

Kirkwood

COMMUNITY COLLEGE

Financial & Compliance Report June 30, 2018

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**Kirkwood Community College
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Board of Trustees		
James Mollenhauer	Chair	2021
Tracy Pearson	Vice Chair	2019
John Swanson	Trustee	2021
Dr. Keith Stamp	Trustee	2021
Joel Thys	Trustee	2021
Lorraine Williams	Trustee	2019
Alan Jensen	Trustee	2019
Marcia Rogers	Trustee	2019
Rose Rennekamp	Trustee	2021
Community College		
Dr. Lori Sundberg	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, 2018, and the related notes to the 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 audit. We did not audit the financial statements of the discretely presented component unit Kirkwood Community College Foundation discussed in Note 1, which represents 98.8%, 100.0%, and 89.6%, respectively, of the assets, net position, and operating revenues of the discretely presented component units. 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.

Opinions

In our opinions, 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, 2018, 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.

Emphasis of Matter

As described in Note 17 to the financial statements, based on updated valuation information received during the year ended June 30, 2018, an understatement of the early retirement liability at June 30, 2017 was identified by management. Accordingly, Kirkwood Community College has restated its June 30, 2017 net position presented in the June 30, 2018 financial statements. Our opinions are not modified with respect to this matter.

As discussed in Note 18 to the financial statements, Kirkwood Community College adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

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 College's proportionate share of the net pension liability, College contributions, College's early retirement liability, and changes in the College's total OPEB liability, related ratios and notes on pages 47 through 52 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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the seven 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 November 7, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the College's 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

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, 2018. 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 presents the College's proportionate share of the net pension liability and related contributions and the College's early retirement liability, as well as presenting the changes in the College's total OPEB liability, related ratios, and notes.

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 2018 and some of the realities, which may potentially become challenges for the College to meet, are:

- State General Aid (SGA) decreased in FY18, although the decrease was less than 0.1% as compared to a decrease of ~1% in prior years. Administration anticipates SGA funding will remain flat for the foreseeable future.
- 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 2.32% reduction in credit hours for FY18. 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 the College's service area and property tax valuations continue to increase at acceptable levels.

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. College leadership is proactively planning for flat to continued decreases in credit hour enrollment and making appropriate adjustments to operating expenditures as needed.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

The Statement of Net Position

The Statement of Net Position as of June 30, 2018 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	
	<u>2018</u>	<u>2017</u> (not restated)
Current and other assets	\$118,017,950	\$115,722,431
Capital assets, net of accumulated depreciation	<u>230,860,140</u>	<u>238,162,590</u>
Total assets	<u>348,878,990</u>	<u>353,885,021</u>
Deferred outflows of resources	<u>7,046,889</u>	<u>4,234,138</u>
Current liabilities	41,091,302	37,018,338
Noncurrent liabilities	<u>186,943,497</u>	<u>185,155,576</u>
Total liabilities	<u>228,034,799</u>	<u>222,173,914</u>
Deferred inflows of resources	<u>29,743,858</u>	<u>26,668,193</u>
Net position		
Net investment in capital assets	142,996,592	134,164,355
Restricted	5,394,541	4,364,849
Unrestricted	<u>(50,244,811)</u>	<u>(29,252,152)</u>
Total net position	<u>\$ 98,146,322</u>	<u>\$109,277,052</u>

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2018 can be found at page 16 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

	<u>Year ended June 30</u>	
	<u>2018</u>	<u>2017</u>
		(not restated)
Operating revenues		
Tuition and fees, net	\$ 27,883,346	\$ 26,896,850
Federal appropriations	22,837,805	23,275,040
Sales and services	1,153,205	1,641,834
Iowa Industrial New Jobs Training Program	5,575,285	5,950,820
Auxiliary enterprises	17,300,631	16,982,321
Miscellaneous	<u>7,558,276</u>	<u>7,848,922</u>
Total operating revenues	82,308,548	82,595,787
Total operating expenses	<u>148,634,594</u>	<u>145,738,505</u>
Operating loss	<u>(66,326,046)</u>	<u>(63,142,718)</u>
Nonoperating revenues (expenses)		
State appropriations	39,740,595	39,796,254
Property tax	27,719,851	25,282,078
Interest and investment income	823,537	627,749
Net contributions and expense reimbursements from Kirkwood Community College Foundation and Kirkwood Facilities Foundation	1,423,995	1,398,440
Gain on disposal of capital assets	159,405	257,376
Interest expense	<u>(4,351,054)</u>	<u>(4,745,639)</u>
Net nonoperating revenues	<u>65,516,329</u>	<u>62,616,258</u>
Transfers to agency fund	<u>(151,924)</u>	<u>(173,153)</u>
(Decrease) in net position	<u>(961,641)</u>	<u>(699,613)</u>
Net position		
Beginning	109,277,052	116,701,986
Correction of an error	(6,973,135)	-
Cumulative effect of change in accounting principle	<u>(3,195,954)</u>	<u>(6,725,321)</u>
Beginning, as restated	<u>99,107,963</u>	<u>109,976,665</u>
Ending	<u>\$ 98,146,322</u>	<u>\$109,277,052</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, with a decrease 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 graphs below represent the percent of each revenue and expense component compared to total revenues and expenses.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (continued)

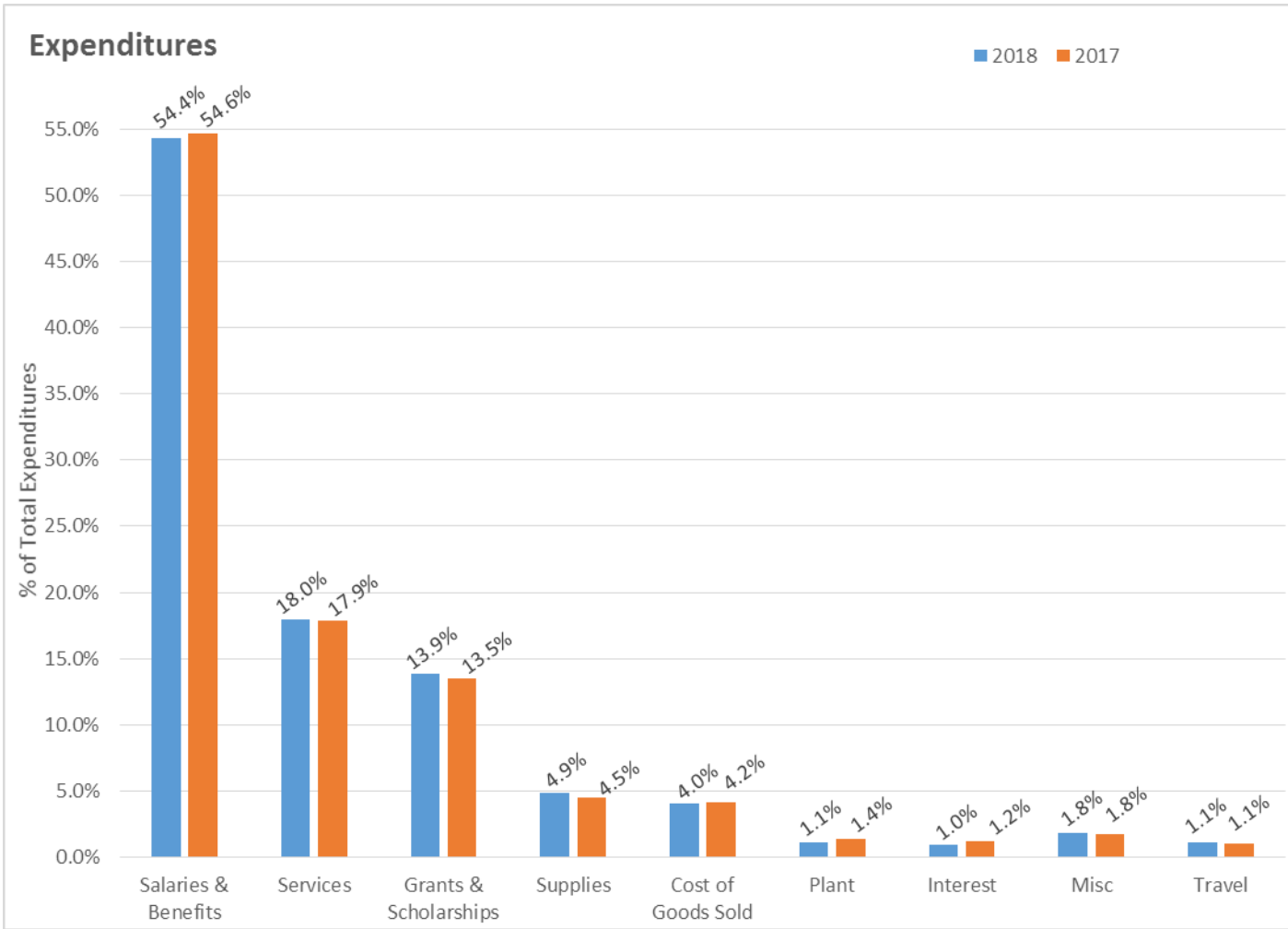


	<u>2018</u>	<u>2017</u>	<u>Change \$</u>	<u>Change %</u>
Tuition & Fees	\$ 50,429,277	\$ 49,356,715	\$ 1,072,562	2.2%
State Appropriations	39,740,595	39,796,254	(55,659)	-0.1%
Federal Appropriations	22,837,805	23,275,040	(437,235)	-1.9%
Sales & Services	17,379,060	17,457,324	(78,264)	-0.4%
Property Tax	16,394,391	15,393,740	1,000,651	6.5%
Misc	11,815,306	12,427,425	(612,119)	-4.9%
Iowa NJTP	5,575,285	5,950,820	(375,535)	-6.3%
Interest Income	503,173	167,022	336,151	201.3%
Total	\$ 164,674,892	\$ 163,824,340	\$ 850,552	0.5%

In fiscal year 2018, total revenues increased approximately \$850K or 0.5%. The increase was primarily a result of the following:

- Tuition revenues increased approximately \$1.0M. The increased rate per credit hour offset the decrease in credit hour enrollment.
- Federal appropriations were down due to a decrease in Pell Grants and FSEOG funds awarded to students.
- Property tax revenue increased approximately \$1.0M due to increased property tax valuations.
- The Iowa NJTP Bond sale decreased from the prior year by approximately \$375K.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (continued)



	<u>2018</u>	<u>2017</u>	<u>Change \$</u>	<u>Change %</u>
Salaries & Benefits	\$ 88,408,188	\$ 90,764,368	\$ (2,356,180)	-2.6%
Services	29,215,574	29,666,257	(450,683)	-1.5%
Grants & Scholarships	22,545,891	22,459,850	86,041	0.4%
Supplies	7,948,143	7,403,593	544,550	7.4%
Cost of Goods Sold	6,540,018	6,911,967	(371,949)	-5.4%
Plant	1,743,249	2,277,606	(534,357)	-23.5%
Interest	1,559,697	1,967,108	(407,501)	-20.7%
Misc	2,954,017	2,919,144	34,873	1.2%
Travel	1,749,067	1,752,800	(3,733)	-0.2%
Total	\$ 162,663,844	\$ 166,122,783	\$ (3,458,939)	-2.1%

In fiscal year 2018, total expenses decreased approximately \$3.5M or 2.1%. The decrease was primarily a result of the following:

- Salaries & Benefits decreased by approximately \$2.4M, which was due to the high number of retirees at June 30, 2017. A number of the positions were not filled in FY18, offsetting the ~4% salary increase.
- Reductions in other expense categories made throughout the fiscal year aligned with reductions in credit hour enrollment, state general aid funding and federal appropriations.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES (continued)

Statement of Cash Flows

The Statement of Cash Flows for the year ended June 30, 2018 can be found at pages 17 and 18 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, 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, net of purchases and sales of investments.

