

Hawkeye Community College

Financial and Compliance Report

06.30.2004

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Hawkeye Community College

Officials

Name	Title	Term Expires
Board of Trustees:		
Mark Birdnow	Chairperson	2006
Ruth Niemann	Vice Chairperson	2007
Paul Rider	Member	2005
Harold Brock	Member	2007
Ronald McGregor	Member	2007
Donna Miller	Member	2006
Miriam Tyson	Member	2005
Micaela Lorenz	Member	2005
Luane Lorenzen	Member	2006
Community College:		
Bettsey Barhorst	President	
Greg Schmitz	Vice President of Administrative Services	
Linda Nielsen	Board Treasurer	
Donna McNulty	President Secretary	
Denise Dunn	Board Secretary	

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Hawkeye Community College
Waterloo, Iowa

We have audited the accompanying basic financial statements of Hawkeye Community College as of and for the year ended June 30, 2004. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the reports of the other auditors.

We conducted our audit of the College 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 Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The discretely presented component unit was not audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States or Chapter 11 of the Code of Iowa. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Hawkeye Community College and its discretely presented component unit, as of June 30, 2004, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2004 on our consideration of Hawkeye Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Budgetary Comparison Schedule of Expenditures are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The schedules listed in the table of contents as supplementary information, as well as the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Davenport, Iowa
December 16, 2004

Hawkeye Community College

Management's Discussion and Analysis

Management of Hawkeye Community College provides this Management's Discussion and Analysis of the College's annual financial statements. This narrative overview and analysis of the financial activities of Hawkeye Community College is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

Financial Highlights

- College operating revenues totaled \$22,771,131 for fiscal year 2004 and increased 13.2% or \$2,655,561, as compared to fiscal year 2003 operating revenues of \$20,115,570. The increase resulted primarily from increases in revenue from tuition and fees of \$1,191,085, federal appropriations of \$676,181, and auxiliary revenue of \$972,391.
- College operating revenues totaled \$20,115,570 for fiscal year 2003. College operating revenues increased from 2002 overall primarily due to increased tuition and fee receipts. Additional enrollment contributed to the higher tuition receipts along with a tuition rate increase necessitated by a lack of additional state general aid during the year. The added enrollment also increased the receipts in the auxiliary enterprises.
- College operating expenses totaled \$36,925,188 for fiscal year 2004 and increased 13.3% or \$4,336,742, as compared to fiscal year 2003. The increase resulted primarily from increase in salary and benefits in the restricted programs.
- College operating expenses totaled \$32,588,446 for fiscal year 2003. College operating expenses were higher than 2002 and focused on salary and benefits as well as college infrastructure improvements and maintenance. Salaries and benefits were up due to moderate salary increases coupled with additional faculty positions necessary to accommodate the added enrollment. The College is also experiencing higher maintenance costs with the natural aging of our facilities.
- The College's net assets increased 5.0% or \$1,837,776 during the year ended 2004 and 11.7% or \$3,835,237 during the year ended 2003.

Using This Annual Report

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

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

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

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

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

Hawkeye Community College

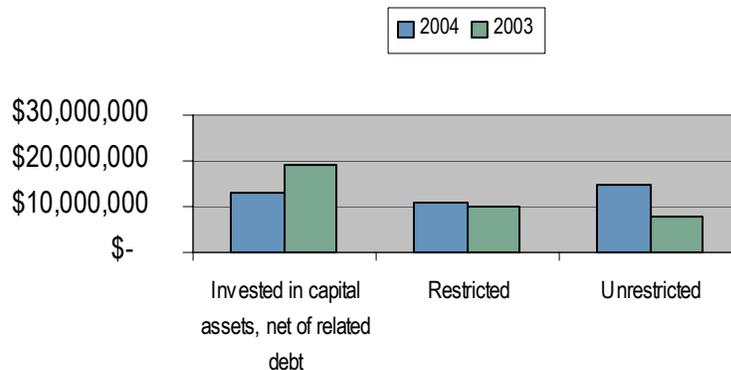
Management's Discussion and Analysis

Reporting the College as a Whole

Statement of Net Assets: The statement of net assets presents the assets, liabilities, and net assets of the College as a whole, as of the end of the fiscal year June 30, 2004. The statement of net assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The statement of net assets includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities, and net assets (assets less liabilities). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

