULE OF COLLEGE CONTRIBUTIONS
Iowa Public Employees' Retirement System
For the Last Two Fiscal Years**

Required Supplementary Information

	<u>Year ended June 30</u>	
	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 1,561,445	\$ 1,520,418
Contributions in relation to the contractually required contribution	<u>(1,561,445)</u>	<u>(1,520,418)</u>
Contribution deficiency (excess)	\$ <u> —</u>	\$ <u> —</u>
College's covered-employee payroll	\$17,485,378	\$17,025,958
Contributions as a percentage of covered employee payroll	8.93%	8.93%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is completed, the College will present information for those years for which information is available.

See accompanying independent auditor's report.

Kirkwood Community College
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2016

CHANGES OF BENEFIT TERMS

Legislation enacted in 2010 modified benefit terms for regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

CHANGES OF ASSUMPTIONS

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

Kirkwood Community College
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

Required Supplementary Information

<u>Fiscal year end June 30</u>	<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
2009	July 1, 2007	\$ <u>—</u>	\$ <u>17,475,313</u>	\$ <u>(17,475,313)</u>	<u>0.0%</u>	\$ <u>33,475,313</u>	<u>52.2%</u>
2010	July 1, 2009	\$ <u>—</u>	\$ <u>18,023,144</u>	\$ <u>(18,023,144)</u>	<u>0.0%</u>	\$ <u>38,172,408</u>	<u>47.2%</u>
2011	July 1, 2009	\$ <u>—</u>	\$ <u>18,023,144</u>	\$ <u>(18,023,144)</u>	<u>0.0%</u>	\$ <u>38,172,408</u>	<u>47.2%</u>
2012	July 1, 2011	\$ <u>—</u>	\$ <u>19,241,586</u>	\$ <u>(19,241,586)</u>	<u>0.0%</u>	\$ <u>39,917,162</u>	<u>48.2%</u>
2013	July 1, 2011	\$ <u>—</u>	\$ <u>19,241,586</u>	\$ <u>(19,241,586)</u>	<u>0.0%</u>	\$ <u>39,917,162</u>	<u>48.2%</u>
2014	July 1, 2013	\$ <u>—</u>	\$ <u>14,138,766</u>	\$ <u>(14,138,766)</u>	<u>0.0%</u>	\$ <u>41,017,598</u>	<u>34.5%</u>
2015	July 1, 2013	\$ <u>—</u>	\$ <u>14,138,766</u>	\$ <u>(14,138,766)</u>	<u>0.0%</u>	\$ <u>41,017,598</u>	<u>34.5%</u>
2016	July 1, 2015	\$ <u>—</u>	\$ <u>14,639,042</u>	\$ <u>(14,639,042)</u>	<u>0.0%</u>	\$ <u>42,379,964</u>	<u>34.5%</u>

The information presented in the required supplementary information schedule was determined as part of the actuarial valuation as of July 1, 2015. Additional information follows:

- a. The cost method used to determine the ARC is the projected unit credit actuarial cost method.
- b. There are no plan assets.
- c. Economic assumptions are as follows: investment return rate of 5%, inflation rate of 3%, salary increases of 4%, and healthcare cost trend rate of 5%.
- d. The amortization method is level dollar on an open basis.

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, the funded status, and funding progress.

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

Kirkwood Community College
NOTE TO OTHER SUPPLEMENTARY INFORMATION
June 30, 2016

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

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

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

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

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

Plant Funds – The Plant Funds are used to account for transactions relating to investments 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 agency for others. Agency Funds' assets equal liabilities.

The Budgetary Comparison Schedule of Expenditures – Budget to Actual provides a comparison of the budget to actual expenditures for those funds and/or levies required to be budgeted. Since the College uses Business Type Activities reporting, this budgetary comparison information is included as supplementary information.

Schedules presented in 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 schedule of revenues, expenditures and changes in fund balances is a schedule 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.

See accompanying independent auditor's report.

Kirkwood Community College
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES--BUDGET TO ACTUAL
Year ended June 30, 2016

<u>Funds/Levy</u>	<u>Original and final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Unrestricted	\$ <u>84,800,000</u>	\$ <u>83,983,658</u>	\$ <u>(816,342)</u>
Restricted	28,950,000	20,051,263	(8,898,737)
Unemployment	125,000	128,865	3,865
Tort liability	130,770	123,879	(6,891)
Insurance	6,100,000	12,355,836	6,255,836
Early retirement	2,300,000	2,416,466	116,466
Equipment replacement	<u>1,934,463</u>	<u>2,498,766</u>	<u>564,303</u>
Total restricted	<u>39,540,233</u>	<u>37,575,075</u>	<u>(1,965,158)</u>
Plant	49,000,000	35,768,862	(13,231,138)
Bonds and interest	<u>15,000,000</u>	<u>16,711,629</u>	<u>1,711,629</u>
Total operating expenditures	<u>\$188,340,233</u>	<u>\$174,039,224</u>	<u>\$(14,301,009)</u>

See accompanying independent auditor's report.

Kirkwood Community College
NOTE TO BUDGETARY REPORTING
Year ended June 30, 2016

The Board of Trustees prepares a budget annually designating the proposed expenditures for operation of the College on a basis consistent with accounting principles generally accepted in the United States of America. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Trustees certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Workforce Investment Act, Scholarships and Grants Accounts, Loan Funds, and Agency Funds.

For the year ended June 30, 2016, the College's total expenditures did not exceed the budgeted amount.

See accompanying independent auditor's report.

Kirkwood Community College
BALANCE SHEET – ALL FUNDS
June 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Current Funds		Plant Funds	Agency Funds	Adjustments	Total
	Unrestricted	Restricted				
ASSETS						
Current Assets						
Cash and investments	\$ 39,983,350	\$ 26,991,490	\$ -	\$ -	\$ -	\$ 66,974,840
Receivables						
Accounts (less allowance of \$10,385,821)	3,827,665	-	-	-	-	3,827,665
Property tax, succeeding year	4,407,417	10,130,530	9,342,801	-	-	23,880,748
Due from other funds	117,028,245	994,857	-	621,853	(118,644,955)	-
Due from component units	664,667	548,761	-	-	-	1,213,428
Due from other governments	2,835,161	-	-	-	-	2,835,161
Inventories	3,005,372	-	-	-	-	3,005,372
Prepaid expenses	1,348,855	16,280	-	-	-	1,365,135
Total current assets	<u>173,100,732</u>	<u>38,681,918</u>	<u>9,342,801</u>	<u>621,853</u>	<u>(118,644,955)</u>	<u>103,102,349</u>
Noncurrent Assets						
Receivables, Iowa Industrial New Jobs Training Program	-	12,725,119	-	-	-	12,725,119
Due from component units	733,333	-	-	-	-	733,333
Investments, restricted	7,567,610	-	-	-	-	7,567,610
Other long-term assets	2,295,330	-	-	-	-	2,295,330
Capital assets, net of accumulated depreciation	-	-	355,071,554	-	(116,950,167)	238,121,387
Total noncurrent assets	<u>10,596,273</u>	<u>12,725,119</u>	<u>355,071,554</u>	<u>-</u>	<u>(116,950,167)</u>	<u>261,442,779</u>
Total assets	183,697,005	51,407,037	364,414,355	621,853	(235,595,122)	364,545,128
DEFERRED OUTFLOWS OF RESOURCES						
Pension related deferred outflows	-	1,983,886	-	-	-	1,983,886
Total assets and deferred outflows of resources	<u>\$183,697,005</u>	<u>\$ 53,390,923</u>	<u>\$364,414,355</u>	<u>\$ 621,853</u>	<u>\$(235,595,122)</u>	<u>\$366,529,014</u>

See accompanying independent auditor's report.