Unrestricted cash increased for the year ended June 30, 2018 by \$1,039,376.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the College had approximately \$230.9 million invested in capital assets, net of accumulated depreciation of approximately \$132.2 million.

Depreciation expense totaled \$12,465,811 for fiscal year 2018. Details of capital assets are shown in Note 4 to the financial statements.

Planned capital expenditures for the fiscal year ending June 30, 2019 and beyond includes the maintenance and major mechanical replacements on older College facilities.

Debt

At June 30, 2018, the College had approximately \$160.0 million of debt outstanding excluding early retirement payable, compensated absences, other post-employment benefits and net pension liability, a decrease of approximately \$4.5 million from June 30, 2017. 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, 2018**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>College</u>	<u>Component Units</u>
ASSETS		
Current Assets		
Cash and investments	\$ 59,652,500	\$ 2,161,939
Receivables		
Accounts receivable, net of allowance for uncollectible accounts of \$3,564,449	2,941,704	3,836
Property taxes, succeeding year	29,561,869	-
Pledges, net of allowance for doubtful pledges of \$1,000	-	435,293
Due from component units	1,389,731	-
Due from primary government	-	516
Due from other governments	2,918,778	-
Inventories	2,585,419	-
Prepaid expenses	<u>1,476,395</u>	<u>10,594</u>
Total current assets	<u>100,526,396</u>	<u>2,612,178</u>
Noncurrent Assets		
Receivables, Iowa Industrial New Jobs Training Program	12,445,480	-
Pledges	-	122,197
Investments, unrestricted	-	32,493,267
Investments, restricted	4,540,244	-
Cash value of life insurance	-	311,006
Other long-term assets	505,830	412,345
Capital assets, nondepreciable	13,108,378	-
Capital assets, depreciable, net	<u>217,751,762</u>	<u>-</u>
Total noncurrent assets	<u>248,351,694</u>	<u>33,338,815</u>
 Total assets	 <u>348,878,090</u>	 <u>35,950,993</u>
DEFERRED OUTFLOWS OF RESOURCES		
IPERS related deferred outflows	5,325,630	-
OPEB related deferred outflows	<u>1,721,259</u>	<u>-</u>
Total deferred outflows of resources	<u>7,046,889</u>	<u>-</u>

Kirkwood Community College
STATEMENT OF NET POSITION (continued)
June 30, 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>College</u>	<u>Component Units</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 4,345,094	\$ 52,435
Salaries and benefits payable	5,411,510	-
Due to primary government	-	949,117
Due to other agency	-	440,404
Annuities payable	-	12,900
Interest payable	623,996	-
Unearned revenue	5,916,371	27,631
Early retirement payable	1,469,909	-
Compensated absences	2,056,658	-
Line of credit	5,000,000	-
Certificates payable, current portion	5,190,000	-
Notes payable, current portion	4,679,036	-
Bonds payable, current portion	5,100,000	-
Certificates of participation, current portion	830,000	-
Deposits held in custody for others	468,728	-
Total current liabilities	<u>41,091,302</u>	<u>1,482,487</u>
Noncurrent Liabilities		
Annuities payable	-	45,200
Other long-term liabilities	505,830	-
Net other postemployment benefits obligation	17,214,190	-
Early retirement liability	12,588,355	-
Net pension liability	17,424,163	-
Certificates payable	27,291,447	-
Notes payable	11,697,112	-
Bonds payable	37,105,896	-
Certificates of participation	63,116,504	-
Total noncurrent liabilities	<u>186,943,497</u>	<u>45,200</u>
Total liabilities	<u>228,034,799</u>	<u>1,527,687</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue	29,561,869	-
IPERS related deferred inflows	181,989	-
Total deferred inflows of resources	<u>29,743,858</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	<u>142,996,592</u>	<u>-</u>
Restricted		
Temporarily restricted	-	945,295
Expendable		
Cash reserve	621,989	-
New Jobs Training Program	1,175,835	-
Employee benefits	756,390	-
Equipment replacement	1,130,569	-
Other	1,709,758	-
Total restricted	<u>5,394,541</u>	<u>945,295</u>
Unrestricted		
Unrestricted (deficit)	(50,244,811)	1,784,819
Unrestricted, board designated	-	2,140,558
Unrestricted, donor advised	-	29,552,634
Total unrestricted	<u>(50,244,811)</u>	<u>33,478,011</u>
Total net position	<u>\$ 98,146,322</u>	<u>\$34,423,306</u>

See Notes to Financial Statements.

Kirkwood Community College
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2018

	College	Component Units
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$23,480,927	\$ 27,883,346	\$ —
Federal appropriations	22,837,805	—
Sales and services	1,153,205	—
Iowa Industrial New Jobs Training Program	5,575,285	—
Auxiliary enterprises	17,300,631	—
Contributions and pledges, including in-kind contributions of \$59,071	—	2,239,912
Rental income and facility management	—	400,155
Royalties and commission	—	77,280
Contributions from primary government	—	2,236,402
Miscellaneous	<u>7,558,276</u>	<u>38,842</u>
Total operating revenues	<u>82,308,548</u>	<u>4,992,591</u>
OPERATING EXPENSES		
Education and support		
Liberal arts and sciences	25,540,483	—
Vocational technical	23,073,975	—
Adult education	9,536,183	—
Cooperative services	7,039,534	—
Administration	15,550,490	—
Student services	6,996,813	—
Learning resources	2,086,004	—
Physical plant	8,860,247	—
General institution	20,824,917	—
Auxiliary enterprises	16,660,137	—
Distributions to Kirkwood Community College	—	2,994,195
Facility operations	—	53,049
Program services	—	327,108
Management and general	—	1,069,268
Fundraising	—	168,026
Depreciation	<u>12,465,811</u>	—
Total operating expenses	<u>148,634,594</u>	<u>4,611,646</u>
OPERATING INCOME (LOSS)	<u>(66,326,046)</u>	<u>380,945</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	39,740,595	—
Property tax	27,719,851	—
Interest and investment income	823,537	2,424,013
Actuarial adjustment of annuities payable	—	(6,348)
Gifts from component units	3,607,759	—
Rent from primary government	—	37,810
Gifts to affiliates	—	(630,582)
Contributions and rent to component units	(2,183,764)	—
Gain on sale of capital assets	159,405	—
Contributions to other nonprofit entities	—	(41,084)
Interest expense	(4,351,054)	—
Release from temporarily restricted	—	169,620
Total nonoperating revenues (expenses), net	<u>65,516,329</u>	<u>1,953,429</u>
TRANSFERS TO AGENCY FUND	<u>(151,924)</u>	<u>—</u>
SUPPORT AND REVENUES, TEMPORARILY RESTRICTED		
Contributions, pledges and cash, net	—	337,674
Release from restriction	—	(169,620)
Total temporarily restricted support and revenues	<u>—</u>	<u>168,054</u>
CHANGE IN NET POSITION	<u>(961,641)</u>	<u>2,502,428</u>
NET POSITION		
Beginning of year (as restated)	<u>99,107,963</u>	<u>31,920,878</u>
End of year	<u>\$ 98,146,322</u>	<u>\$34,423,306</u>

See Notes to Financial Statements.

**Kirkwood Community College
STATEMENT OF CASH FLOWS
Year ended June 30, 2018**

	<u>Primary Government</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$30,764,279
Federal appropriations	23,046,594
Iowa Industrial New Jobs Training Program (NJTP)	6,141,036
Payments to employees for salaries and benefits	(92,308,259)
Payments to suppliers for goods and services	(42,011,879)
Payments to NJTP subrecipients	(3,115,407)
Auxiliary enterprise receipts	17,300,631
Other receipts/payments	<u>8,097,787</u>
Net cash used in operating activities	<u>(52,085,218)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	39,740,595
Property tax	27,719,851
Federal direct lending receipts	26,027,130
Federal direct lending disbursements	(27,522,456)
Contributions and rent paid to component units	(2,183,764)
Gifts from component units	2,986,869
Proceeds from certificates payable	4,560,000
Principal paid on certificates payable	(5,910,000)
Interest paid on certificates payable	(1,160,669)
Transfers to agency fund	(151,924)
Agency receipts	2,069,638
Agency disbursements	<u>(1,037,534)</u>
Net cash provided by noncapital financing activities	<u>65,137,736</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(4,725,649)
Interest capitalized	(26,118)
Proceeds from sale of capital assets	253,823
Proceeds from issuance of long-term debt	32,685,000
Bond premiums	1,832,741
Principal paid on debt	(38,699,940)
Interest paid on debt	<u>(3,525,736)</u>
Net cash used in capital and related financing activities	<u>(12,205,879)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	823,537
Purchases of investments	(89,086,181)
Proceeds from sale and maturities of investments	<u>88,455,381</u>
Net cash provided by investment activities	<u>192,737</u>
INCREASE IN CASH AND CASH EQUIVALENTS	1,039,376
CASH AND CASH EQUIVALENTS, beginning	<u>8,217,777</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 9,257,153</u>

See Notes to Financial Statements.

Kirkwood Community College
STATEMENT OF CASH FLOWS (continued)
Year ended June 30, 2018

	<u>Primary Government</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS USED IN OPERATING ACTIVITIES	
Operating loss	\$(<u>66,326,046</u>)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	12,465,811
Accretion, net of amortization	(672,765)
In-kind donations from component units	59,071
Changes in assets and liabilities	
Decrease in accounts receivable	1,925,582
Decrease in NJTP receivable	565,751
Decrease in due from other governments	208,789
Decrease in inventories	137,121
Decrease in prepaid expenses	188,488
Increase in accounts payable	772,254
Increase in salaries payable	72,076
Increase in unearned revenue	955,351
Decrease in compensated absences	(142,017)
Decrease in early retirement payable	(3,652,570)
Increase in OPEB payable	2,363,211
Increase in deferred outflows	(2,812,751)
Decrease in deferred inflows	(232,363)
Increase in net pension liability	<u>2,039,789</u>
Total adjustments	<u>14,240,828</u>
Net cash flows used in operating activities	\$(<u>52,085,218</u>)
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO CASH AND INVESTMENTS STATEMENT OF NET POSITION	
Per statement of net position	\$59,652,500
Less investments (Note 2)	<u>50,395,347</u>
Cash per statement of cash flows	<u>\$ 9,257,153</u>

Kirkwood Community College
STATEMENT OF NET POSITION/NET ASSETS – DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2018

ASSETS	<u>Kirkwood Facilities Foundation</u>	<u>Kirkwood Community College Foundation</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 415,441	\$ 1,746,498	\$ 2,161,939
Receivables			
Accounts	3,836	-	3,836
Pledges, less allowance for doubtful pledges	-	435,293	435,293
Due from Kirkwood Community College	516	-	516
Prepaid expenses	<u>10,594</u>	<u>-</u>	<u>10,594</u>
Total current assets	<u>430,387</u>	<u>2,181,791</u>	<u>2,612,178</u>
NONCURRENT ASSETS			
Pledges at net present value	-	122,197	122,197
Investments	-	32,493,267	32,493,267
Cash value of life insurance	-	311,006	311,006
Other	<u>-</u>	<u>412,345</u>	<u>412,345</u>
Total noncurrent assets	<u>-</u>	<u>33,338,815</u>	<u>33,338,815</u>
Total assets	<u>430,387</u>	<u>35,520,606</u>	<u>35,950,993</u>
LIABILITIES AND NET POSITION/NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	38,763	13,672	52,435
Due to Kirkwood Community College	401,218	31,369	432,587
Due to KCCCK-FM Radio	-	516,530	516,530
Due to other agency	-	440,404	440,404
Unearned revenue	27,631	-	27,631
Annuities payable	<u>-</u>	<u>12,900</u>	<u>12,900</u>
Total current liabilities	<u>467,612</u>	<u>1,014,875</u>	<u>1,482,487</u>
NONCURRENT LIABILITIES			
Annuities payable	<u>-</u>	<u>45,200</u>	<u>45,200</u>
Total noncurrent liabilities	<u>-</u>	<u>45,200</u>	<u>45,200</u>
Total liabilities	<u>467,612</u>	<u>1,060,075</u>	<u>1,527,687</u>
NET POSITION/NET ASSETS			
Temporarily restricted	-	945,295	945,295
Unrestricted			
Unrestricted	(37,225)	1,822,044	1,784,819
Unrestricted, board designated	-	2,140,558	2,140,558
Unrestricted, donor advised	<u>-</u>	<u>29,552,634</u>	<u>29,552,634</u>
Total net position/net assets	<u>\$ (37,225)</u>	<u>\$34,460,531</u>	<u>\$34,423,306</u>