Net Assets	June 30,	
	2004	2003
Current and other assets	\$ 50,946,455	\$ 38,022,390
Capital assets, net of accumulated depreciation	20,316,077	20,415,975
Total assets	71,262,532	58,438,365
Current liabilities	17,201,366	11,871,109
Noncurrent liabilities	15,530,634	9,874,500
Total liabilities	32,732,000	21,745,609
Net assets:		
Invested in capital assets, net of related debt	13,019,753	18,965,975
Restricted	10,710,346	9,885,941
Unrestricted	14,800,433	7,840,840
Total net assets	\$ 38,530,532	\$ 36,692,756

Comparison of Net Assets



Hawkeye Community College

Management's Discussion and Analysis

A portion of the College's net assets (34%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (28%) includes resources that are subject to external restrictions. The remaining net assets (38%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

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

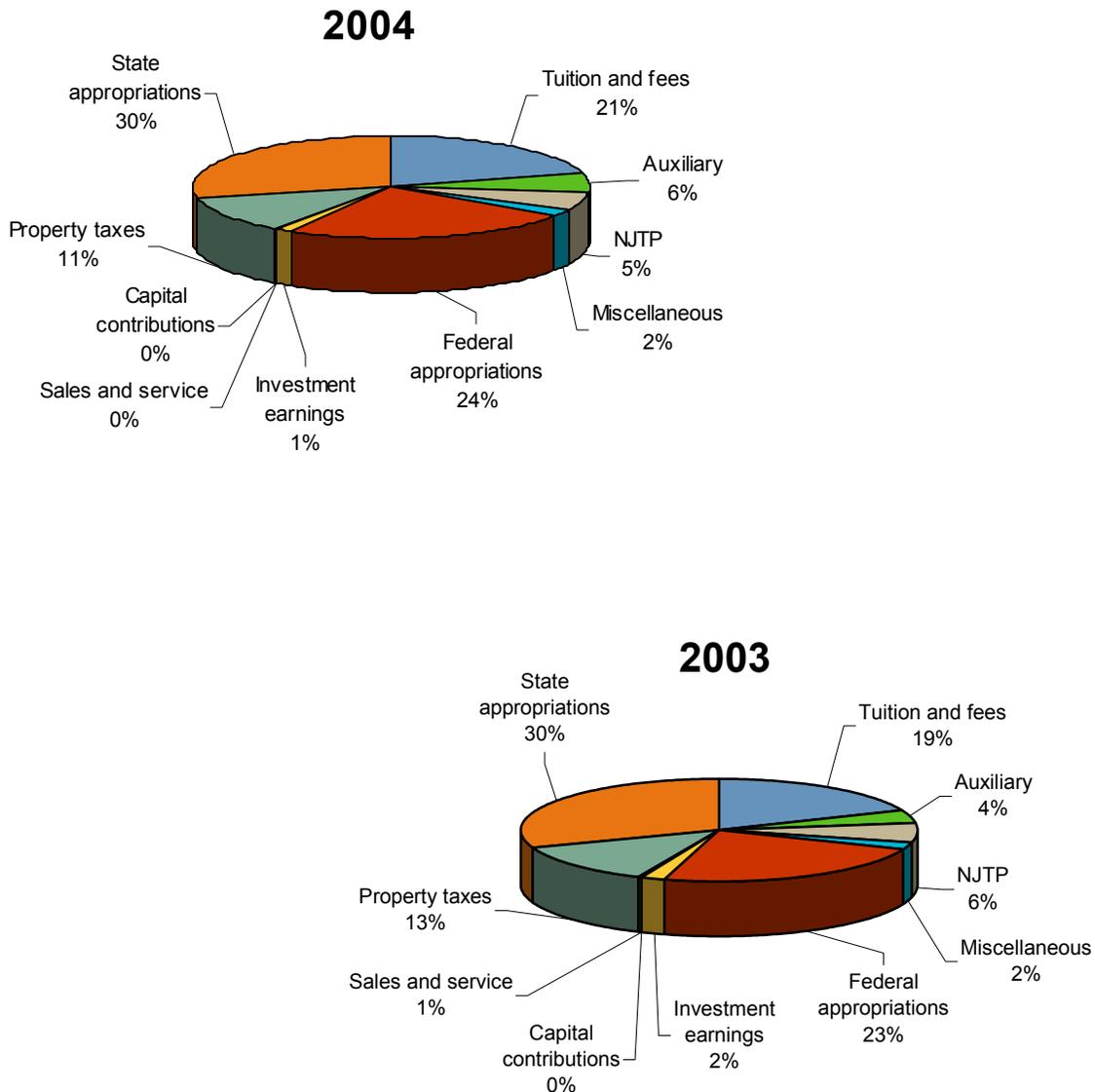
Changes in Net Assets	Year Ended June 30,	
	2004	2003
Operating revenues:		
Tuition and fees, net	\$ 8,010,164	\$ 6,819,079
Federal appropriations	9,215,730	8,539,549
Iowa Industrial New Jobs Training Program	2,109,670	2,224,455
Auxiliary	2,440,745	1,468,354
Interest on student loans	55,794	27,849
Sales and service	14,065	186,408
Miscellaneous	924,963	849,876
Total operating revenues	22,771,131	20,115,570
Nonoperating revenues (expenses):		
State appropriations	11,151,485	11,157,848
Property taxes	4,441,456	4,637,770
Investment earnings	426,625	624,911
Capital contributions	57,769	-
Total nonoperating revenues	16,077,335	16,420,529
Total revenues	38,848,466	36,536,099
Operating expenses	36,925,188	32,588,446
Nonoperating expenses:		
Interest on indebtedness	30,049	112,416
Loss on disposal of plant assets	55,453	-
Total expenses	37,010,690	32,700,862
Increase in net assets	1,837,776	3,835,237
Net assets:		
Beginning	36,692,756	32,857,519
Ending	\$ 38,530,532	\$ 36,692,756