Kirkwood Community College
BALANCE SHEET – ALL FUNDS (continued)
June 30, 2016

	<u>Current Funds</u>		<u>Plant Funds</u>	<u>Agency Funds</u>	<u>Adjustments</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>				
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 3,918,287	\$ 3,308	\$ –	\$ (15,350)	\$ –	\$ 3,906,245
Salaries and benefits payable	8,442,152	32,237	–	–	–	8,474,389
Due to other funds	–	–	118,644,955	–	(118,644,955)	–
Interest payable	939,556	81,210	–	–	–	1,020,766
Unearned revenue	3,981,820	614,505	–	–	–	4,596,325
Early retirement payable	721,317	–	–	–	–	721,317
Compensated absences	1,980,583	59,451	–	–	–	2,040,034
Certificates payable, current portion	–	6,940,000	–	–	–	6,940,000
Notes payable, current portion	4,672,334	–	–	–	–	4,672,334
Bonds payable, current portion	3,165,000	–	–	–	–	3,165,000
Certificates of participation, current portion	540,000	–	–	–	–	540,000
Deposits held in custody for others	–	–	–	441,873	–	441,873
Total current liabilities	<u>28,361,049</u>	<u>7,730,711</u>	<u>118,644,955</u>	<u>426,523</u>	<u>(118,644,955)</u>	<u>36,518,283</u>
Noncurrent Liabilities						
Other long-term liabilities	900,000	–	–	195,330	–	1,095,330
Net other postemployment benefits obligation	–	10,645,092	–	–	–	10,645,092
Net pension liability	–	12,286,595	–	–	–	12,286,595
Line of credit	5,000,000	–	–	–	–	5,000,000
Certificates payable	–	30,940,000	–	–	–	30,940,000
Notes payable	20,765,210	–	–	–	–	20,765,210
Bonds payable	39,645,000	–	–	–	–	39,645,000
Certificates of participation	65,400,000	–	–	–	–	65,400,000
Bond premium	–	112,599	2,182,706	–	–	2,295,305
Bond discount	–	–	(80,040)	–	–	(80,040)
Total noncurrent liabilities	<u>131,710,210</u>	<u>53,984,286</u>	<u>2,102,666</u>	<u>195,330</u>	<u>–</u>	<u>187,992,492</u>
Total liabilities	<u>160,071,259</u>	<u>61,714,997</u>	<u>120,747,621</u>	<u>621,853</u>	<u>(118,644,955)</u>	<u>224,510,775</u>

See accompanying independent auditor's report.

Kirkwood Community College
BALANCE SHEET – ALL FUNDS (continued)
 June 30, 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (continued)	Current Funds		Plant Funds	Agency Funds	Adjustments	Total
	Unrestricted	Restricted				
DEFERRED INFLOWS OF RESOURCES						
Unavailable property tax revenue	4,407,417	10,130,530	9,342,801	–	–	23,880,748
Pension related deferred inflows	–	<u>1,435,505</u>	–	–	–	<u>1,435,505</u>
Total deferred inflows of resources	<u>4,407,417</u>	<u>11,566,035</u>	<u>9,342,801</u>	–	–	<u>25,316,253</u>
FUND BALANCES						
Net investment in capital assets	(110,247,544)	–	352,968,888	–	(116,950,167)	125,771,177
Restricted						
Expendable						
Cash reserve	–	621,989	–	–	–	621,989
New Jobs Training Program	–	932,384	–	–	–	932,384
Employee benefits	–	4,798,258	–	–	–	4,798,258
Equipment replacement	–	431,043	–	–	–	431,043
Other	–	1,443,480	–	–	–	1,443,480
Unrestricted	127,556,862	(28,117,263)	(118,644,955)	–	–	(19,205,356)
Auxiliary enterprises	<u>1,909,011</u>	–	–	–	–	<u>1,909,011</u>
Total fund balances	<u>19,218,329</u>	<u>(19,890,109)</u>	<u>234,323,933</u>	–	<u>(116,950,167)</u>	<u>116,701,986</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$183,697,005</u>	<u>\$ 53,390,923</u>	<u>\$364,414,355</u>	<u>\$ 621,853</u>	<u>\$(235,595,122)</u>	<u>\$366,529,014</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – ALL FUNDS
Year ended June 30, 2016