Kirkwood Community College
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION/NET ASSETS – DISCRETELY PRESENTED COMPONENT UNITS
Year ended June 30, 2018

	Kirkwood Facilities Foundation	Kirkwood Community College Foundation	Total
OPERATING REVENUES			
Contributions and pledges	\$ –	\$ 422,420	\$ 422,420
Contributions, in-kind	–	59,071	59,071
Rental income and facility management	400,155	–	400,155
Royalties and commissions	77,280	–	77,280
Contributions from Kirkwood Community College	–	2,236,402	2,236,402
Contributions to donor advised for endowment	–	1,758,421	1,758,421
Miscellaneous	<u>39,718</u>	<u>(876)</u>	<u>38,842</u>
Total operating revenues	<u>517,153</u>	<u>4,475,438</u>	<u>4,992,591</u>
OPERATING EXPENSES			
Distributions to Kirkwood Community College	–	2,994,195	2,994,195
Facility operations	53,049	–	53,049
Program services	–	327,108	327,108
Management and general	231,693	837,575	1,069,268
Fundraising	<u>–</u>	<u>168,026</u>	<u>168,026</u>
Total operating expenses	<u>284,742</u>	<u>4,326,904</u>	<u>4,611,646</u>
OPERATING INCOME	<u>232,411</u>	<u>148,534</u>	<u>380,945</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	–	2,424,013	2,424,013
Actuarial adjustments of annuities payable	–	(6,348)	(6,348)
Rent from Kirkwood Community College	37,810	–	37,810
Gifts to affiliates	(11,809)	–	(11,809)
Contributions to affiliates	(618,773)	–	(618,773)
Contributions to other nonprofit entities	(15,460)	(25,624)	(41,084)
Release from temporarily restricted	<u>–</u>	<u>169,620</u>	<u>169,620</u>
Net nonoperating revenues (expenses)	<u>(608,232)</u>	<u>2,561,661</u>	<u>1,953,429</u>
SUPPORT AND REVENUES, TEMPORARILY RESTRICTED			
Contributions, pledges and cash, net	–	337,674	337,674
Release from restriction	<u>–</u>	<u>(169,620)</u>	<u>(169,620)</u>
Total temporarily restricted support and revenues	<u>–</u>	<u>168,054</u>	<u>(168,054)</u>
CHANGE IN NET POSITION/NET ASSETS	(375,821)	2,878,249	2,502,428
NET POSITION/NET ASSETS			
Beginning	<u>338,596</u>	<u>31,582,282</u>	<u>31,920,878</u>
Ending	<u>\$ (37,225)</u>	<u>\$34,460,531</u>	<u>\$34,423,306</u>

See Notes to Financial Statements.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, Coralville, Hiawatha, Iowa City, 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 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, 2018, 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 are elected by the existing Facilities 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 Facilities Foundation, the Facilities 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, 2018

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, 2018

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 the underlying accounts, 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, 2016 assessed property valuations for the tax accrual period July 1, 2017 through June 30, 2018, and reflects the tax request contained in the budget certified to the appropriate county auditor in April 2017.

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, 2018, plus interest incurred on NJTP certificates, less revenues received to date.

Due from Other Governments

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

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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 \$26,118 were capitalized for the year ended June 30, 2018.

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 three years:

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-30
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 (IPERS) and OPEB expense and contributions from the College after the measurement date but before the end of the College'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.

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.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Deferred Inflows of Resources

Deferred inflows of resources represent 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.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the College's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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, 2018.

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 \$4,540,244 are not included in this category. Restricted net position represents 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, 2018

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, 2018

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, 2018, the College's cash and investments consist of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash	\$ 9,257,153	\$ -	\$ 9,257,153
Investments	<u>50,395,347</u>	<u>4,540,244</u>	<u>54,935,591</u>
Totals	<u>\$59,652,500</u>	<u>\$4,540,244</u>	<u>\$64,192,744</u>

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Cash equivalents	\$33,989,960	Less than 1 month
Iowa Schools Joint Investment Trust	2,680,731	Less than 1 month
Money Market Mutual Funds	5,126,607	Less than 1 month
U.S. Government Bonds		
FNMA	8,668,253	July 2018 – June 2020
Federal Home Loan Banks	491,080	December 2019
Federal Farm Credit Banks	<u>3,978,960</u>	January 2019
Total U.S. Government Bonds	<u>13,138,293</u>	
Total	<u>\$54,935,591</u>	

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 \$13,138,293 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

The investment in Iowa Schools Joint Investment Trust (ISJIT) is 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.

At June 30, 2018, the College had investments of \$893,152 in a money market fund and \$13,401,962 in TELF Plus FDIC-Insured Solution in The Education Liquidity Fund (TELF). The investments are value 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 TELF investments.

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

Component Unit

The Kirkwood Community College Foundation (the Foundation) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Foundation has the following recurring fair value measurement as of June 30, 2018:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Equities				
Large Cap	\$ 7,341,096	\$ 7,341,096	\$ —	\$ —
Large Cap Global	5,515,576	5,515,576	—	—
Mid Cap	1,665,393	1,665,393	—	—
International	5,981,104	5,981,104	—	—
Real Assets	1,605,773	1,605,773	—	—
Fixed income				
Intermediate Term	<u>8,572,749</u>	<u>8,572,749</u>	—	—
Total	30,681,691	30,681,691	—	—
Beneficial Interest in Assets Held by Community Foundation	36,880	—	—	36,880
Beneficial Interest in Assets Held by Educational Trust	<u>375,465</u>	—	—	<u>375,465</u>
 Total	 <u>\$31,094,036</u>	 <u>\$30,681,691</u>	 <u>\$ —</u>	 <u>\$ 412,345</u>

The following table sets forth additional disclosure of the Foundation's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2018:

	<u>Fair value</u>	<u>Unfunded commitment</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Private Equity Fund, U.S. Small Cap Equity Fund (a)	<u>\$1,811,576</u>	None	Daily	Same Day

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 CASH AND INVESTMENTS (continued)

Component Unit (continued)

(a) This fund invests in marketable equity securities that are all exchange traded in the United States of American (USA). These funds can be redeemed at NAV per share based on the fair value of the fund's securities and other assets, less liabilities at the close of business on any day the New York Stock Exchange is open. The fair value of this investment has been estimated using the NAV per share on the investments provided by the fund manager.

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 has an investment in a FNMA bond and a Federal Farm Credit Banks bond that represent 9.0% and 7.2%, respectively, of the 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, 2018

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, 2018, the carrying amount of the College's deposits, excluding \$22,971 of petty cash, totaled \$9,234,182 with a bank balance of \$10,249,439. The College's deposits in banks at June 30, 2018 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, 2018 consisted of the following:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 181,891
Agricultural enterprises	548,175
Hotel inventory	401,581
Merchandise held for resale	<u>1,453,772</u>
 Total	 <u>\$2,585,419</u>

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 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	\$ 9,475,157	\$ 218,773	\$ -	\$ -	\$ 9,693,930
Construction in progress	<u>607,787</u>	<u>4,239,767</u>	<u>-</u>	<u>(1,433,106)</u>	<u>3,414,448</u>
Total capital assets not being depreciated	<u>10,082,944</u>	<u>4,458,540</u>	<u>-</u>	<u>(1,433,106)</u>	<u>13,108,378</u>
Capital assets being depreciated					
Buildings	210,058,758	-	(2,338,023)	-	207,720,735
Improvements other than buildings	117,666,652	19,618	(462,220)	754,554	117,978,604
Equipment and vehicles	<u>29,054,371</u>	<u>1,237,457</u>	<u>(6,755,327)</u>	<u>678,552</u>	<u>24,215,053</u>
Total capital assets being depreciated	<u>356,779,781</u>	<u>1,257,075</u>	<u>(9,555,570)</u>	<u>1,433,106</u>	<u>349,914,392</u>
Less accumulated depreciation for					
Buildings	67,238,545	6,623,128	(442,940)	-	73,418,733
Improvements other than buildings	38,639,446	3,859,689	(1,873,020)	-	40,626,115
Equipment and vehicles	<u>22,822,144</u>	<u>1,982,994</u>	<u>(6,687,356)</u>	<u>-</u>	<u>18,117,782</u>
Total accumulated depreciation	<u>128,700,135</u>	<u>12,465,811</u>	<u>(9,003,316)</u>	<u>-</u>	<u>132,162,630</u>
Total capital assets being depreciated, net	<u>228,079,646</u>	<u>(11,208,736)</u>	<u>(552,254)</u>	<u>1,433,106</u>	<u>217,751,762</u>
Capital assets, net	<u>\$238,162,590</u>	<u>\$ (6,750,196)</u>	<u>\$ (552,254)</u>	<u>\$ -</u>	<u>\$230,860,140</u>

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 CHANGES IN NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended June 30, 2018 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 (as restated)	\$17,710,834	\$2,198,675	\$14,850,979	\$15,384,374	\$5,000,000	\$33,665,000	\$20,787,968	\$39,645,000	\$65,400,000	\$214,642,830
Additions	1,410,452	2,056,658	2,363,211	2,039,789	-	4,560,000	-	15,285,000	17,400,000	45,115,110
Reductions	<u>(5,063,022)</u>	<u>(2,198,675)</u>	-	-	-	<u>(5,910,000)</u>	<u>(4,579,940)</u>	<u>(14,440,000)</u>	<u>(19,680,000)</u>	<u>(51,871,637)</u>
	14,058,264	2,056,658	17,214,190	17,424,163	5,000,000	32,315,000	16,208,028	40,490,000	63,120,000	207,886,303
Plus net unamortized premium	-	-	-	-	-	166,447	168,120	1,715,896	826,504	2,876,967
Balance, end of year	<u>\$14,058,264</u>	<u>\$2,056,658</u>	<u>\$17,214,190</u>	<u>\$17,424,163</u>	<u>\$5,000,000</u>	<u>\$32,481,447</u>	<u>\$16,376,148</u>	<u>\$42,205,896</u>	<u>\$63,946,504</u>	<u>\$210,763,270</u>
Due within one year	<u>\$ 1,469,909</u>	<u>\$2,056,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,000,000</u>	<u>\$ 5,190,000</u>	<u>\$ 4,679,036</u>	<u>\$ 5,100,000</u>	<u>\$ 830,000</u>	<u>\$ 24,325,603</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, 2018 was 2.69%. 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, 2018.

Certificates Payable

In accordance with agreements dated between December 1, 2009 and June 1, 2018, the College issued certificates totaling \$52,045,000 with interest rates ranging from 1.00% to 4.69% 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>
2019	\$ 5,190,000	\$ 800,090	\$ 5,990,090
2020	5,455,000	665,837	6,120,837
2021	4,670,000	531,550	5,201,550
2022	4,240,000	421,745	4,661,745
2023	3,805,000	322,442	4,127,442
2024-2028	<u>8,955,000</u>	<u>510,754</u>	<u>9,465,754</u>
Total	<u>\$32,315,000</u>	<u>\$3,252,418</u>	<u>\$35,567,418</u>

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018 notes payable indebtedness are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,679,036	\$ 280,277	\$ 4,959,313
2020	4,788,871	197,267	4,986,138
2021	4,815,776	112,367	4,928,143
2022	555,754	20,954	576,708
2023	220,418	16,221	236,639
2024-2028	809,842	50,921	860,763
2029-2030	<u>338,331</u>	<u>6,181</u>	<u>344,512</u>
Total	<u>\$16,208,028</u>	<u>\$ 684,188</u>	<u>\$16,892,216</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 4.00% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2027.