Hawkeye Community College

Management's Discussion and Analysis

In general, a public college, such as Hawkeye Community College, will report an operating loss since financial reporting model classifies state appropriations and property taxes as nonoperating revenues. Operating revenues are received for providing goods and services to the various 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.

The statement of revenues, expenses, and changes in net assets reflects a positive year for both 2004 and 2003, with an increase in the net assets of \$1,837,776 and \$3,835,237, respectively, at the end of the fiscal year.



Hawkeye Community College

Management's Discussion and Analysis

In fiscal year 2004, the major fluctuations in revenues were a result of the following changes:

- Tuition and fees increased \$1,191,085 from 2003 due to rising enrollment and tuition rate increase from \$81/credit hour in 2003 to \$87/credit hour in 2004.
- Federal appropriations increased \$676,181 primarily due to an increase in student financial assistance grants due to increasing enrollment.
- Auxiliary revenue increased \$972,391 due to more direct loans and an increase in enrollment.

In fiscal year 2003, the major fluctuations in revenues were a result of the following changes:

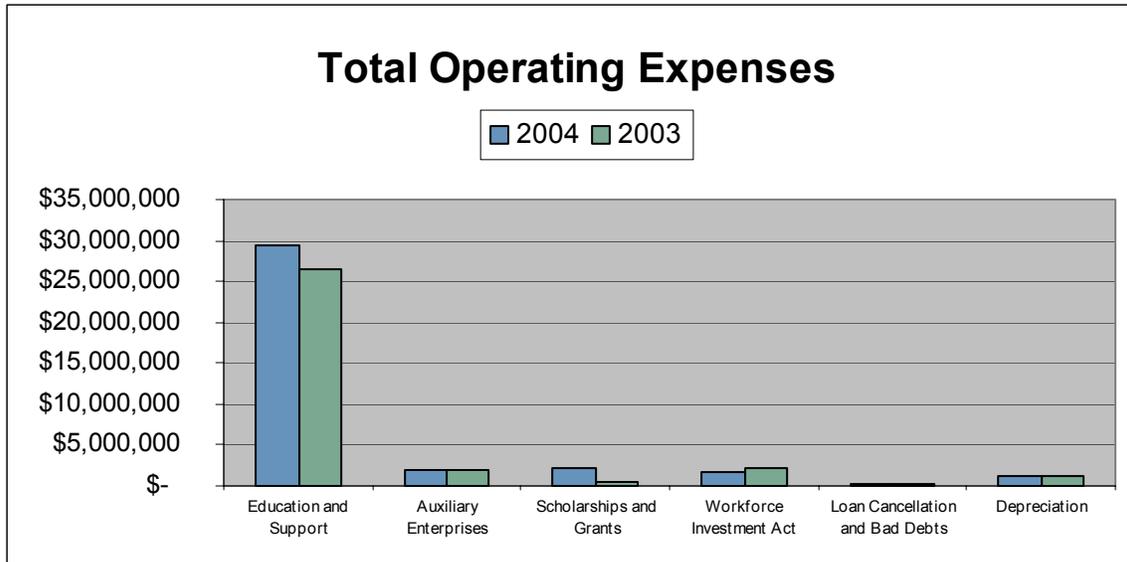
- Tuition and fees increased due to both an increase in the number of students and the tuition rate increase from \$76/credit hour in 2002 to \$81/credit hour in 2003.
- Property tax revenue collected in fiscal year 2003 was higher than fiscal year 2002 due to a larger district valuation.
- Auxiliary enterprises revenue increased due partially to the collection of fees for the additional students.

Operating Expenses

	Year Ended June 30,	
	2004	2003
Education and support:		
Liberal arts and sciences	\$ 5,050,798	\$ 4,396,707
Vocational technical	7,054,069	7,200,078
Adult education	2,694,978	2,798,748
Cooperative services	1,823,461	1,770,518
General administration	1,563,024	1,554,547
Student services	1,420,694	1,250,281
Learning resources	725,935	731,110
Physical plant	3,030,479	2,878,966
General institution	6,133,866	3,887,399
Auxiliary enterprises	1,976,122	1,907,388
Scholarships and grants	2,259,556	463,030
Workforce Investment Act	1,738,058	2,231,896
Loan cancellations and bad debts	352,688	226,029
Depreciation	1,101,460	1,291,749
Total operating expenses	\$ 36,925,188	\$ 32,588,446

Hawkeye Community College

Management's Discussion and Analysis



In fiscal year 2004, the major fluctuations in operating expenses were a result of the following factors:

- The majority of the increase is due to an increase in employees electing early retirement. Also, additional full-time faculty were hired to accommodate the expanding enrollment with moderate salary increases.
- Higher enrollment continued to require accelerated maintenance of facilities.

In fiscal year 2003, the major fluctuations in operating expenses were a result of the following factors:

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

Hawkeye Community College

Management's Discussion and Analysis

Statement of Cash Flows: The statement of cash flows is an important tool in helping the users to 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, noncapital financing, capital financing, and investing activities.

Cash Flows	Year Ended June 30,	
	2004	2003
Cash provided by (used in):		
Operating activities	\$ (10,442,053)	\$ (13,154,555)
Noncapital financing activities	16,271,468	17,358,138
Capital and related financing activities	4,819,893	(1,938,541)
Investing activities	(1,874,661)	(2,240,919)
Net increase in cash	8,774,647	24,123
Cash:		
Beginning	2,856,394	2,832,271
Ending	<u>\$ 11,631,041</u>	<u>\$ 2,856,394</u>

Cash used for operating activities includes tuition, fees, grants, and contracts, net of payments to employees and to suppliers. Cash provided by noncapital financing activities includes state appropriations and local property taxes received by the College. 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 earned.