	Current Funds		Plant Funds			Agency Funds	Adjustments	Subtotal	Other Post-employment Benefits	IPERS Pension	Total
	Unrestricted	Restricted	Unexpended	Retirement of Indebtedness	Investment in Plant						
REVENUES											
General											
State appropriations	\$ 31,656,441	\$ 8,629,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,286,090	\$ -	\$ -	\$ 40,286,090
Tuition and fees	49,102,534	2,847	-	-	-	-	(23,480,927)	25,624,454	-	-	25,624,454
Property tax	4,508,931	8,615,173	4,491,898	6,442,879	-	-	-	24,058,881	-	-	24,058,881
Federal appropriations	28,948	23,804,175	-	-	-	-	-	23,833,123	-	-	23,833,123
Sales and services	1,154,577	627,622	-	-	-	-	-	1,782,199	-	-	1,782,199
Interest on investments	106,517	56,219	255,412	-	-	-	-	418,148	-	-	418,148
Iowa Industrial New Jobs Training Program	-	6,541,684	-	-	-	-	-	6,541,684	-	-	6,541,684
Increase in plant investment due to plant expenditures	-	-	-	-	38,649,926	-	(38,649,926)	-	-	-	-
Increase in plant investment due to retirement of debt	-	-	-	-	25,805,359	-	(25,805,359)	-	-	-	-
Miscellaneous	1,506,317	10,710,002	2,069,032	-	-	-	-	14,285,351	-	-	14,285,351
Total general revenues	<u>88,064,265</u>	<u>58,987,371</u>	<u>6,816,342</u>	<u>6,442,879</u>	<u>64,455,285</u>	-	<u>(87,936,212)</u>	<u>136,829,930</u>	-	-	<u>136,829,930</u>
Auxiliary enterprises											
Sales and services	16,777,527	-	-	-	-	-	-	16,777,527	-	-	16,777,527
Interest on investments	210	-	-	-	-	-	-	210	-	-	210
Miscellaneous	1,007,106	-	-	-	-	-	-	1,007,106	-	-	1,007,106
Total auxiliary revenues	<u>17,784,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,784,843</u>	<u>-</u>	<u>-</u>	<u>17,784,843</u>
Total revenues	<u>105,849,108</u>	<u>58,987,371</u>	<u>6,816,342</u>	<u>6,442,879</u>	<u>64,455,285</u>	<u>-</u>	<u>(87,936,212)</u>	<u>154,614,773</u>	<u>-</u>	<u>-</u>	<u>154,614,773</u>
EXPENDITURES											
Education and support											
Liberal arts and sciences	25,459,019	742,634	-	-	-	-	(1,619,181)	24,582,472	241,568	(158,479)	24,665,561
Vocational technical	19,415,818	3,631,796	-	-	-	-	(1,253,215)	21,794,399	186,055	(119,546)	21,860,908
Adult education	7,282,839	2,396,996	-	-	-	-	(564,706)	9,115,129	65,908	(42,734)	9,138,303
Cooperative services	2,635,638	7,330,834	-	-	-	-	(126,984)	9,839,488	23,522	(13,841)	9,849,169
Administration	4,988,506	10,358,499	-	-	-	-	(237,536)	15,109,469	217,890	(32,794)	15,294,565
Student services	5,642,801	742,438	-	-	-	-	(353,812)	6,031,427	77,014	(34,680)	6,073,761
Learning resources	1,205,203	830,035	-	-	-	-	(72,925)	1,962,313	18,436	(10,228)	1,970,521
Physical plant	7,682,579	758,401	904,601	-	-	-	(469,340)	8,876,241	44,914	(21,891)	8,899,264
General institution	9,671,255	10,783,442	-	-	-	-	(612,659)	19,842,038	138,151	(59,733)	19,920,456
Total education and support	<u>83,983,658</u>	<u>37,575,075</u>	<u>904,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,310,358)</u>	<u>117,152,976</u>	<u>1,013,458</u>	<u>(493,926)</u>	<u>117,672,508</u>
Auxiliary enterprises	16,649,319	-	-	-	-	-	-	16,649,319	-	(37,437)	16,611,882
Scholarships and grants	-	23,480,927	-	-	-	-	(23,480,927)	-	-	-	-
Plant asset acquisitions	-	-	35,361,220	-	-	-	(35,361,220)	-	-	-	-
Retirement of indebtedness	-	-	-	25,805,359	-	-	(25,805,359)	-	-	-	-
Disposal of plant assets	-	-	-	-	426,306	-	(426,306)	-	-	-	-
Interest on indebtedness	1,023,908	1,365,667	-	2,916,629	-	-	-	5,306,204	-	-	5,306,204
Contributions and rent to component units	-	-	-	-	-	-	2,021,651	2,021,651	-	-	2,021,651
(Gain) on sale of capital assets	-	-	-	-	(923,265)	-	-	(923,265)	-	-	(923,265)
Depreciation	-	-	-	-	-	-	10,942,999	10,942,999	-	-	10,942,999
Total expenditures	<u>101,656,885</u>	<u>62,421,669</u>	<u>36,265,821</u>	<u>28,721,988</u>	<u>(496,959)</u>	<u>-</u>	<u>(77,419,520)</u>	<u>151,149,884</u>	<u>1,013,458</u>	<u>(531,363)</u>	<u>151,631,979</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,192,223</u>	<u>(3,434,298)</u>	<u>(29,449,479)</u>	<u>(22,279,109)</u>	<u>64,952,244</u>	<u>-</u>	<u>(10,516,692)</u>	<u>3,464,889</u>	<u>(1,013,458)</u>	<u>531,363</u>	<u>2,982,794</u>
TRANSFERS											
Mandatory transfers	-	-	(22,279,109)	22,279,109	-	-	-	-	-	-	-
Nonmandatory transfers	(404,778)	269,541	-	-	-	-	-	(135,237)	-	-	(135,237)
Total transfers	<u>(404,778)</u>	<u>269,541</u>	<u>(22,279,109)</u>	<u>22,279,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(135,237)</u>	<u>-</u>	<u>-</u>	<u>(135,237)</u>
CHANGE IN FUND BALANCES	3,787,445	(3,164,757)	(51,728,588)	-	64,952,244	-	(10,516,692)	3,329,652	(1,013,458)	531,363	2,847,557
FUND BALANCES, beginning of year	<u>15,430,884</u>	<u>5,657,954</u>	<u>(188,960,061)</u>	<u>-</u>	<u>410,060,338</u>	<u>-</u>	<u>(106,433,475)</u>	<u>135,755,640</u>	<u>(9,631,634)</u>	<u>(12,269,577)</u>	<u>113,854,429</u>
FUND BALANCES, end of year	<u>\$ 19,218,329</u>	<u>\$ 2,493,197</u>	<u>\$(240,688,649)</u>	<u>\$ -</u>	<u>\$475,012,582</u>	<u>\$ -</u>	<u>\$(116,950,167)</u>	<u>\$139,085,292</u>	<u>\$(10,645,092)</u>	<u>\$(11,738,214)</u>	<u>\$116,701,986</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - UNRESTRICTED FUND, EDUCATION AND SUPPORT
Year ended June 30, 2016