Details of the College's June 30, 2018 bonds payable indebtedness are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,100,000	\$1,385,878	\$ 6,485,878
2020	4,105,000	1,148,150	5,253,150
2021	4,405,000	989,400	5,394,400
2022	4,625,000	820,200	5,445,200
2023	4,780,000	642,950	5,422,950
2024-2028	14,475,000	1,415,938	15,890,938
2029-2032	<u>3,000,000</u>	<u>225,000</u>	<u>3,225,000</u>
Total	<u>\$40,490,000</u>	<u>\$6,627,516</u>	<u>\$47,117,516</u>

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 2.50% to 4.125% per annum. Interest is due semiannually and principal is due annually in varying amounts through 2037. Collateral on the certificates of participation is the underlying capital assets that the proceeds were used for.

Details of the College's June 30, 2018 certificates of participation are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 830,000	\$ 1,802,656	\$ 2,632,656
2020	860,000	1,777,456	2,637,456
2021	885,000	1,751,806	2,636,806
2022	42,915,000	1,192,502	44,107,502
2023	940,000	632,323	1,572,323
2024-2028	5,430,000	2,698,219	8,128,219
2029-2033	6,200,000	1,623,120	7,823,120
2034-2037	<u>5,060,000</u>	<u>468,200</u>	<u>5,528,200</u>
Total	<u>\$63,120,000</u>	<u>\$11,946,282</u>	<u>\$75,066,282</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, certificates payable, notes payable, 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>
2019	\$ 20,799,036	\$ 4,268,901	\$ 25,067,937
2020	15,208,871	3,788,710	18,997,581
2021	14,775,776	3,385,123	18,160,899
2022	52,335,754	2,455,401	54,791,155
2023	9,745,417	1,613,936	11,359,353
2024-2028	29,669,842	4,675,832	34,345,674
2029-2033	9,538,332	1,854,301	11,392,633
2034-2037	<u>5,060,000</u>	<u>468,200</u>	<u>5,528,200</u>
Total	<u>\$157,133,028</u>	<u>\$22,510,404</u>	<u>\$179,643,432</u>

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 2018 and 2023 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects the leases will be renewed or replaced by other leases. The following is a schedule by year of future minimum rental payments required under operating leases which have initial non-cancelable lease terms in excess of one year as of June 30, 2018:

<u>Year ending June 30</u>	<u>Amount</u>
2019	\$ 213,568
2020	134,585
2021	61,219
2022	38,725
2023	<u>11,214</u>
Total	<u>\$ 459,311</u>

Rents for the year ended June 30, 2018, for all operating leases, except those with terms of a month or less that were not renewed, totaled \$259,972.

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 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, except members with service before June 30, 2012 will use 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, 2018

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 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 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 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 2018, 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, 2018 were \$1,795,972.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the College reported a liability of \$17,424,163 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the College's collective proportion was 0.261574%, which was an increase of 0.017119% from its proportion measured as of June 30, 2016.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

For the year ended June 30, 2018, the College recognized pension expense of \$2,511,906. At June 30, 2018, 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	\$ 9,004	\$ –
Changes in assumptions	3,027,516	–
Net difference between projected and actual earnings on IPERS' investments	–	181,989
Changes in proportion and difference between College contributions and the College's proportionate share of contributions	493,138	–
College contributions subsequent to the measurement date	<u>1,795,972</u>	<u>–</u>
Totals	<u>\$5,325,630</u>	<u>\$ 181,989</u>

An amount of \$1,795,972 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, 2019. 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>
2019	\$ 473,457
2020	1,418,337
2021	938,042
2022	260,188
2023	<u>257,645</u>
Totals	<u>\$3,347,669</u>

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership groups.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	<u>3.0</u>	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
College's proportionate share of the net pension liability	<u>\$28,708,030</u>	<u>\$17,424,163</u>	<u>\$7,943,546</u>

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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.

Payables to IPERS – At June 30, 2018, the College reported payables to IPERS of \$256,490 for legally required College contributions and \$170,897 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

NOTE 8 TEACHERS INSURANCE AND ANNUITY ASSOCIATION (TIAA)

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

Benefit terms, including contribution requirements, for TIAA are established and specified by the contract with TIAA 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, 2018, employee contributions totaled \$2,252,329 and the College recognized pension expense of \$3,379,179.

At June 30, 2018, the College reported payables to the TIAA of \$116,169 for legally required College contributions and \$77,431 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA.

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 \$6.0 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, 2018 was \$8,005,201.

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.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 METRO INTERAGENCY INSURANCE PROGRAM (continued)

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, 2018, 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, 4401 Sixth Street SW, Cedar Rapids, Iowa 52404.

NOTE 11 NEW JOBS TRAINING PROGRAMS

Kirkwood Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area X in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the cash of default, from standby property taxes. Since inception, the College has administered 576 projects, with 125 currently receiving project funding. The remaining 451 projects have been completed, of which 75 are in the repayment process and 376 have been fully repaid.

NOTE 12 PENSION COSTS – EARLY RETIREMENT

Plan Administration – The College administers a Retirement Incentive Plan (Plan) providing a one-time cash benefit to retired employees under certain conditions. The College does not issue a separate report that includes financial statements and required supplementary information for the Plan.

Benefits Provided – Full-time certified staff are eligible to receive a one-time cash benefit upon retirement if they are at least 55 years of age with ten or more years of consecutive service with the College. Upon initial eligibility, the employee has an eligibility period that ends after seven years. The benefit is an early retirement incentive cash severance amount of 5% per each year of service, not to exceed 100% of base salary. The severance amount is paid 50% on retirement and 50% the following January.

Plan Membership – As of June 30, 2018, Plan membership consisted of the following:

Inactive members currently receiving benefits	27
Active members	<u>742</u>
Total	<u>769</u>

Investment Policy – The College's obligation is unfunded at June 30, 2018.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 PENSION COSTS – EARLY RETIREMENT (continued)

Total Pension Liability – The College’s total pension liability as of July 1, 2017, the most recent actuarial valuation date, was comprised of the following:

	As of July 1, 2017
Actuarial present value of future benefits	
Retired	\$ 2,410,832
Actives	<u>23,057,187</u>
Total	<u>\$25,468,019</u>
Actuarial accrued liability	
Retired	\$ 2,410,832
Actives	<u>15,300,002</u>
Total	<u>\$17,710,834</u>

The total pension liability of the College at July 1, 2017, the most recent actuarial valuation date, was \$17,710,834. The total pension liability of the College at June 30, 2018 is \$14,058,264.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73, so the net fiduciary position is \$-0- and the net pension liability would be equal to the total pension liability.

Sensitivity of the Total Pension Liability to Changes in the Discount Rate – The following presents the total pension liability, calculated using the current discount rate of 3.58%, as well as the total pension liability calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current rate:

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Total OPEB liability	<u>\$14,575,659</u>	<u>\$14,058,264</u>	<u>\$13,567,062</u>

	Measurement Period Ended June 30, 2018
Schedule of Changes in Total Pension Liability	
Total pension liability – beginning of period (July 1, 2017)	<u>\$17,710,834</u>
Service cost	878,728
Interest	531,724
Benefit payments	<u>(5,063,022)</u>
Net change in total pension liability	<u>(3,652,570)</u>
Total pension liability – end of period (June 30, 2018)	<u>\$14,058,264</u>

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 PENSION COSTS – EARLY RETIREMENT (continued)

	Fiscal Year Ended <u>June 30, 2018</u>
Pension Expense	
Service cost	\$ 878,728
Interest on total OPEB liability	<u>531,724</u>
Pension expense	<u>\$1,410,452</u>

Expected Remaining Service Lives – Under GASB 73, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

The amortization period for the July 1, 2016 to June 30, 2017 measurement period was determined as follows:

<u>As of July 1, 2016</u>	<u>Number of Members</u>	<u>Expected Remaining Service Lives</u>
Active members	742	9.257
Inactive members	27	0.000
Weighted average rounded to the nearest tenth		8.9

Deferred Inflows and Outflows of Resources – Under GASB 73, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total Pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. As of June 30, 2018, there were no deferred inflows or outflows of resources related to pension costs – early retirement.

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The College administers a single-employer benefit plan which provides medical, prescription drug, dental, vision, and life benefits for employees, retirees and their eligible dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the College and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement if they are age 55 with 10 years of service. Coverage during retirement continues in the group health, dental, vision, and life plans. Employees covered by the plan make contributions toward the plan premiums, but employees participating in the early retirement program may have a single premium paid by the College.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

OPEB Benefits (continued)

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	128
Active employees	<u>742</u>
Total	<u>870</u>

Total OPEB Liability – The College’s total OPEB liability of \$17,214,190 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	4.00% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.58% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	5.00% per annum.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2017 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	<u>\$14,850,979</u>
Changes for the year	
Service cost	904,513
Interest	622,155
Changes in benefit terms	(515,492)
Differences between expected and actual experiences	658,223
Changes in assumptions	1,286,576
Benefit payments	<u>(592,764)</u>
Net changes	<u>2,363,211</u>
Total OPEB liability end of year	<u>\$17,214,190</u>

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Changes of assumptions reflect a change in the discount rate from 5.00% in fiscal year 2017 to 3.58% in fiscal year 2018.

Sensitivity of the College's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	<u>\$18,245,769</u>	<u>\$17,214,190</u>	<u>\$16,256,986</u>

Sensitivity of the College's Total OPEB Liability to Changes in the Healthcare cost Trend Rates – The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	<u>\$15,943,585</u>	<u>\$17,214,190</u>	<u>\$18,660,075</u>

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2018, the College recognized OPEB expense of \$641,952. At June 30, 2018, the College reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 582,565
Changes in assumptions	<u>1,138,694</u>
Total	<u>\$1,721,259</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30	Amount
2019	\$ 223,540
2020	223,540
2021	223,540
2022	223,540
2023	223,540
Thereafter	<u>603,559</u>
Total	<u>\$1,721,259</u>

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 \$3,032,005 for the year ended June 30, 2018. The College received a contribution of land at cost in the amount of \$218,773 from the Foundations during the year ended June 30, 2018. The College has recorded a receivable from the Foundations of \$1,389,731 as of June 30, 2018.

The Foundations received contributions to fund scholarships and facilities of \$2,274,212 from Kirkwood Community College during the year ended June 30, 2018.

The College has \$146,261 of receivables due from employees for computer purchases that are being paid through payroll deductions.

NOTE 15 TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

College Tax Abatements

The College provides tax abatements for industrial new jobs training projects with the tax increment financing as provided for in section 403.19 of the Code of Iowa and/or state income tax withholding as provided for in section 260E.5 of the Code of Iowa. For those types of projects, the College enters into agreements with employers which require the College, after employers meet the terms of the agreements, to pay the employers for the costs of on-the-job training not to exceed 50% of the annual gross payroll costs for up to one year of the new jobs. No other commitments were made by the College as part of these agreements.