Capital Assets

As of June 30, 2004, the College has \$20,316,077 invested in capital assets, which was net of accumulated depreciation of \$17,235,661. As of June 30, 2003, the College has \$20,415,975 invested in capital assets, which was net of accumulated depreciation of \$16,584,329. Depreciation charges totaled \$1,101,460 for fiscal year 2004 and \$1,291,749 for fiscal year 2003. Details of the capital assets are shown below.

Capital Assets	June 30,	
	2004	2003
Land	\$ 287,173	\$ 287,173
Buildings	26,882,181	26,882,181
Other structures and improvements	3,316,813	3,316,813
Furniture and equipment	6,371,892	6,514,137
Construction in progress	693,679	-
Total	\$ 37,551,738	\$ 37,000,304

More detailed information about the College's capital assets is presented in Note 3 to the basic financial statements.

Hawkeye Community College

Management's Discussion and Analysis

Planned capital expenditures for the fiscal year ended June 30, 2004 and beyond includes the beginning of the expansion of Black Hawk Hall to add more classrooms and office space. Infrastructure improvements include renovation of heating and cooling systems and some road improvements on campus.

Debt

As of June 30, 2004, the College had \$19,217,234 in debt outstanding, excluding compensated absences of \$498,108, an increase of \$6,587,734 from 2003, primarily due to issuance of \$6,500,000 of general obligation school bonds. As of June 30, 2003, the College had \$12,629,500 in debt outstanding, excluding compensated absences of \$355,175, an increase of \$931,490 from 2002. The table below summarizes these amounts by type.

Outstanding Debt	June 30,	
	2004	2003
Certificates payable	\$ 11,920,910	\$ 11,179,500
Capital loan notes	730,000	1,450,000
General obligation bonds	6,566,324	-
	<u>\$ 19,217,234</u>	<u>\$ 12,629,500</u>

More detailed information about the College's outstanding debt is presented in Note 4 to the basic financial statements.

Economic Factors

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

- State aid will remain virtually unchanged or decrease.
- Expenses will continue to increase. As the number of students increases, the costs associated with serving them continue to increase.
- Facilities at the College require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

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

Hawkeye Community College

Management's Discussion and Analysis

Contacting the College's Financial Management

This financial report is designed to provide our customers, taxpayers in the community college, 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 Hawkeye Community College, 1501 E. Orange Road, P.O. Box 8015, Waterloo, Iowa 50704-8015.

Hawkeye Community College

Statement of Net Assets June 30, 2004

Assets	Primary Institution	Component Unit - Foundation
Current Assets:		
Cash and cash equivalents	\$ 11,631,041	\$ 386,042
Investments	27,987,003	1,269,892
Receivables:		
Property taxes	7,216,718	-
Accounts	2,317,022	18,611
Notes	1,010,101	124,714
Prepaid expenses	203,933	-
Inventories	156,180	-
Other	-	10,353
Total current assets	50,521,998	1,809,612
Noncurrent Assets:		
Endowment and scholarship investments	-	626,663
Due from Iowa Industrial New Jobs Training Program	424,457	-
Capital assets:		
Nondepreciable:		
Land	287,173	-
Construction in progress	693,679	-
Depreciable:		
Buildings	26,882,181	-
Other structures and improvements	3,316,813	-
Furniture and equipment	6,371,892	201,352
Accumulated depreciation	(17,235,661)	(155,876)
Other	-	9,898
Total noncurrent assets	20,740,534	682,037
Total assets	\$ 71,262,532	\$ 2,491,649
Liabilities		
Current Liabilities:		
Accounts payable	\$ 1,484,942	\$ 1,516
Salaries and benefits payable	1,414,424	-
Accrued interest payable	60,420	-
Deferred revenue	7,966,973	-
Compensated absences	498,108	-
Assets held in custody for others	320,930	-
Early retirement	620,569	-
Certificates payable	1,980,000	-
Capital loan notes payable	730,000	-
General obligation school bonds	2,125,000	-
Total current liabilities	17,201,366	1,516
Noncurrent Liabilities:		
Early retirement	1,148,400	-
Certificates payable	9,940,910	-
General obligation school bonds	4,441,324	-
Total noncurrent liabilities	15,530,634	-
Total liabilities	32,732,000	1,516
Net Assets:		
Invested in capital assets, net of related debt	13,019,753	45,476
Restricted for:		
Scholarships, departmental programs, and loans	10,710,346	1,696,392
Endowments	-	633,694
Unrestricted	14,800,433	114,571
Total net assets	38,530,532	2,490,133
Total liabilities and net assets	\$ 71,262,532	\$ 2,491,649