	Education				Support					Total
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	
REVENUES										
State appropriations	\$13,292,612	\$12,273,468	\$ 6,057,638	\$ -	\$ 32,339	\$ -	\$ 384	\$ -	\$ -	\$31,656,441
Tuition and fees	25,960,311	13,216,611	6,921,402	3,003,735	475	-	-	-	-	49,102,534
Property tax	-	-	-	-	4,508,931	-	-	-	-	4,508,931
Federal appropriations	-	-	-	-	-	28,948	-	-	-	28,948
Sales and services	14,911	195,208	565,837	12,685	1	233,588	-	32,132	100,215	1,154,577
Interest on investments	-	-	-	-	106,517	-	-	-	-	106,517
Miscellaneous	<u>682,359</u>	<u>169,638</u>	<u>25,279</u>	<u>14,055</u>	<u>193,290</u>	<u>97,062</u>	<u>3,322</u>	<u>298,966</u>	<u>22,346</u>	<u>1,506,317</u>
Total revenues	<u>39,950,193</u>	<u>25,854,925</u>	<u>13,570,156</u>	<u>3,030,475</u>	<u>4,841,553</u>	<u>359,598</u>	<u>3,706</u>	<u>331,098</u>	<u>122,561</u>	<u>88,064,265</u>
EXPENDITURES										
Salaries and benefits	24,767,527	17,952,395	4,990,165	1,961,808	2,246,504	4,770,668	1,010,837	3,440,231	6,604,144	67,744,279
Services	83,945	362,739	1,298,028	172,906	1,397,094	436,675	13,176	3,336,249	2,023,583	9,124,395
Materials and supplies	223,370	607,539	751,738	385,456	1,010,123	209,478	177,841	752,403	510,635	4,628,583
Travel	191,369	236,795	85,125	33,593	118,755	184,784	2,118	15,235	105,939	973,713
Plant asset acquisitions	-	1,781	18,723	-	28,050	7,862	-	111,459	343,450	511,325
Interest on indebtedness	-	-	-	-	58,570	-	-	-	-	58,570
Miscellaneous	<u>192,808</u>	<u>254,569</u>	<u>139,060</u>	<u>81,875</u>	<u>187,980</u>	<u>33,334</u>	<u>1,231</u>	<u>27,002</u>	<u>83,504</u>	<u>1,001,363</u>
Total expenditures	<u>25,459,019</u>	<u>19,415,818</u>	<u>7,282,839</u>	<u>2,635,638</u>	<u>5,047,076</u>	<u>5,642,801</u>	<u>1,205,203</u>	<u>7,682,579</u>	<u>9,671,255</u>	<u>84,042,228</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>14,491,174</u>	<u>6,439,107</u>	<u>6,287,317</u>	<u>394,837</u>	<u>(205,523)</u>	<u>(5,283,203)</u>	<u>(1,201,497)</u>	<u>(7,351,481)</u>	<u>(9,548,694)</u>	<u>4,022,037</u>
TRANSFERS										
Nonmandatory transfers	<u>34,066</u>	<u>65,025</u>	<u>-</u>	<u>-</u>	<u>(765,065)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(615,974)</u>
Total transfers	<u>34,066</u>	<u>65,025</u>	<u>-</u>	<u>-</u>	<u>(765,065)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(615,974)</u>
CHANGE IN FUND BALANCE	<u>\$14,525,240</u>	<u>\$ 6,504,132</u>	<u>\$ 6,287,317</u>	<u>\$ 394,837</u>	<u>\$ (970,588)</u>	<u>\$ (5,233,203)</u>	<u>\$ (1,201,497)</u>	<u>\$ (7,351,481)</u>	<u>\$ (9,548,694)</u>	<u>3,406,063</u>
FUND BALANCE , beginning of year										<u>13,903,255</u>
FUND BALANCE , end of year										<u>\$17,309,318</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - UNRESTRICTED FUND, AUXILIARY ENTERPRISES
Year ended June 30, 2016

	<u>Farm Lab</u>	<u>Retail Operations</u>	<u>Other Vocational</u>	<u>Equestrian Center</u>	<u>Workplace Development</u>	<u>The Hotel at Kirkwood Center</u>	<u>Miscellaneous</u>	<u>Total</u>
REVENUES								
Sales and services	\$ 376,112	\$ 7,904,995	\$ 361,991	\$ 403,251	\$ 862,566	\$ 6,613,572	\$ 255,040	\$16,777,527
Interest on investments	-	-	-	-	-	210	-	210
Miscellaneous	-	19,026	-	-	-	860,296	127,784	1,007,106
Total revenues	<u>376,112</u>	<u>7,924,021</u>	<u>361,991</u>	<u>403,251</u>	<u>862,566</u>	<u>7,474,078</u>	<u>382,824</u>	<u>17,784,843</u>
EXPENDITURES								
Salaries and benefits	57,564	1,208,361	57,156	247,900	548,929	3,166,892	596,593	5,883,395
Services	99,954	178,151	7,512	16,479	297,604	570,012	161,580	1,331,292
Materials and supplies	252,610	57,861	62,104	20,000	12,694	778,056	130,917	1,314,242
Travel	199	30,955	18,085	-	28,752	20,324	210,116	308,431
Plant asset acquisitions	-	-	-	-	-	25,600	-	25,600
Interest on indebtedness	-	-	-	-	-	965,338	-	965,338
Cost of goods sold	(117,237)	5,691,482	8,141	71,769	-	1,613,237	-	7,267,392
Miscellaneous	-	47,831	197,711	1,071	1	243,525	28,828	518,967
Total expenditures	<u>293,090</u>	<u>7,214,641</u>	<u>350,709</u>	<u>357,219</u>	<u>887,980</u>	<u>7,382,984</u>	<u>1,128,034</u>	<u>17,614,657</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>83,022</u>	<u>709,380</u>	<u>11,282</u>	<u>46,032</u>	<u>(25,414)</u>	<u>91,094</u>	<u>(745,210)</u>	<u>170,186</u>
TRANSFERS								
Nonmandatory transfers	-	(709,381)	-	-	-	-	920,577	211,196
Total transfers	<u>-</u>	<u>(709,381)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>920,577</u>	<u>211,196</u>
CHANGE IN FUND BALANCES	83,022	(1)	11,282	46,032	(25,414)	91,094	175,367	381,382
FUND BALANCES, beginning of year	<u>118,285</u>	<u>(81,086)</u>	<u>(109,989)</u>	<u>151,016</u>	<u>3,287,719</u>	<u>(1,757,420)</u>	<u>(80,896)</u>	<u>1,527,629</u>
FUND BALANCES, end of year	<u>\$ 201,307</u>	<u>\$ (81,087)</u>	<u>\$ (98,707)</u>	<u>\$ 197,048</u>	<u>\$ 3,262,305</u>	<u>\$ (1,666,326)</u>	<u>\$ 94,471</u>	<u>\$ 1,909,011</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – RESTRICTED CURRENT FUNDS
Year ended June 30, 2016