For the year ended June 30, 2018, the College had no abatements of property tax and \$5,575,285 of state income tax withholding under the projects.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 TAX ABATEMENTS (continued)

Tax Abatements of Other Entities

Property tax revenues of the College were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of tax abated</u>
Iowa County	Other tax abatement program	\$ 3,688
City of Anamosa	Other tax abatement program	2,043
City of Cedar Rapids	Other tax abatement program	22,846
City of Cedar Rapids	Urban Revitalization tax abatements	68,274
City of Center Point	Other tax abatement program	290
City of Central City	Other tax abatement program	320
City of Clarence	Other tax abatement program	735
City of Coralville	Other tax abatement program	55,670
City of Hiawatha	Other tax abatement program	14,804
City of Iowa City	Other tax abatement program	9,654
City of Kalona	Other tax abatement program	5,431
City of Lisbon	Other tax abatement program	1,299
City of Lone Tree	Other tax abatement program	1,249
City of Marengo	Other tax abatement program	5,874
City of Marion	Other tax abatement program	81,370
City of Monticello	Other tax abatement program	4,427
City of North Liberty	Other tax abatement program	34,925
City of Stanwood	Other tax abatement program	630
City of Tipton	Other tax abatement program	846
City of Urbana	Other tax abatement program	1,705
City of Vinton	Other tax abatement program	-
City of Walford	Other tax abatement program	82
City of Washington	Other tax abatement program	1,835
City of Wellman	Other tax abatement program	178
City of Williamsburg	Other tax abatement program	8,100

NOTE 16 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 \$3,118,000 of promissory notes due and outstanding as of June 30, 2018. 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, 2018, the College had construction commitments of \$8,470,000 to complete the Rec center renovations, auto tech renovations, the facilities storage building and the Linn Hall turn lane projects.

NOTE 17 CORRECTION OF A PRIOR YEAR ERROR

During the year ended June 30, 2018, the College received updated valuation information related to its pension costs-early retirement liability previously reported at June 30, 2017. As a result, the College determined that the early retirement liability had been understated at June 30, 2017. The College has corrected this understatement and restated net position at June 30, 2017. The effect of this restatement was a decrease of \$6,973,135 in the previously reported June 30, 2017 net position balance (See Note 18 for further discussion). Accounting principles require this change to be accounted for as a correction of a prior year error.

Kirkwood Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 18 ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during the fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Net Position</u>
Net position June 30, 2017, as previously reported	\$109,277,052
Net OPEB obligation measured under previous standards	11,655,025
Adjustment to early retirement liability (Note 17)	(6,973,135)
Total OPEB liability June 30, 2017	<u>(14,850,979)</u>
 Net position July 1, 2017, as restated	 <u><u>\$ 99,107,963</u></u>

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 Four Fiscal Years*

Required Supplementary Information

	Year ended June 30			
	2018	2017	2016	2015
College's proportion of the net pension liability	0.261574%	0.244456%	0.248692%	0.259268%
College's proportionate share of the net pension liability	\$17,424,163	\$15,384,374	\$12,286,595	\$10,282,317
College's covered-employee payroll	\$19,382,590	\$19,429,752	\$17,485,378	\$17,025,958
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	89.90%	79.18%	70.27%	60.39%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	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 Four Fiscal Years**

Required Supplementary Information

	Year ended June 30			
	2018	2017	2016	2015
Statutorily required contribution	\$ 1,730,865	\$ 1,735,077	\$ 1,561,445	\$ 1,520,418
Contributions in relation to the contractually required contribution	<u>(1,730,865)</u>	<u>(1,735,077)</u>	<u>(1,561,445)</u>	<u>(1,520,418)</u>
Contribution deficiency (excess)	\$ _____	\$ _____	\$ _____	\$ _____
College's covered-employee payroll	\$19,382,590	\$19,429,752	\$17,485,378	\$17,025,958
Contributions as a percentage of covered employee payroll	8.93%	8.93%	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, 2018

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.

CHANGES OF ASSUMPTIONS

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) 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.

Kirkwood Community College
SCHEDULE OF COLLEGE'S EARLY RETIREMENT LIABILITY
Early Retirement
For the Last Two Fiscal Years

Required Supplementary Information

	Year ended June 30	
	2018	2017
		(As restated)
Total pension liability	\$14,058,264	\$17,710,834
College's covered-employee payroll	\$46,622,187	\$44,829,026
Total pension liability as a percentage of the covered-employee payroll	30.15%	39.51%

Note: GASB Statement No. 73 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 CHANGES IN COLLEGE'S TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
Year ended June 30, 2018
Required Supplementary Information

	2018
Service cost	\$ 904,513
Interest cost	622,155
Changes in benefit terms	(515,492)
Differences between expected and actual experiences	658,223
Changes in assumptions	1,286,576
Benefit payments	<u>(592,764)</u>
Net change in total OPEB liability	2,363,211
Total OPEB liability, beginning of year, as restated	<u>14,850,979</u>
Total OPEB liability, end of year	<u>\$17,214,190</u>
Covered-employee payroll for the year ended June 30, 2017	\$44,829,026
Total OPEB liability as a percentage of covered-employee payroll	38.40%

Notes to Schedule of Changes in the College's Total OPEB Liability and Related Ratios

Changes in benefit terms

Changes in benefit terms reflect the effects of limiting the retiree life insurance benefit to \$50,000.

Changes in assumptions or other inputs

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.58%
Year ended June 30, 2017	5.00%

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

Kirkwood Community College
NOTE TO OTHER SUPPLEMENTARY INFORMATION
June 30, 2018

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, 2018

<u>Funds/Levy</u>	<u>Original and final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Unrestricted	\$102,000,000	\$ 87,039,523	\$ (14,960,477)
Restricted	29,000,000	17,485,268	(11,514,732)
Unemployment	75,000	43,698	(31,302)
Tort liability	125,000	-	(125,000)
Insurance	7,300,000	13,362,108	6,062,108
Early retirement	1,600,000	2,412,434	812,434
Equipment replacement	<u>2,000,000</u>	<u>1,607,993</u>	<u>(392,007)</u>
Total restricted	<u>40,100,000</u>	<u>34,911,501</u>	<u>(5,188,499)</u>
Plant	4,500,000	12,240,040	7,740,040
Bonds and interest	<u>10,000,000</u>	<u>21,277,357</u>	<u>11,277,357</u>
Total operating expenditures	<u>\$156,600,000</u>	<u>\$155,468,421</u>	<u>\$ (1,131,579)</u>

See accompanying independent auditor's report.

Kirkwood Community College
NOTE TO BUDGETARY REPORTING
Year ended June 30, 2018

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, 2018, 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, 2018**

	Current Funds		Plant Funds	Agency Funds	Adjustments	Total
	Unrestricted	Restricted				
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
ASSETS						
Current Assets						
Cash and investments	\$ 37,353,781	\$22,298,719	\$ –	\$ –	\$ –	\$ 59,652,500
Receivables						
Accounts (less allowance of \$3,564,449)	2,941,704	–	–	–	–	2,941,704
Property tax, succeeding year	4,909,769	13,299,777	11,352,323	–	–	29,561,869
Due from other funds	112,211,238	–	–	120,047	(112,331,285)	–
Due from component units	873,201	516,530	–	–	–	1,389,731
Due from other governments	2,918,778	–	–	–	–	2,918,778
Inventories	2,585,419	–	–	–	–	2,585,419
Prepaid expenses	1,450,084	26,311	–	–	–	1,476,395
Total current assets	<u>165,243,974</u>	<u>36,141,337</u>	<u>11,352,323</u>	<u>120,047</u>	<u>(112,331,285)</u>	<u>100,526,396</u>
Noncurrent Assets						
Receivables, Iowa Industrial New Jobs Training Program	–	12,445,480	–	–	–	12,445,480
Investments, restricted	4,540,244	–	–	–	–	4,540,244
Other long-term assets	505,830	–	–	–	–	505,830
Capital assets, net of accumulated depreciation	–	–	363,022,770	–	(132,162,630)	230,860,140
Total noncurrent assets	<u>5,046,074</u>	<u>12,445,480</u>	<u>363,022,770</u>	<u>–</u>	<u>(132,162,630)</u>	<u>248,351,694</u>
Total assets	170,290,048	48,586,817	374,375,093	120,047	(244,493,915)	348,878,090
DEFERRED OUTFLOWS OF RESOURCES						
IPERS related deferred outflows	–	5,325,630	–	–	–	5,325,630
OPEB related deferred outflows	–	1,721,259	–	–	–	1,721,259
Total deferred outflows of resources	<u>–</u>	<u>7,046,889</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,046,889</u>
Total assets and deferred outflows of resources	<u>\$170,290,048</u>	<u>\$55,633,706</u>	<u>\$374,375,093</u>	<u>\$ 120,047</u>	<u>\$(244,493,915)</u>	<u>\$355,924,979</u>

See accompanying independent auditor's report.

Kirkwood Community College
BALANCE SHEET – ALL FUNDS (continued)
June 30, 2018

	<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	\$ 4,178,798	\$ 166,296	\$ –	\$ –	\$ –	\$ 4,345,094
Salaries and benefits payable	5,398,262	13,248	–	–	–	5,411,510
Due to other funds	–	2,223,839	110,561,957	(454,511)	(112,331,285)	–
Interest payable	569,105	54,891	–	–	–	623,996
Unearned revenue	4,087,082	1,829,289	–	–	–	5,916,371
Early retirement payable	1,469,909	–	–	–	–	1,469,909
Compensated absences	2,011,693	44,965	–	–	–	2,056,658
Line of credit	5,000,000	–	–	–	–	5,000,000
Certificates payable, current portion	–	5,190,000	–	–	–	5,190,000
Notes payable, current portion	4,679,036	–	–	–	–	4,679,036
Bonds payable, current portion	5,100,000	–	–	–	–	5,100,000
Certificates of participation, current portion	830,000	–	–	–	–	830,000
Deposits held in custody for others	–	–	–	468,728	–	468,728
Total current liabilities	<u>33,323,885</u>	<u>9,522,528</u>	<u>110,561,957</u>	<u>14,217</u>	<u>(112,331,285)</u>	<u>41,091,302</u>
Noncurrent Liabilities						
Other long-term liabilities	400,000	–	–	105,830	–	505,830
Net other postemployment benefits obligation	–	17,214,190	–	–	–	17,214,190
Early retirement liability	–	12,588,355	–	–	–	12,588,355
Net pension liability	–	17,424,163	–	–	–	17,424,163
Line of credit	–	–	–	–	–	–
Certificates payable	–	27,125,000	–	–	–	27,125,000
Notes payable	11,528,992	–	–	–	–	11,528,992
Bonds payable	35,390,000	–	–	–	–	35,390,000
Certificates of participation	62,290,000	–	–	–	–	62,290,000
Bond premium	–	166,447	2,776,551	–	–	2,942,998
Bond discount	–	–	(66,031)	–	–	(66,031)
Total noncurrent liabilities	<u>109,608,992</u>	<u>74,518,155</u>	<u>2,710,520</u>	<u>105,830</u>	<u>–</u>	<u>186,943,497</u>
Total liabilities	<u>142,932,877</u>	<u>84,040,683</u>	<u>113,272,477</u>	<u>120,047</u>	<u>(112,331,285)</u>	<u>228,034,799</u>

See accompanying independent auditor's report.