See Notes to Basic Financial Statements.

Hawkeye Community College

Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2004

	Primary Institution	Component Unit - Foundation
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$3,849,344	\$ 8,010,164	\$ -
Federal appropriations	9,215,730	-
Iowa Industrial New Jobs Training Program	2,109,670	-
Auxiliary enterprises revenue, net of scholarship allowances of \$255,725	2,440,745	-
Interest on student loans	55,794	-
Sales and services	14,065	-
Contributions	-	492,326
Special events and grants	-	31,630
Miscellaneous, primarily company program contributions	924,963	25,909
Total operating revenues	22,771,131	549,865
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	5,050,798	-
Vocational technical	7,054,069	-
Adult education	2,694,978	-
Cooperative services	1,823,461	-
General administration	1,563,024	-
Student services	1,420,694	-
Learning resources	725,935	-
Physical plant	3,030,479	-
General institution	6,133,866	-
Auxiliary enterprises	1,976,122	-
Scholarships and grants	2,259,556	100,381
Workforce Investment Act	1,738,058	-
Loan cancellations and bad debts	352,688	92,237
Administrative and collection costs	-	104,451
Depreciation expense	1,101,460	33,559
Total operating expenses	36,925,188	330,628
Operating income (loss)	(14,154,057)	219,237
Nonoperating revenues (expenses):		
State appropriations	11,151,485	-
Property taxes	4,441,456	-
Investment earnings	426,625	81,121
Capital contributions	57,769	-
Interest on indebtedness	(30,049)	-
Loss on disposal of plant assets	(55,453)	-
Net nonoperating revenues	15,991,833	81,121
Increase in net assets	1,837,776	300,358
Net assets:		
Beginning	36,692,756	2,189,775
Ending	\$ 38,530,532	\$ 2,490,133

See Notes to Basic Financial Statements.

Hawkeye Community College

Statement of Cash Flows Year Ended June 30, 2004

	Primary Institution	Component Unit - Foundation
Cash Flows from Operating Activities:		
Cash received from tuition and fees	\$ 8,073,013	\$ -
Cash received from federal appropriations	9,215,730	-
Cash received from the Iowa Industrial New Jobs Training Program	2,144,793	-
Cash received as contributions	-	500,552
Cash received as fundraising and grants	-	31,630
Cash received for auxiliary	2,440,745	-
Payments to employees for salaries and benefits	(20,779,529)	-
Payments to suppliers for goods and services	(10,330,768)	-
Cash paid for contracted services	-	(211,249)
Cash paid for scholarships	(2,259,556)	(100,381)
Other receipts	1,053,519	36,123
Net cash provided by (used in) operating activities	(10,442,053)	256,675
Cash Flows from Noncapital Financing Activities:		
State appropriations	11,151,485	-
Property taxes	4,446,848	-
Proceeds from certificates payable	2,810,000	-
Payments on certificates payable	(2,068,590)	-
Miscellaneous Agency Fund receipts	14,776,738	-
Miscellaneous Agency Fund disbursements	(14,845,013)	-
Net cash provided by noncapital financing activities	16,271,468	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(999,246)	-
Proceeds from general obligation school bonds	6,566,324	-
Principal paid on capital loan notes payable	(720,000)	-
Interest paid on indebtedness	(27,185)	-
Net cash provided by capital and related financing activities	4,819,893	-
Cash Flows from Investing Activities:		
Interest on investments	307,619	79,837
Increase in life insurance cash surrender value	-	(1,136)
Purchase of investments	(2,182,280)	(583,466)
Proceeds from investments	-	424,794
Net cash (used in) investing activities	(1,874,661)	(79,971)
Net increase in cash and cash equivalents	8,774,647	176,704
Cash and cash equivalents:		
Beginning	2,856,394	209,338
Ending	\$ 11,631,041	\$ 386,042