	Scholarships and Grants	Iowa Industrial New Jobs Training Program	Workforce Investment Act	Heritage Agency on Aging	Other Federal	State	Equipment Replacement	Tort Liability and Insurance
REVENUES								
State appropriations	\$ 1,861,561	\$ -	\$ -	\$ 1,004,574	\$ -	\$ 5,363,514	\$ 400,000	\$ -
Tuition and fees	-	-	-	-	-	-	-	-
Property tax	-	-	-	-	-	-	1,996,767	6,487,317
Federal appropriations	18,028,027	-	1,740,658	2,103,742	1,922,452	9,296	-	-
Sales and services	-	-	-	611,935	-	-	-	-
Interest on investments	-	56,219	-	-	-	-	-	-
Iowa Industrial New Jobs Training Program	-	6,541,684	-	-	-	-	-	-
Miscellaneous	<u>3,670,202</u>	<u>968,073</u>	<u>-</u>	<u>40,250</u>	<u>-</u>	<u>140,202</u>	<u>-</u>	<u>5,469,106</u>
Total revenues	<u>23,559,790</u>	<u>7,565,976</u>	<u>1,740,658</u>	<u>3,760,501</u>	<u>1,922,452</u>	<u>5,513,012</u>	<u>2,396,767</u>	<u>11,956,423</u>
EXPENDITURES								
Salaries and benefits	-	-	999,481	1,302,247	1,404,559	2,648,759	-	382,056
Services	-	5,927,633	127,384	2,346,995	130,241	1,462,856	4,006	12,097,659
Materials and supplies	-	387,995	40,568	23,749	38,533	468,343	1,482,602	-
Travel	-	147,195	48,993	50,837	94,995	74,184	-	-
Plant asset acquisitions	-	-	95,244	-	98,636	741,576	1,012,158	-
Interest on indebtedness	-	1,056,999	-	-	-	308,668	-	-
Miscellaneous	-	7,428	288,351	121	185,183	120,159	-	-
Federal Pell Grant Program	17,599,160	-	-	-	-	-	-	-
Federal Supplemental Educational Opportunity Grant	359,076	-	-	-	-	-	-	-
Iowa College Student Aid Commission	1,872,590	-	-	-	-	-	-	-
Private scholarships	<u>3,650,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>23,480,927</u>	<u>7,527,250</u>	<u>1,600,021</u>	<u>3,723,949</u>	<u>1,952,147</u>	<u>5,824,545</u>	<u>2,498,766</u>	<u>12,479,715</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>78,863</u>	<u>38,726</u>	<u>140,637</u>	<u>36,552</u>	<u>(29,695)</u>	<u>(311,533)</u>	<u>(101,999)</u>	<u>(523,292)</u>
TRANSFERS								
Nonmandatory transfers	-	-	-	(44,459)	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,459)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCES	78,863	38,726	140,637	(7,907)	(29,695)	(311,533)	(101,999)	(523,292)
FUND BALANCES, beginning of year	<u>63,526</u>	<u>893,658</u>	<u>(377,795)</u>	<u>(60,318)</u>	<u>29,437</u>	<u>777,684</u>	<u>533,042</u>	<u>(4,905,024)</u>
FUND BALANCES, end of year	<u>\$ 142,389</u>	<u>\$ 932,384</u>	<u>\$ (237,158)</u>	<u>\$ (68,225)</u>	<u>\$ (258)</u>	<u>\$ 466,151</u>	<u>\$ 431,043</u>	<u>\$ (5,428,316)</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – RESTRICTED CURRENT FUNDS (continued)
Year ended June 30, 2016

	<u>Early Retirement</u>	<u>Unemployment Compensation</u>	<u>Cash Reserve</u>	<u>Miscellaneous</u>	<u>Subtotal</u>	<u>Other Post-employment Benefits</u>	<u>IPERS Pension</u>	<u>Total</u>
REVENUES								
State appropriations	\$ -	\$ -	\$ -	\$ -	\$ 8,629,649	\$ -	\$ -	\$ 8,629,649
Tuition and fees	-	-	-	2,847	2,847	-	-	2,847
Property tax	723	130,366	-	-	8,615,173	-	-	8,615,173
Federal appropriations	-	-	-	-	23,804,175	-	-	23,804,175
Sales and services	-	-	-	15,687	627,622	-	-	627,622
Interest on investments	-	-	-	-	56,219	-	-	56,219
Iowa Industrial New Jobs Training Program	-	-	-	-	6,541,684	-	-	6,541,684
Miscellaneous	-	-	-	422,169	10,710,002	-	-	10,710,002
Total revenues	<u>723</u>	<u>130,366</u>	<u>-</u>	<u>440,703</u>	<u>58,987,371</u>	<u>-</u>	<u>-</u>	<u>58,987,371</u>
EXPENDITURES								
Salaries and benefits	2,416,466	128,865	-	596,530	9,878,963	1,013,458	(531,363)	10,361,058
Services	-	-	-	158,286	22,255,060	-	-	22,255,060
Materials and supplies	-	-	-	20,440	2,462,230	-	-	2,462,230
Travel	-	-	-	9,644	425,848	-	-	425,848
Plant asset acquisitions	-	-	-	-	1,947,614	-	-	1,947,614
Interest on indebtedness	-	-	-	-	1,365,667	-	-	1,365,667
Miscellaneous	-	-	-	4,118	605,360	-	-	605,360
Federal Pell Grant Program	-	-	-	-	17,599,160	-	-	17,599,160
Federal Supplemental Educational Opportunity Grant	-	-	-	-	359,076	-	-	359,076
Iowa College Student Aid Commission	-	-	-	-	1,872,590	-	-	1,872,590
Private scholarships	-	-	-	-	3,650,101	-	-	3,650,101
Total expenditures	<u>2,416,466</u>	<u>128,865</u>	<u>-</u>	<u>789,018</u>	<u>62,421,669</u>	<u>1,013,458</u>	<u>(531,363)</u>	<u>62,903,764</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,415,743)</u>	<u>1,501</u>	<u>-</u>	<u>(348,315)</u>	<u>(3,434,298)</u>	<u>(1,013,458)</u>	<u>531,363</u>	<u>(3,916,393)</u>
TRANSFERS								
Nonmandatory transfers	-	-	-	314,000	269,541	-	-	269,541
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,000</u>	<u>269,541</u>	<u>-</u>	<u>-</u>	<u>269,541</u>
CHANGES IN FUND BALANCES	(2,415,743)	1,501	-	(34,315)	(3,164,757)	(1,013,458)	531,363	(3,646,852)
FUND BALANCES, beginning of year	<u>7,214,001</u>	<u>147,085</u>	<u>621,989</u>	<u>720,669</u>	<u>5,657,954</u>	<u>(9,631,634)</u>	<u>(12,269,577)</u>	<u>(16,243,257)</u>
FUND BALANCES, end of year	<u>\$ 4,798,258</u>	<u>\$ 148,586</u>	<u>\$ 621,989</u>	<u>\$ 686,354</u>	<u>\$ 2,493,197</u>	<u>\$(10,645,092)</u>	<u>\$(11,738,214)</u>	<u>\$(19,890,109)</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS - AGENCY FUNDS
Year ended June 30, 2016

	<u>Student Activities</u>	<u>Other Agency Programs</u>	<u>Retraining Program</u>	<u>Direct Loan Program</u>	<u>Community Colleges for International Development, Inc.</u>	<u>Total</u>
BALANCE , beginning of year	\$ 328,794	\$ 375,748	\$ 238,248	\$ —	\$ (562,785)	\$ 380,005
ADDITIONS						
State appropriations	21,041	—	418,001	—	—	439,042
Federal appropriations	—	—	—	30,775,103	(7,397)	30,767,706
Sales and services	86,527	80,999	—	—	644,117	811,643
Partnership loan program	—	517,898	—	—	—	517,898
Miscellaneous	145,174	2,250	—	—	41,298	188,722
Transfers	170,803	—	—	—	(34,066)	136,737
Total additions	<u>423,545</u>	<u>601,147</u>	<u>418,001</u>	<u>30,775,103</u>	<u>643,952</u>	<u>32,861,748</u>
DEDUCTIONS						
Salaries and benefits	12,222	55,815	—	—	26	68,063
Services	62,513	535,923	488,556	30,775,103	10,974	31,873,069
Materials and supplies	145,860	39,342	—	—	35,782	220,984
Travel	134,158	111	—	—	503,691	637,960
Miscellaneous	26,749	(27,860)	—	—	915	(196)
Total deductions	<u>381,502</u>	<u>603,331</u>	<u>488,556</u>	<u>30,775,103</u>	<u>551,388</u>	<u>32,799,880</u>
BALANCE , end of year	<u>\$ 370,837</u>	<u>\$ 373,564</u>	<u>\$ 167,693</u>	<u>\$ —</u>	<u>\$ (470,221)</u>	<u>\$ 441,873</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF CREDIT AND CONTACT HOURS
For the period from July 1, 2015 to August 21, 2016