Kirkwood Community College
BALANCE SHEET – ALL FUNDS (continued)
 June 30, 2018

	<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 (continued)						
DEFERRED INFLOWS OF RESOURCES						
Unavailable property tax revenue	\$ 4,909,769	\$13,299,777	\$ 11,352,323	\$ –	\$ –	\$ 29,561,869
IPERS related deferred inflows	–	181,989	–	–	–	181,989
Total deferred inflows of resources	<u>4,909,769</u>	<u>13,481,766</u>	<u>11,352,323</u>	<u>–</u>	<u>–</u>	<u>29,743,858</u>
FUND BALANCES						
Net investment in capital assets	(85,153,028)	–	360,312,250	–	(132,162,630)	142,996,592
Restricted						
Expendable						
Cash reserve	–	621,989	–	–	–	621,989
New Jobs Training Program	–	1,175,835	–	–	–	1,175,835
Employee benefits	–	756,390	–	–	–	756,390
Equipment replacement	–	1,130,569	–	–	–	1,130,569
Other	–	1,709,758	–	–	–	1,709,758
Unrestricted	105,183,883	(47,283,284)	(110,561,957)	–	–	(52,661,358)
Auxiliary enterprises	<u>2,416,547</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,416,547</u>
Total fund balances	<u>22,447,402</u>	<u>(41,888,743)</u>	<u>249,750,293</u>	<u>–</u>	<u>(132,162,630)</u>	<u>98,146,322</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$170,290,048</u>	<u>\$55,633,706</u>	<u>\$374,375,093</u>	<u>\$ 120,047</u>	<u>\$(244,493,915)</u>	<u>\$355,924,979</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, 2018

	Current Funds		Plant Funds			Agency Funds	Adjustments	Subtotal	Other Post-employment Benefits	IPERS Pension	Early Retirement Pension	Total
	Unrestricted	Restricted	Unexpended	Retirement of Indebtedness	Investment in Plant							
REVENUES												
General												
State appropriations	\$31,524,820	\$ 8,215,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,740,595	\$ -	\$ -	\$ -	\$ 39,740,595
Tuition and fees	50,427,802	1,475	-	-	-	-	(22,545,931)	27,883,346	-	-	-	27,883,346
Property tax	4,897,027	11,497,364	4,883,764	6,441,696	-	-	-	27,719,851	-	-	-	27,719,851
Federal appropriations	2,940	22,834,865	-	-	-	-	-	22,837,805	-	-	-	22,837,805
Sales and services	1,080,739	72,466	-	-	-	-	-	1,153,205	-	-	-	1,153,205
Interest on investments	223,148	254,520	345,869	-	-	-	-	823,537	-	-	-	823,537
Iowa Industrial New Jobs Training Program	-	5,575,285	-	-	-	-	-	5,575,285	-	-	-	5,575,285
Increase in plant investment due to plant expenditures	-	-	-	-	5,137,243	-	(5,137,243)	-	-	-	-	-
Increase in plant investment due to retirement of debt	-	-	-	-	38,166,000	-	(38,166,000)	-	-	-	-	-
Miscellaneous	1,444,391	9,321,644	400,000	-	-	-	-	11,166,035	-	-	-	11,166,035
Total general revenues	89,600,867	57,773,394	5,629,633	6,441,696	43,303,243	-	(65,849,174)	136,899,659	-	-	-	136,899,659
Auxiliary enterprises												
Sales and services	16,225,855	-	-	-	-	-	-	16,225,855	-	-	-	16,225,855
Interest on investments	25,505	-	-	-	-	-	-	25,505	-	-	-	25,505
Miscellaneous	1,049,271	-	-	-	-	-	-	1,049,271	-	-	-	1,049,271
Total auxiliary revenues	17,300,631	-	-	-	-	-	-	17,300,631	-	-	-	17,300,631
Total revenues	106,901,498	57,773,394	5,629,633	6,441,696	43,303,243	-	(65,849,174)	154,200,290	-	-	-	154,200,290
EXPENDITURES												
Education and support												
Liberal arts and sciences	25,598,419	788,240	-	-	-	-	(1,204,187)	25,182,472	147,648	204,572	5,791	25,540,483
Vocational technical	20,451,264	3,253,092	-	-	-	-	(932,017)	22,772,339	116,270	162,929	22,437	23,073,975
Adult education	7,370,315	2,456,832	-	-	-	-	(419,972)	9,407,175	41,767	57,858	29,383	9,536,183
Cooperative services	3,058,511	4,037,411	-	-	-	-	(94,438)	7,001,484	15,163	19,625	3,262	7,039,534
Administration	4,952,724	10,540,102	-	-	-	-	(176,656)	15,316,170	145,621	41,691	47,008	15,550,490
Student services	5,856,902	1,290,333	-	-	-	-	(263,130)	6,884,105	49,310	49,302	14,096	6,996,813
Learning resources	1,223,908	881,470	-	-	-	-	(54,235)	2,051,143	11,007	13,486	10,368	2,086,004
Physical plant	8,213,198	909,774	24,439	-	-	-	(349,048)	8,798,363	30,344	31,540	-	8,860,247
General institution	10,314,282	10,754,247	-	-	-	-	(455,635)	20,612,894	84,822	81,986	45,215	20,824,917
Total education and support	87,039,523	34,911,501	24,439	-	-	-	(3,949,318)	118,026,145	641,952	662,989	177,560	119,508,646
Auxiliary enterprises	16,607,192	-	-	-	-	-	-	16,607,192	-	52,945	-	16,660,137
Scholarships and grants	-	22,545,931	-	-	-	-	(22,545,931)	-	-	-	-	-
Plant asset acquisitions	-	-	3,371,687	-	-	-	(3,371,687)	-	-	-	-	-
Retirement of indebtedness	-	-	-	38,166,000	-	-	(38,166,000)	-	-	-	-	-
Disposal of plant assets	-	-	-	-	9,003,319	-	(9,003,319)	-	-	-	-	-
Interest on indebtedness	746,446	813,251	-	2,791,357	-	-	-	4,351,054	-	-	-	4,351,054
Contributions and rent to component units	-	-	-	-	-	-	2,183,764	2,183,764	-	-	-	2,183,764
(Gain) on sale of capital assets	-	-	-	-	(159,405)	-	-	(159,405)	-	-	-	(159,405)
Depreciation	-	-	-	-	-	-	12,465,811	12,465,811	-	-	-	12,465,811
Total expenditures	104,393,161	58,270,683	3,396,126	40,957,357	8,843,914	-	(62,386,680)	153,474,561	641,952	715,934	177,560	155,010,007
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,508,337	(497,289)	2,233,507	(34,515,661)	34,459,329	-	(3,462,494)	725,729	(641,952)	(715,934)	(177,560)	(809,717)
TRANSFERS												
Mandatory transfers	-	-	(34,515,661)	34,515,661	-	-	-	-	-	-	-	-
Nonmandatory transfers	(458,656)	306,732	-	-	-	-	-	(151,924)	-	-	-	(151,924)
Total transfers	(458,656)	306,732	(34,515,661)	34,515,661	-	-	-	(151,924)	-	-	-	(151,924)
CHANGE IN FUND BALANCES	2,049,681	(190,557)	(32,282,154)	-	34,459,329	-	(3,462,494)	573,805	(641,952)	(715,934)	(177,560)	(961,641)
FUND BALANCES, beginning of year (as restated)	20,397,721	133,531	(247,744,202)	-	495,317,320	-	(128,700,136)	139,404,234	(14,850,979)	(11,564,588)	(13,880,704)	99,107,963
FUND BALANCES, end of year	\$22,447,402	\$ (57,026)	\$(280,026,356)	\$ -	\$529,776,649	\$ -	\$(132,162,630)	\$139,978,039	\$(15,492,931)	\$(12,280,522)	\$(14,058,264)	\$ 98,146,322

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, 2018

	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	\$13,587,172	\$10,888,565	\$ 6,998,272	\$ -	\$ 50,483	\$ -	\$ 328	\$ -	\$ -	\$31,524,820
Tuition and fees	25,863,437	14,221,567	7,019,965	3,322,433	400	-	-	-	-	50,427,802
Property tax	-	-	-	-	4,897,027	-	-	-	-	4,897,027
Federal appropriations	-	-	-	-	-	2,940	-	-	-	2,940
Sales and services	1,366	204,000	389,896	25,743	16,343	243,969	1,500	48,335	149,587	1,080,739
Interest on investments	-	-	-	-	223,148	-	-	-	-	223,148
Miscellaneous	191,192	364,911	45,169	254,977	217,047	46,616	165	294,458	29,856	1,444,391
Total revenues	<u>39,643,167</u>	<u>25,679,043</u>	<u>14,453,302</u>	<u>3,603,153</u>	<u>5,404,448</u>	<u>293,525</u>	<u>1,993</u>	<u>342,793</u>	<u>179,443</u>	<u>89,600,867</u>
EXPENDITURES										
Salaries and benefits	24,907,112	18,745,191	5,344,898	2,223,524	2,268,872	5,224,770	1,030,286	3,894,736	7,354,575	70,993,964
Services	83,535	525,860	1,056,643	123,121	1,034,458	215,499	10,998	3,365,220	1,853,986	8,269,320
Materials and supplies	264,942	594,434	694,553	584,342	1,174,966	244,557	181,011	801,204	388,481	4,928,490
Travel	185,678	203,124	97,447	35,771	172,810	159,148	905	25,459	105,385	985,727
Plant asset acquisitions	-	-	24,671	-	-	-	-	125,539	565,975	716,185
Interest on indebtedness	-	-	-	-	24,629	-	-	17,481	-	42,110
Miscellaneous	157,152	382,655	152,103	91,753	301,618	12,928	708	1,040	45,880	1,145,837
Total expenditures	<u>25,598,419</u>	<u>20,451,264</u>	<u>7,370,315</u>	<u>3,058,511</u>	<u>4,977,353</u>	<u>5,856,902</u>	<u>1,223,908</u>	<u>8,230,679</u>	<u>10,314,282</u>	<u>87,081,633</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>14,044,748</u>	<u>5,227,779</u>	<u>7,082,987</u>	<u>544,642</u>	<u>427,095</u>	<u>(5,563,377)</u>	<u>(1,221,915)</u>	<u>(7,887,886)</u>	<u>(10,134,839)</u>	<u>2,519,234</u>
TRANSFERS										
Nonmandatory transfers	-	64,575	-	-	(1,035,794)	50,000	-	-	-	(921,219)
Total transfers	-	64,575	-	-	(1,035,794)	50,000	-	-	-	(921,219)
CHANGE IN FUND BALANCE	<u>\$14,044,748</u>	<u>\$5,292,354</u>	<u>\$7,082,987</u>	<u>\$ 544,642</u>	<u>\$ (608,699)</u>	<u>\$ (5,513,377)</u>	<u>\$ (1,221,915)</u>	<u>\$ (7,887,886)</u>	<u>\$ (10,134,839)</u>	1,598,015
FUND BALANCE, beginning of year (as restated)										<u>18,432,840</u>
FUND BALANCE, end of year										<u>\$20,030,855</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, 2018

	<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	\$ 612,041	\$6,780,241	\$ 370,607	\$ 447,865	\$ 883,419	\$6,886,105	\$ 245,577	\$16,225,855
Interest on investments	-	-	-	-	9,145	16,360	-	25,505
Miscellaneous	<u>2,547</u>	<u>20,949</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>901,230</u>	<u>124,245</u>	<u>1,049,271</u>
Total revenues	<u>614,588</u>	<u>6,801,190</u>	<u>370,607</u>	<u>447,865</u>	<u>892,864</u>	<u>7,803,695</u>	<u>369,822</u>	<u>17,300,631</u>
EXPENDITURES								
Salaries and benefits	177,650	1,080,631	73,278	215,902	536,296	3,727,620	726,617	6,537,994
Services	93,568	147,942	14,615	17,536	246,187	749,524	149,357	1,418,729
Materials and supplies	310,148	29,244	87,469	15,631	6,109	579,905	139,850	1,168,356
Travel	6,454	15,647	14,923	2,322	26,481	27,564	228,195	321,586
Plant asset acquisitions	-	-	27,745	-	-	82,478	-	110,223
Interest on indebtedness	-	-	-	-	-	704,336	-	704,336
Cost of goods sold	(31,680)	4,952,642	-	76,478	-	1,542,578	-	6,540,018
Miscellaneous	<u>3,923</u>	<u>53,318</u>	<u>164,419</u>	<u>-</u>	<u>42</u>	<u>251,564</u>	<u>37,020</u>	<u>510,286</u>
Total expenditures	<u>560,063</u>	<u>6,279,424</u>	<u>382,449</u>	<u>327,869</u>	<u>815,115</u>	<u>7,665,569</u>	<u>1,281,039</u>	<u>17,311,528</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>54,525</u>	<u>521,766</u>	<u>(11,842)</u>	<u>119,996</u>	<u>77,749</u>	<u>138,126</u>	<u>(911,217)</u>	<u>(10,897)</u>
TRANSFERS								
Nonmandatory transfers	-	(532,897)	-	-	-	-	995,460	462,563
Total transfers	<u>-</u>	<u>(532,897)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>995,460</u>	<u>462,563</u>
CHANGE IN FUND BALANCES	54,525	(11,131)	(11,842)	119,996	77,749	138,126	84,243	451,666
FUND BALANCES, beginning of year	<u>60,622</u>	<u>(73,829)</u>	<u>(212,285)</u>	<u>215,463</u>	<u>2,956,213</u>	<u>(1,220,780)</u>	<u>239,477</u>	<u>1,964,881</u>
FUND BALANCES, end of year	<u>\$ 115,147</u>	<u>\$ (84,960)</u>	<u>\$ (224,127)</u>	<u>\$ 335,459</u>	<u>\$3,033,962</u>	<u>\$ (1,082,654)</u>	<u>\$ 323,720</u>	<u>\$ 2,416,547</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – RESTRICTED FUNDS
Year ended June 30, 2018