(Continued)

Hawkeye Community College

Statement of Cash Flows (Continued)

Year Ended June 30, 2004

	Primary Institution	Component Unit - Foundation
Reconciliation of Operating Income (Loss) to Net Cash		
Provided By (Used In) Operating Activities:		
Operating income (loss)	\$ (14,154,057)	\$ 219,237
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,101,460	33,559
Changes in assets and liabilities:		
Pledges receivables	-	8,226
Other receivables	28,824	10,214
Prepaid expenses	(13,604)	-
Inventories	5,768	-
Due from other governments	29,873	-
Due from Iowa Industrial New Jobs Training Program	35,123	-
Accounts payable	865,208	(14,561)
Salaries and benefits payable	1,453,570	-
Deferred revenue	62,849	-
Compensated absences	142,933	-
Total adjustments	3,712,004	37,438
Net cash provided by (used in) operating activities	\$ (10,442,053)	\$ 256,675
Schedule of Noncash Items:		
Investing Activities, unrealized loss on investments	\$ (119,006)	\$ (5,682)
Capital and Related Financing Activities, capital assets donated	57,769	-

See Notes to Basic Financial Statements.

Hawkeye Community College

Notes to Basic Financial Statements

Note 1. Reporting Entity and Significant Accounting Policies

Reporting entity:

Hawkeye Community College is a publicly-supported post-secondary two-year institution established and operated by Merged Area VII under the provisions of Chapter 260C of the Code of Iowa.

In fulfilling the responsibilities assigned to it by law, Hawkeye Community College offers a comprehensive educational program and support services to serve local and state needs. The College offers arts and science courses, career education, adult education, and cooperative programs as its curriculum. In addition, the College acts as an agency for the State of Iowa in connection with the Workforce Investment Act. Hawkeye Community College maintains a campus and has its administrative offices in Waterloo, Iowa. Hawkeye Community College is governed by a Board of Trustees whose members are elected from each trustee district within Merged Area VII.

Accounting principles generally accepted in the United States of America 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.

Hawkeye Community College is a municipal corporation governed by a Board of Trustees, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The Community College has the statutory authority to adopt its own budget, to levy taxes, and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease, or mortgage property in its own name. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include (1) the Board of Trustees of the Community College appointing a voting majority of an organization's governing body, (2) the ability of the Community College to impose its will on any organization, or (3) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Community College. Hawkeye Community College has included the Hawkeye Community College Technical Foundation, Inc. as a component unit in their basic financial statements due to the nature of its relationships with the Community College.

The Foundation is an Iowa non-profit corporation, which is governed by a Board of Trustees, the majority of which are appointed by the Board of Trustees of the Community College. The Foundation's purpose is to support the Community College through donations to provide scholarships to students, and for the enhancement and extension of facilities, equipment, and services. The Foundation operates on a June 30 fiscal year-end. The financial statements of the Hawkeye Community College Technical Foundation, Inc. can be obtained from: Business Services, Hawkeye Community College, 1501 East Orange Road, P.O. Box 8015, Waterloo, Iowa 50704-8015.