<u>Category</u>	<u>Credit Hours</u>			<u>Contact Hours</u>		
	<u>Eligible for Aid</u>	<u>Not Eligible for Aid</u>	<u>Total</u>	<u>Eligible for Aid</u>	<u>Not Eligible for Aid</u>	<u>Total</u>
Arts and Sciences	174,747	—	174,747	—	—	—
Vocational Education	142,533	—	142,533	—	—	—
Adult/Continuing Education	—	—	—	862,171	250,777*	1,112,948
Totals	<u>317,280</u>	<u>—</u>	<u>317,280</u>	<u>862,171</u>	<u>250,777</u>	<u>1,112,948</u>

* Includes 240 adjustment of 14,052 hours, 300 adjustment of 2,320 hours, and other adjustments for 770 hours.

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF TAX AND INTERGOVERNMENTAL REVENUES
For the last ten years

	Year ended June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Local (property tax)	\$24,058,881	\$22,941,271	\$22,045,940	\$21,439,409	\$19,165,569	\$16,948,563	\$14,656,336	\$14,213,443	\$13,676,607	\$13,660,902
State	40,286,090	41,012,999	37,953,646	33,265,140	30,167,245	29,935,435	28,816,574	35,217,723	32,273,982	27,490,516
Federal	<u>23,833,123</u>	<u>25,925,125</u>	<u>27,543,181</u>	<u>32,202,315</u>	<u>37,141,478</u>	<u>38,439,167</u>	<u>42,885,130</u>	<u>27,653,493</u>	<u>22,529,611</u>	<u>22,305,003</u>
Total	<u>\$88,178,094</u>	<u>\$89,879,395</u>	<u>\$87,542,767</u>	<u>\$86,906,864</u>	<u>\$86,474,292</u>	<u>\$85,323,165</u>	<u>\$86,348,040</u>	<u>\$77,084,659</u>	<u>\$68,480,200</u>	<u>\$63,456,421</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF CURRENT FUND REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
For the Last Ten Years

	Year ended June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
REVENUES										
State appropriations	\$ 40,286,090	\$ 40,612,999	\$ 37,520,312	\$ 32,460,615	\$ 19,628,398	\$ 29,401,047	\$ 28,083,242	\$ 33,384,393	\$ 31,981,435	\$ 27,205,433
Tuition and fees	49,105,381	48,593,786	48,993,853	52,797,801	53,874,766	52,501,781	46,375,772	39,940,159	40,554,897	38,403,435
Property tax	13,124,104	13,969,720	13,527,840	13,250,043	11,307,606	9,732,022	8,225,119	7,921,323	7,447,646	7,424,645
Federal appropriations	23,833,123	25,925,125	27,543,181	32,202,315	37,141,478	38,439,167	42,885,130	27,653,493	22,529,611	22,282,011
Sales and services	1,782,199	1,409,186	1,879,181	2,211,889	2,343,769	2,066,391	1,752,758	2,191,639	2,197,490	2,223,437
Interest on investments	162,736	24,514	16,534	18,087	313,208	133,262	152,887	728,126	1,542,557	836,125
Iowa Industrial New Jobs Training Program	6,541,684	7,912,423	6,189,122	6,861,240	5,382,812	5,342,554	5,557,046	8,904,244	7,090,463	6,730,448
Auxiliary enterprises	17,784,843	21,224,389	17,856,382	18,510,503	17,583,512	17,201,557	14,655,595	12,326,871	14,255,095	10,610,667
Miscellaneous	12,216,319	9,260,417	7,276,538	5,839,317	4,474,374	7,248,846	7,443,116	6,066,590	12,563,084	4,276,407
Total revenues	\$164,836,479	\$168,932,559	\$160,802,943	\$164,151,810	\$162,049,923	\$162,066,627	\$155,130,665	\$139,116,838	\$140,162,278	\$119,991,708
EXPENDITURES										
Liberal arts and sciences	\$ 26,201,653	\$ 25,565,991	\$ 23,947,638	\$ 25,054,832	\$ 25,451,646	\$ 25,287,854	\$ 23,212,694	\$ 21,883,425	\$ 20,182,685	\$ 19,474,466
Vocational technical	23,047,614	22,863,316	24,714,350	23,788,750	22,986,533	27,726,823	24,480,610	22,569,627	21,916,227	20,987,006
Adult education	9,679,835	11,847,995	12,044,560	12,502,370	11,625,712	11,458,772	12,225,309	12,564,230	12,754,415	12,083,618
Cooperative services	9,966,472	9,489,596	7,658,180	6,686,954	4,943,222	5,251,854	6,367,030	7,648,550	7,692,088	6,510,936
Administration	15,347,005	14,083,996	10,877,271	9,356,765	10,446,607	7,886,751	8,746,375	7,373,832	6,449,287	5,959,842
Student services	6,385,239	6,153,874	6,216,880	6,128,533	6,428,849	5,338,610	4,923,975	5,049,306	4,843,325	4,452,042
Learning resources	2,035,238	1,916,771	2,562,656	2,581,651	2,652,484	3,135,268	3,591,600	3,716,761	2,819,282	3,009,443
Physical plant	8,440,980	7,984,411	8,377,634	7,538,140	9,015,356	11,889,788	9,732,519	9,673,772	9,554,947	8,339,637
General institution	20,454,697	19,623,483	17,875,638	17,110,784	16,521,865	13,251,962	16,299,666	15,243,432	12,734,901	11,148,919
Auxiliary enterprises	16,649,319	17,487,728	16,992,989	17,294,831	16,159,803	17,419,860	14,151,261	11,817,598	10,486,620	10,176,203
Scholarships and grants	23,480,927	24,618,421	25,153,792	28,364,453	30,565,374	31,657,078	27,603,927	17,021,516	15,423,906	13,670,260
Interest on indebtedness	2,389,575	1,917,686	2,086,959	2,168,849	2,295,857	1,326,639	1,434,493	1,452,386	1,307,554	1,238,043
Total expenditures	\$164,078,554	\$163,563,268	\$158,508,547	\$158,576,912	\$159,093,308	\$161,631,259	\$152,769,459	\$136,014,435	\$126,155,237	\$117,050,415

See accompanying independent auditor's report..