	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	\$ 1,483,033	\$ –	\$ –	\$1,039,283	\$ –	\$5,693,459	\$ –	\$ –
Tuition and fees	–	–	–	–	–	–	–	–
Property tax	–	–	–	–	–	–	2,170,861	7,670,581
Federal appropriations	16,888,948	–	1,502,856	1,949,820	2,493,241	–	–	–
Sales and services	–	–	–	59,269	–	–	–	–
Interest on investments	–	254,520	–	–	–	–	–	–
Iowa Industrial New Jobs Training Program	–	5,575,285	–	–	–	–	–	–
Miscellaneous	<u>3,973,642</u>	<u>(1,302,173)</u>	<u>–</u>	<u>87,881</u>	<u>–</u>	<u>155,447</u>	<u>–</u>	<u>5,946,713</u>
Total revenues	<u>22,345,623</u>	<u>4,527,632</u>	<u>1,502,856</u>	<u>3,136,253</u>	<u>2,493,241</u>	<u>5,848,906</u>	<u>2,170,861</u>	<u>13,617,294</u>
EXPENDITURES								
Salaries and benefits	–	(360)	1,126,309	1,184,468	1,582,193	3,460,357	–	423,229
Services	–	3,115,407	95,964	1,727,342	181,399	1,341,916	12,257	12,938,879
Materials and supplies	–	158,409	10,693	47,245	70,243	359,311	1,173,252	–
Travel	–	158,146	24,397	45,522	61,241	144,081	–	–
Plant asset acquisitions	–	–	–	–	90,824	353,080	422,484	–
Interest on indebtedness	–	813,251	–	–	–	–	–	–
Miscellaneous	40	27,900	250,949	89,410	507,409	421,201	–	–
Federal Pell Grant Program	16,846,275	–	–	–	–	–	–	–
Federal Supplemental Educational Opportunity Grant	215,853	–	–	–	–	–	–	–
Iowa College Student Aid Commission	1,510,340	–	–	–	–	–	–	–
Private scholarships	<u>3,973,423</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total expenditures	<u>22,545,931</u>	<u>4,272,753</u>	<u>1,508,312</u>	<u>3,093,987</u>	<u>2,493,309</u>	<u>6,079,946</u>	<u>1,607,993</u>	<u>13,362,108</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(200,308)</u>	<u>254,879</u>	<u>(5,456)</u>	<u>42,266</u>	<u>(68)</u>	<u>(231,040)</u>	<u>562,868</u>	<u>255,186</u>
TRANSFERS								
Nonmandatory transfers	–	–	–	(42,268)	–	–	(60,464)	–
Total transfers	<u>–</u>	<u>–</u>	<u>–</u>	<u>(42,268)</u>	<u>–</u>	<u>–</u>	<u>(60,464)</u>	<u>–</u>
CHANGES IN FUND BALANCES	(200,308)	254,879	(5,456)	(2)	(68)	(231,040)	502,404	255,186
FUND BALANCES, beginning of year	<u>402,907</u>	<u>920,956</u>	<u>(226,333)</u>	<u>(68,227)</u>	<u>(82,662)</u>	<u>755,193</u>	<u>628,165</u>	<u>(5,324,005)</u>
FUND BALANCES, end of year	<u>\$ 202,599</u>	<u>\$1,175,835</u>	<u>\$ (231,789)</u>	<u>\$ (68,229)</u>	<u>\$ (82,730)</u>	<u>\$ 524,153</u>	<u>\$1,130,569</u>	<u>\$ (5,068,819)</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – RESTRICTED FUNDS (continued)
Year ended June 30, 2018

	<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>Early Retirement Pension</u>	<u>Total</u>
REVENUES									
State appropriations	\$ —	\$ —	\$ —	\$ —	\$ 8,215,775	\$ —	\$ —	\$ —	\$ 8,215,775
Tuition and fees	—	—	—	1,475	1,475	—	—	—	1,475
Property tax	1,604,720	51,202	—	—	11,497,364	—	—	—	11,497,364
Federal appropriations	—	—	—	—	22,834,865	—	—	—	22,834,865
Sales and services	—	—	—	13,197	72,466	—	—	—	72,466
Interest on investments	—	—	—	—	254,520	—	—	—	254,520
Iowa Industrial New Jobs Training Program	—	—	—	—	5,575,285	—	—	—	5,575,285
Miscellaneous	—	—	—	460,134	9,321,644	—	—	—	9,321,644
Total revenues	<u>1,604,720</u>	<u>51,202</u>	<u>—</u>	<u>474,806</u>	<u>57,773,394</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>57,773,394</u>
EXPENDITURES									
Salaries and benefits	2,412,434	43,698	—	643,902	10,876,230	641,952	715,934	177,560	12,411,676
Services	—	—	—	114,361	19,527,525	—	—	—	19,527,525
Materials and supplies	—	—	—	32,144	1,851,297	—	—	—	1,851,297
Travel	—	—	—	8,367	441,754	—	—	—	441,754
Plant asset acquisitions	—	—	—	50,453	916,841	—	—	—	916,841
Interest on indebtedness	—	—	—	—	813,251	—	—	—	813,251
Miscellaneous	—	—	—	985	1,297,894	—	—	—	1,297,894
Federal Pell Grant Program	—	—	—	—	16,846,275	—	—	—	16,846,275
Federal Supplemental Educational Opportunity Grant	—	—	—	—	215,853	—	—	—	215,853
Iowa College Student Aid Commission	—	—	—	—	1,510,340	—	—	—	1,510,340
Private scholarships	—	—	—	—	3,973,423	—	—	—	3,973,423
Total expenditures	<u>2,412,434</u>	<u>43,698</u>	<u>—</u>	<u>850,212</u>	<u>58,270,683</u>	<u>641,952</u>	<u>715,934</u>	<u>177,560</u>	<u>59,806,129</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(807,714)</u>	<u>7,504</u>	<u>—</u>	<u>(375,406)</u>	<u>(497,289)</u>	<u>(641,952)</u>	<u>(715,934)</u>	<u>(177,560)</u>	<u>(2,032,735)</u>
TRANSFERS									
Nonmandatory transfers	—	—	—	409,464	306,732	—	—	—	306,732
Total transfers	<u>—</u>	<u>—</u>	<u>—</u>	<u>409,464</u>	<u>306,732</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>306,732</u>
CHANGES IN FUND BALANCES	(807,714)	7,504	—	34,058	(190,557)	(641,952)	(715,934)	(177,560)	(1,726,003)
FUND BALANCES, beginning of year	<u>1,564,104</u>	<u>248,154</u>	<u>621,989</u>	<u>693,290</u>	<u>133,531</u>	<u>(14,850,979)</u>	<u>(11,564,588)</u>	<u>(13,880,704)</u>	<u>(40,162,740)</u>
FUND BALANCES, end of year	<u>\$ 756,390</u>	<u>\$ 255,658</u>	<u>\$ 621,989</u>	<u>\$ 727,348</u>	<u>\$ (57,026)</u>	<u>\$(15,492,931)</u>	<u>\$(12,280,522)</u>	<u>\$(14,058,264)</u>	<u>\$(41,888,743)</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, 2018

	<u>Student Activities</u>	<u>Other Agency Programs</u>	<u>Retraining Program</u>	<u>Direct Loan Program</u>	<u>International Studies</u>	<u>Total</u>
BALANCE , beginning of year	\$ <u>385,268</u>	\$ <u>375,480</u>	\$ <u>131,806</u>	\$ <u>370,158</u>	\$ <u>(377,800)</u>	\$ <u>884,912</u>
ADDITIONS						
State appropriations	-	-	343,188	-	-	343,188
Federal appropriations	-	-	-	26,027,130	-	26,027,130
Sales and services	78,951	(4,897)	-	-	644,521	718,575
Partnership loan program	-	680,664	-	-	-	680,664
Miscellaneous	170,336	4,950	-	-	-	175,286
Transfers	<u>151,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,925</u>
Total additions	<u>401,212</u>	<u>680,717</u>	<u>343,188</u>	<u>26,027,130</u>	<u>644,521</u>	<u>28,096,768</u>
DEDUCTIONS						
Salaries and benefits	13,110	33,904	-	-	1,298	48,312
Services	78,283	673,262	394,537	26,365,656	10,718	27,522,456
Materials and supplies	126,396	19,219	-	-	394	146,009
Travel	152,798	-	-	-	594,016	746,814
Miscellaneous	33,309	(21,048)	-	-	-	12,261
Plant acquisitions	<u>37,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,100</u>
Total deductions	<u>440,996</u>	<u>705,337</u>	<u>394,537</u>	<u>26,365,656</u>	<u>606,426</u>	<u>28,512,952</u>
BALANCE , end of year	\$ <u>345,484</u>	\$ <u>350,860</u>	\$ <u>80,457</u>	\$ <u>31,632</u>	\$ <u>(339,705)</u>	\$ <u>468,728</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF CREDIT AND CONTACT HOURS
For the period from August 21, 2017 to August 19, 2018

<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	147,106	-	147,106	\$ -	\$ -	-
Vocational Education	126,853	-	126,853	-	-	-
Adult/Continuing Education	-	-	-	<u>846,791</u>	<u>268,394</u>	<u>1,115,185</u>
Totals	<u>273,959</u>	<u>-</u>	<u>273,959</u>	<u>846,791</u>	<u>268,394</u>	<u>1,115,185</u>

* Includes 240 adjustment of 65,300 hours, 300 adjustment of 1,380 hours, and other adjustments for 8,626 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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Local (property tax)	\$27,719,851	\$25,282,078	\$24,058,881	\$22,941,271	\$22,045,940	\$21,439,409	\$19,165,569	\$16,948,563	\$14,656,336	\$14,213,443
State	39,740,595	39,796,254	40,286,090	41,012,999	37,953,646	33,265,140	30,167,245	29,935,435	28,816,574	35,217,723
Federal	<u>22,837,805</u>	<u>23,275,040</u>	<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>
Total	<u>\$90,298,251</u>	<u>\$88,353,372</u>	<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>