Kirkwood Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>New Loans and New Loan Guarantees</u>	<u>Amounts Provided to Subrecipients</u>
U.S. DEPARTMENT OF AGRICULTURE					
Indirect through Iowa Workforce Development					
ARRA – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0447-309-PFFB-2495-BLNK	\$ <u>123,610</u>	\$ <u>—</u>	\$ <u>—</u>
U.S. DEPARTMENT OF LABOR					
Indirect through Office of the Assistant Secretary for Veterans Employment and Training					
Local Veterans' Employment Representative Program	17.804	N/A	28,948	—	—
Indirect through Iowa Workforce Development					
WIA Cluster					
WIA/WIOA Adult Program	17.258	13-W-10-FR-0	167,671	—	—
WIA/WIOA Youth Activities	17.259	13-W-10-FR-0	552,827	—	—
WIA/WIOA Dislocated Worker Formula Grants	17.278	13-W-10-FR-0	<u>318,880</u>	—	—
Total WIA Cluster			<u>1,039,378</u>	—	—
Job Driven National Emergency Grant (NEG)	17.277	15-W-FR-JD-1-03	173,172	—	—
Indirect through Des Moines Area Community College					
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	N/A	105,669	—	—
Indirect through Hawkeye Community College					
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	N/A	<u>303,726</u>	—	—
Total U.S. Department of Labor			<u>1,650,893</u>	—	—
U.S. DEPARTMENT OF STATE					
Direct					
Academic Exchange Programs – Undergraduate Programs	19.009	N/A	121,520	—	—
Investing in People in The Middle East and North Africa	19.021	N/A	93,429	—	—
Indirect through International Research and Exchanges Board					
Community College Summit Initiative Program	19.009	TCCSP-KIRKWSSDCC14	<u>1,200</u>	—	—
Total U.S. Department of State			<u>216,149</u>	—	—
NATIONAL ENDOWMENT FOR THE HUMANITIES					
Direct					
Promotion of the Humanities Public Programs	45.164	N/A	<u>10,000</u>	—	—
NATIONAL SCIENCE FOUNDATION					
Direct					
Education and Human Resources	47.076	N/A	74,003	—	—
Indirect through Iowa State University					
Education and Human Resources	47.076	N/A	<u>46,306</u>	—	—
Total National Science Foundation			<u>120,309</u>	—	—
U.S. SMALL BUSINESS ADMINISTRATION					
Indirect through Iowa State University					
Small Business Development Centers	59.037	N/A	<u>114,970</u>	—	—

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>New Loans and New Loan Guarantees</u>	<u>Amounts Provided to Subrecipients</u>
U.S. DEPARTMENT OF EDUCATION					
Direct					
Student Financial Assistance Programs Cluster					
Federal Supplemental Educational Opportunity Grants	84.007	N/A	359,076	-	-
Federal Work-Study Program	84.033	N/A	338,845	-	-
Federal Pell Grant Program	84.063	N/A	17,599,160	-	-
Federal Direct Student Loans	84.268	N/A	-	<u>30,775,103</u>	-
Total Student Financial Assistance Programs Cluster			<u>18,297,081</u>	<u>30,775,103</u>	-
TRIO Cluster					
TRIO – Student Support Services	84.042	N/A	7,949	-	-
TRIO – Student Support Services	84.042A	N/A	<u>245,383</u>	-	-
Total TRIO Cluster			<u>253,332</u>	-	-
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325N	N/A	310		-
Indirect through Iowa Department of Education					
Adult Education – Basic Grants to States	84.002	G40026, G40041, G40058	144,718		-
Career and Technical Education – Basic Grants to States	84.048	G40187, G40603	631,252		-
Indirect through Department of Corrections					
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	N/A	23,000		-
Indirect through Iowa Vocational Rehabilitation Services					
Emergency Immigrant Education Assistance	84.162	N/A	<u>57,411</u>	-	-
Total U.S. Department of Education			<u>19,407,104</u>	<u>30,775,103</u>	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Direct					
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	73,762	-	-
Indirect through Iowa Department on Aging					
Promotion Services	93.043	N/A	3,253	-	-
Aging Cluster					
Title III Part B – Grants for Supportive Services and Senior Centers	93.044	N/A	529,589	-	199,799
Title III Part C – Nutrition Services	93.045	N/A	426,045	-	426,045
Nutrition Services Incentive Program	93.053	N/A	<u>266,975</u>	-	<u>266,975</u>
Total Aging Cluster			<u>1,222,609</u>	-	<u>892,819</u>
Medicaid Cluster					
Medical Assistance Program	93.778	N/A	547,942	-	339,246
National Family Caregiver Support	93.052	N/A	201,861	-	125,122
Medicare Enrollment Assistance Program	93.071	N/A	4,337	-	-
Money Follows the Person Rebalancing Demonstration	93.791	N/A	10	-	-
Indirect through Iowa Workforce Development					
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	13-W-10-FR-0	<u>7,767</u>	-	-
Total U.S. Department of Health and Human Services			<u>2,061,541</u>	-	<u>1,357,187</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>New Loans and New Loan Guarantees</u>	<u>Amounts Provided to Subrecipients</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
Indirect through Department of Health and Human Services Administration for Community Living					
Volunteers in Service to America	94.013	N/A	<u>96</u>	<u>—</u>	<u>—</u>
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT					
Indirect through Georgetown University					
Scholarships for Education and Economic Development (SEED)	98.001	KCC-RX2050-705	<u>11,962</u>	<u>—</u>	<u>—</u>
Total Federal Awards Expended			<u>\$23,716,634</u>	<u>\$30,775,103</u>	<u>\$1,357,187</u>

See accompanying independent auditor's report.

Kirkwood Community College
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Kirkwood Community College (the College) under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the College.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

NOTE 3 STUDENT FINANCIAL ASSISTANCE

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and, accordingly, these loans are not included in its financial statements. It is not practical to determine the balance of the loans outstanding to students and former students of the College under this program at June 30, 2016.

See accompanying independent auditor's report.



**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***

Board of Trustees
Kirkwood Community College
Cedar Rapids, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Kirkwood Community College (the College), and its aggregate discretely presented component units, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 9, 2017. The financial statements of the discretely presented component unit, Kirkwood Community College Foundation, were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance with this discretely presented component unit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies listed as 2016-001 and 2016-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2016 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.

Kirkwood Community College's Response to Findings

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

Purpose of this Report

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
January 9, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Kirkwood Community College
Cedar Rapids, Iowa

Report on Compliance for Each Major Federal Program

We have audited Kirkwood Community College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the summary of the independent auditor's results section of the accompanying schedule of findings.

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. *Code of Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the audit procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency listed as 2016-002.

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

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

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
January 9, 2017

Kirkwood Community College
SCHEDULE OF FINDINGS
Year ended June 30, 2016

Part I—Summary of the Independent Auditor's Results

Financial Statements

- (a) An unmodified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements. There was one deficiency in internal control over financial reporting that was considered to be a significant deficiency.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Federal Awards

- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements. There was one deficiency in internal control over compliance that was considered to be a significant deficiency.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) Major programs were as follows:
 - CFDA Number 84.007, 84.033, 84.063, 84.268 – Student Financial Assistance Cluster
 - CFDA Number 93.778 – Medicaid Cluster, Medical Assistance Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Kirkwood Community College qualified as a low-risk auditee.