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
REVENUES										
State appropriations	\$ 39,740,595	\$ 39,796,254	\$ 40,286,090	\$ 40,612,999	\$ 37,520,312	\$ 32,460,615	\$ 19,628,398	\$ 29,401,047	\$ 28,083,242	\$ 33,384,393
Tuition and fees	50,429,277	49,356,715	49,105,381	48,593,786	48,993,853	52,797,801	53,874,766	52,501,781	46,375,772	39,940,159
Property tax	16,394,391	15,393,740	13,124,104	13,969,720	13,527,840	13,250,043	11,307,606	9,732,022	8,225,119	7,921,323
Federal appropriations	22,837,805	23,275,040	23,833,123	25,925,125	27,543,181	32,202,315	37,141,478	38,439,167	42,885,130	27,653,493
Sales and services	1,153,205	1,641,834	1,782,199	1,409,186	1,879,181	2,211,889	2,343,769	2,066,391	1,752,758	2,191,639
Interest on investments	477,668	164,921	162,736	24,514	16,534	18,087	313,208	133,262	152,887	728,126
Iowa Industrial New Jobs Training Program	5,575,285	5,950,820	6,541,684	7,912,423	6,189,122	6,861,240	5,382,812	5,342,554	5,557,046	8,904,244
Auxiliary enterprises	17,300,631	16,982,321	17,784,843	21,224,389	17,856,382	18,510,503	17,583,512	17,201,557	14,655,595	12,326,871
Miscellaneous	<u>10,766,035</u>	<u>11,262,695</u>	<u>12,216,319</u>	<u>9,260,417</u>	<u>7,276,538</u>	<u>5,839,317</u>	<u>4,474,374</u>	<u>7,248,846</u>	<u>7,443,116</u>	<u>6,066,590</u>
Total revenues	<u>\$164,674,892</u>	<u>\$163,824,340</u>	<u>\$164,836,479</u>	<u>\$168,932,559</u>	<u>\$160,802,943</u>	<u>\$164,151,810</u>	<u>\$162,049,923</u>	<u>\$162,066,627</u>	<u>\$155,130,665</u>	<u>\$139,116,838</u>
EXPENDITURES										
Liberal arts and sciences	\$ 26,386,659	\$ 26,409,078	\$ 26,201,653	\$ 25,565,991	\$ 23,947,638	\$ 25,054,832	\$ 25,451,646	\$ 25,287,854	\$ 23,212,694	\$ 21,883,425
Vocational technical	23,704,356	22,833,949	23,047,614	22,863,316	24,714,350	23,788,750	22,986,533	27,726,823	24,480,610	22,569,627
Adult education	9,827,147	10,048,748	9,679,835	11,847,995	12,044,560	12,502,370	11,625,712	11,458,772	12,225,309	12,564,230
Cooperative services	7,095,922	8,460,856	9,966,472	9,489,596	7,658,180	6,686,954	4,943,222	5,251,854	6,367,030	7,648,550
Administration	15,492,826	18,393,863	15,347,005	14,083,996	10,877,271	9,356,765	10,446,607	7,886,751	8,746,375	7,373,832
Student services	7,147,235	6,678,270	6,385,239	6,153,874	6,216,880	6,128,533	6,428,849	5,338,610	4,923,975	5,049,306
Learning resources	2,105,378	2,112,763	2,035,238	1,916,771	2,562,656	2,581,651	2,652,484	3,135,268	3,591,600	3,716,761
Physical plant	9,122,972	8,551,101	8,440,980	7,984,411	8,377,634	7,538,140	9,015,356	11,889,788	9,732,519	9,673,772
General institution	21,068,529	21,545,330	20,454,697	19,623,483	17,875,638	17,110,784	16,521,865	13,251,962	16,299,666	15,243,432
Auxiliary enterprises	16,607,192	16,661,762	16,649,319	17,487,728	16,992,989	17,294,831	16,159,803	17,419,860	14,151,261	11,817,598
Scholarships and grants	22,545,931	22,459,865	23,480,927	24,618,421	25,153,792	28,364,453	30,565,374	31,657,078	27,603,927	17,021,516
Interest on indebtedness	<u>1,559,697</u>	<u>1,967,198</u>	<u>2,389,575</u>	<u>1,917,686</u>	<u>2,086,959</u>	<u>2,168,849</u>	<u>2,295,857</u>	<u>1,326,639</u>	<u>1,434,493</u>	<u>1,452,386</u>
Total expenditures	<u>\$162,663,844</u>	<u>\$166,122,783</u>	<u>\$164,078,554</u>	<u>\$163,563,268</u>	<u>\$158,508,547</u>	<u>\$158,576,912</u>	<u>\$159,093,308</u>	<u>\$161,631,259</u>	<u>\$152,769,459</u>	<u>\$136,014,435</u>

See accompanying independent auditor's report..

Kirkwood Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

<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 Department of Human Services					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	\$ 196,348	\$ -	\$ -
Indirect through Iowa Department of Agriculture and Land Stewardship					
Senior Farmers Market Nutrition Program	10.576	N/A	<u>1,361</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>197,709</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE					
Indirect through Crime Victim Assistance Division of the Iowa Department of Justice					
Crime Victim Assistance	16.575	N/A	<u>148,016</u>	<u>-</u>	<u>49,081</u>
Total U.S. Department of Justice			<u>148,016</u>	<u>-</u>	<u>49,081</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	<u>2,940</u>	<u>-</u>	<u>-</u>
Indirect through Iowa Workforce Development					
WIOA Cluster:					
WIOA Adult Program	17.258	17-W-10-WI-OA	205,651	-	-
WIOA Youth Activities	17.259	17-W-10-WI-OA	606,390	-	-
WIOA Dislocated Worker Formula Grants	17.278	17-W-10-WI-OA	340,650	-	-
WIOA Dislocated Worker Formula Grants	17.278	18-W-PF-ID-1-13	19,214	-	-
WIOA Dislocated Worker Formula Grants	17.278	18-W-PF-ID-1-24	<u>22,716</u>	<u>-</u>	<u>-</u>
Total WIOA Cluster			<u>1,194,621</u>	<u>-</u>	<u>-</u>
WIA National Emergency Grants	17.277	15-W-FR-JD-3-03	4,788	-	-
Indirect through Hawkeye Community College					
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	N/A	<u>122,764</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Labor			<u>1,325,113</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF STATE					
Indirect through Northern Virginia Community College					
Academic Exchange Programs – Undergraduate Programs	19.009	N/A	229,408	-	-
Indirect through International Research and Exchanges Board					
Academic Exchange Programs – Undergraduate Programs	19.009	TCCSP-KIRKWSSDCC14	<u>1,600</u>	<u>-</u>	<u>-</u>
Total U.S. Department of State			<u>231,008</u>	<u>-</u>	<u>-</u>

See accompanying independent auditor's report.

Kirkwood Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans and New Loan Guarantees	Amounts Provided to Subrecipients
NATIONAL SCIENCE FOUNDATION					
Direct					
Education and Human Resources	47.076	N/A	159,426	-	-
Indirect through Iowa State University					
Geosciences	47.050	N/A	534	-	-
Education and Human Resources	47.076	N/A	<u>32,525</u>	-	-
Total National Science Foundation			<u>192,485</u>	<u>-</u>	<u>-</u>
U.S. SMALL BUSINESS ADMINISTRATION					
Indirect through Iowa State University					
Small Business Development Centers	59.037	N/A	<u>72,161</u>	-	-
Total U.S. Small Business Administration			<u>72,161</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION					
Direct					
Student Financial Assistance Programs Cluster					
Federal Supplemental Educational Opportunity Grants	84.007	N/A	215,853	-	-
Federal Work-Study Program	84.033	N/A	304,979	-	-
Federal Pell Grant Program	84.063	N/A	16,846,275	-	-
Federal Direct Student Loans	84.268	N/A	-	26,365,656	-
Total Student Financial Assistance Programs Cluster			<u>17,367,107</u>	<u>26,365,656</u>	<u>-</u>
TRIO Cluster					
TRIO-Student Support Services	84.042A	P042A150249	<u>270,780</u>	-	-
Total IRIO Cluster			<u>270,780</u>	<u>-</u>	<u>-</u>
Indirect through Iowa Department of Education					
Adult Education – Basic Grants to States	84.002	G70026,G70041	280,774	-	-
Career and Technical Education – Basic Grants to States	84.048	G80188	688,553	-	-
Indirect through Department of Corrections					
Title I State Agency Programs for Neglected and Delinquent Children and Youth	84.013	N/A	66,315	-	-
Career and Technical Education – Basic Grants to States	84.048	N/A	10,667	-	-
Indirect through Center for Cultural and Technical Interchange between East and West Inc.					
Undergraduate International Studies and Foreign Language Programs	84.016A	HC13565	6,862	-	-
Indirect through Iowa Vocational Rehabilitation Services					
Rehabilitation Services Vocational Rehabilitation Grants to State	84.126	N/A	<u>80,545</u>	-	-
Total U.S. Department of Education			<u>18,771,603</u>	<u>26,365,656</u>	<u>-</u>

Kirkwood Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year ended June 30, 2018

<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 HEALTH AND HUMAN SERVICES					
Direct					
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	<u>39,318</u>	—	—
Indirect through Iowa Department on Aging					
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	N/A	<u>10,243</u>	—	—
Aging Cluster:					
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	N/A	342,797	—	290,689
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	N/A	866,430	—	842,292
Nutrition Services Incentive Program	93.053	N/A	<u>227,922</u>	—	<u>227,922</u>
Total Aging Cluster			<u>1,437,149</u>	—	<u>1,360,903</u>
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	N/A	70,855	—	14,587
National Family Caregiver Support, Title III, Part E.	93.052	N/A	183,810	—	174,976
University Centers for Excellence in Developmental Disabilities Education, Research and Service	93.632	N/A	5,000	—	5,000
Medicare Enrollment Assistance Program	93.071	N/A	8,155	—	—
Indirect through Iowa Department of Public Health					
Pregnancy Assistance Fund Program	93.500	5888PAF03	361,660	—	—
Assistance Programs for Chronic Disease Prevention and Control	93.945	N/A	4,683	—	—
Indirect through Iowa Workforce Development					
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	13-W-10-FR-0	4,410	—	—
Indirect through Futures Without Violence					
Advancing System Improvements for Key Issues in Women's Health	93.088	N/A	<u>7,000</u>	—	—
Total U.S. Department of Health and Human Services			<u>2,132,283</u>	—	<u>1,555,466</u>
Total Federal Awards Expended			<u>\$23,070,378</u>	<u>\$26,365,656</u>	<u>\$1,604,547</u>

See accompanying independent auditor's report.

Kirkwood Community College
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

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, 2018. 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, 2018.

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, 2018, and the related notes to financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 7, 2018. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, Kirkwood Community College Foundation, as described in our report on Kirkwood Community College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component unit, Kirkwood Community College Foundation, were not audited in accordance with *Government Auditing Standards*.

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 College'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2018 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.

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
November 7, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR 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, 2018. The College's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

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 Federal 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, 2018.

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 that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

West Des Moines, Iowa
November 7, 2018

Kirkwood Community College
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2018

Part I—Summary of the Independent Auditor's Results

Financial Statements

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

Federal Awards

- (d) No significant deficiencies or material weaknesses in internal control over the major programs were disclosed.
- (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 200.516.
- (g) Major programs were as follows:
 - CFDA Number 17.258, 17.259, 17.278 – WIOA Cluster
 - CFDA Number 84.007, 84.033, 84.063, 84.268 – Student Financial Assistance Cluster
 - CFDA Number 93.044, 93.045, 93.053 – Aging Cluster
- (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 AND QUESTIONED COSTS (continued)
Year ended June 30, 2018

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

INTERNAL CONTROL DEFICIENCIES

No matters were noted.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

Kirkwood Community College
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2018

Part III – Findings and Questioned Costs for Federal Awards

INTERNAL CONTROL DEFICIENCIES

No matters were noted.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

Kirkwood Community College
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2018

Part IV – Other Findings Related to Required Statutory Reporting

IV-A-18 CERTIFIED BUDGET

The College did not exceed its budget for the year ended June 30, 2018.

IV-B-18 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-18 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-18 BUSINESS TRANSACTIONS

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

IV-E-18 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-18 BOARD MINUTES

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

IV-G-18 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-18 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-18 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, 2018**

2017-001 Student Financial Assistance Cluster – Notification of Exit Counseling

Statement of Condition: Seven students selected for testing did not receive an exit interview in a timely manner upon withdrawal. Upon further inquiry of College personnel, it was noted that there was a flaw in the exit interview notification process.

Status: Corrective action was taken. Additional process steps were implemented during fiscal year 2018 to effectively address the condition noted.