Kirkwood Community College
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2016

**Part II – Findings Relating to the Financial Statements Reported in Accordance
with *Government Accounting Standards***

SIGNIFICANT DEFICIENCY

2016-001 Segregation of Duties within the Payroll Function

Condition: Improper segregation of duties exists in the payroll process.

Criteria: A system of internal controls should account for adequate segregation of duties over the accounting and payroll processes. An adequate segregation of duties requires that no one individual has the ability to handle a transaction from beginning to end, unless other mitigating controls are present to reduce this risk. Also, employees should not have access to functions within the accounting system that are not required based on their job descriptions.

Cause: During a significant portion of the fiscal year, several employees had excessive information technology system access rights, which allowed them to create, edit, and perform other functions within the accounting and payroll systems, which resulted in improper segregation of duties. In addition, the centralization of the payroll process among a small group of individuals can cause an improper segregation of duties.

Effect: Misappropriation of assets or an undetected error in the financial statements could occur due to improper segregation of duties and improper access within the accounting and payroll systems.

Recommendation: Review of the system access changes and controls put in place during the year ended June 30, 2016 should be performed to ensure the controls are functioning properly and the changes were appropriately made. Implementation and documentation of additional mitigating controls to address potential improper segregation of duties resulting from the centralization of the payroll process among a small group of individuals should be considered.

Views of Responsible Officials and Planned Corrective Action: System access changes put into place and related controls will be reviewed. Consideration will be given to identify, implement, and document mitigating controls which further support segregation of duties.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

**Kirkwood Community College
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2016**

Part III – Findings and Questioned Costs for Federal Awards

SIGNIFICANT DEFICIENCY

2016-002 Student Financial Aid Cluster – Notification of Exit Counseling

Condition: During our testing, we noted one student who did not receive an exit interview in a timely manner. Upon further inquiry of College personnel, it was noted that exit interview notification emails were not sent to required student in a timely manner twice during the year.

Criteria: Department of Education regulations require exit interviews with the borrower (student) before he or she leaves the institution.

Cause: Exit interview notification emails were not sent to required students in a timely manner on two different days during the year ended June 30, 2016.

Effect: Untimely notifications regarding required exit interviews could lead to untimely completion of required exit counseling.

Recommendation: Consider utilizing system reminders to ensure responsible staff members send out the exit interview notification emails in a timely manner as required. Have supervisory personnel copied on all exit interview notification emails sent.

Views of Responsible Officials and Planned Corrective Action: Further review of the exit interview notification process will be performed; enhancements will be made as deemed appropriate.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

Kirkwood Community College
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2016

Part IV – Other Findings Related to Required Statutory Reporting

IV-A-16 CERTIFIED BUDGET

The College did not exceed its budget for the year ended June 30, 2016.

IV-B-16 QUESTIONABLE DISBURSEMENTS

No expenditures that did not meet the requirements of public purpose, as defined in the Attorney General's opinion dated April 25, 1979, were noted.

IV-C-16 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-D-16 BUSINESS TRANSACTIONS

No business transactions between the College and College officials or employees were noted.

IV-E-16 BOND COVERAGE

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

IV-F-16 BOARD MINUTES

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

IV-G-16 PUBLICATION OF RECEIPTS AND DISBURSEMENTS

The College published a statement showing all receipts and disbursements 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-H-16 DEPOSITS AND INVESTMENTS

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

IV-I-16 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.

**Kirkwood Community College
SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2016**

2015-001 Information Technology (IT) System Access Rights

Statement of Condition: Several employees had excessive IT system access rights, which allowed them to create, edit, and perform other functions within the accounting and payroll systems, which could cause an improper segregation of duties.

Status: See Finding 2016-001.

2015-002 Audit Journal Entries

Statement of Condition: Various entries to the trial balance of the College were necessary due to differences between the beginning net position recorded within the unadjusted trial balance for fiscal year 2015 and the ending net position reported in the fiscal year 2014 audited financial statements.

Status: No instances noted in the current year.

2015-003 Student Financial Assistance Cluster – National Student Loan Data System

Statement of Condition: The National Student Loan Data System (NSLDS) rosters returned yielded error reports that were not corrected and resubmitted within the required ten days.

Status: No instances noted in the current year.

2015-004 Student Financial Assistance Cluster – Notification of Loan Disbursements

Statement of Condition: Students were not notified when loan disbursements were disbursed or going to be disbursed for a period of time during the 2014-2015 award year

Status: No instances noted in the current year.

2015-005 Student Financial Assistance Cluster – Notification of Exit Counseling

Statement of Condition: Some students selected for testing that required Direct Loan exit counseling did not complete the required exit counseling online, and, while the College did notify the students of the exit counseling requirements, they did not do so within the required 30-day time frame from when the College first became aware the student withdrew.

Status: No instances specific to this issue noted in the current year. See Finding 2016-002 for similar finding related to notification of exit counseling.

2015-006 Student Financial Assistance Cluster – Return of Title IV Funds

Statement of Condition: Some students selected for testing had incorrect R2T4 calculations, resulting in additional funds that needed to be returned to the Department of Education.

Status: No instances noted in the current year.

Kirkwood Community College
SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
Year ended June 30, 2016

2015-007 TRIO Cluster – Allowable Costs

Statement of Condition: One grant disbursement selected for testing did not have adequate supporting documentation to demonstrate the cost was allowed by the grant.

Status: No instances noted in the current year.

2015-008 Aging Cluster - Eligibility

Statement of Condition: Before participants were allowed into this program, their eligibility was determined by filling out a form provided by the Iowa Department of Aging. However, there was no way to modify this form to document evidence of review of eligibility before participants were admitted into the program. Therefore, evidence of review was not maintained.

Status: No instances noted in the current year.

2015-009 Aging Cluster – Subrecipient Monitoring

Statement of Condition: Procedures were in place to monitor subrecipients. However, one instance indicated the College was not requesting sufficient information to conclude the subrecipient was in compliance with the terms of the grant.

Status: No instances noted in the current year.

2015-010 Medical Assistance Program – Cash Management

Statement of Condition: A process is in place for review of reimbursement reports. However, the evidence of the review was not retained for some of the participants selected for testing.

Status: No instances noted in the current year.

New Jobs Training Program – Compliance Finding for Recalculation of Withholding Credit

Statement of Condition: In one instance, adequate information to recalculate the withholding credit submitted to the College was not available. The gross report that presents the withholding amount did not agree with the actual withholding credit applied.

Status: No instances noted in the current year.

New Jobs Training Program – Compliance Finding for Reconciliation of Receivables

Statement of Condition: Differences between the subsidiary schedule noting the beginning New Jobs Training Program (NJTP) receivable balance by project and the prior year ending audited balances by project were noted.

Status: No instances noted in the current year.