Hawkeye Community College

Notes to Basic Financial Statements

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Significant accounting policies:

Financial statement presentation: The basic financial statements (i.e., the statements of net assets, revenues, expenses, and changes in net assets, and 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.

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 taxes are 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.

The following accounting policies are followed:

The College is applying all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as following all Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinion and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

Investments: Investments are stated at their fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The Community College and the Foundation invest in money markets and mutual funds which are SEC registered. The fair value of the position in the external investment pool is the same as the value of the pool shares.

Property taxes receivable: Property taxes receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Trustees to the appropriate County Auditors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property taxes 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 March 15 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 taxes receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Hawkeye Community College

Notes to Basic Financial Statements

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Accounts receivable: Accounts receivable consist of amounts due from state and federal agencies (grants) and students (tuition, fees, and loans). Student receivable amounts are recorded at original invoice cost less an estimate for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to aging of accounts. Student receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Due from Iowa Industrial New Jobs Training Program (NJTP): 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 NJTP project expenditures incurred through June 30, 2004, plus interest incurred on NJTP certificates, less reimbursements received to date.

Inventories: Inventories are stated at the lower of cost or market (first-in, first-out) method. As of June 30, 2004 inventories are as follows:

Merchandise held for resale	\$	82,156
Farm operations		74,024
	\$	<u>156,180</u>

Capital assets: Capital assets, which include land, construction in process, buildings, other structures and improvements, and furniture and equipment, are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Capital assets are defined by the College as assets with initial, individual costs in excess of \$5,000 and estimated useful lives in excess of one year.

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

	<u>Years</u>
Buildings and other structures and improvements	25 - 50
Furniture and equipment	3 - 10

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, are not material to the College.

Hawkeye Community College

Notes to Basic Financial Statements

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Salaries and benefits payable: Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Expenditures for employees who have elected and been approved for early retirement are also accrued in this liability.

Deferred revenue: Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose restriction. Deferred revenue consists primarily of the succeeding year property taxes receivable and summer tuition.

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

Accrued interest payable: Interest on long-term bonded indebtedness is recorded as a liability as incurred.

Net assets: Net assets are classified according to restrictions or availability of assets for satisfaction of College obligations. Invested in capital assets, net of related debt represents the net value of capital assets less the debt incurred to acquire or construct the assets. Restricted net assets represent the amounts segregated for specific purposes as allowed by the Code of Iowa, bond covenants, donors, or outside agencies. All remaining net assets are unrestricted for legal purposes, but may be designated for specific purposes. The College first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Auxiliary enterprises revenues and expenses: Auxiliary enterprises revenues and expenses primarily represent revenues generated and expenses associated with career and adult education, farm operations, and food service.

Summer session: The College operates summer sessions. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year.

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 expenses.

Operating and nonoperating activities: Operating activities, as reported in the statement of revenues, expenses, and changes in net assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nonoperating activities include state appropriations, property taxes, and interest income.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Hawkeye Community College

Notes to Basic Financial Statements

Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Scholarship allowances and student aid: Financial aid to students is reported in the financial statements, as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances which reduce revenue. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

Note 2. Deposits and Investments

As of June 30, 2004, the College's carrying amount of deposits totaled \$11,631,041 with a bank balance of \$12,405,534. The College's cash and its investment in certificates of deposit as of June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The College's investments are categorized to give an indication of the level of risk assumed by the College at year-end. Category 1 includes securities that are insured, registered, or held by the College or its agent in the College's name. Category 2 includes uninsured and unregistered securities held by the counterparty's trust department or its agent in the College's name. Category 3 includes uninsured and unregistered securities held by the counterparty or by its trust or safekeeping department or its agent, but not in the College's name. As of June 30, 2004, the College has \$27,987,003 of investments that included money market mutual funds that are not subject to categorization.

The College's investments during the year did not vary substantially from those at year-end in amount or level of risk.

Excluded from the cash and investment amount disclosed immediately above is cash and investments of \$2,282,597 which belongs to the Technical Foundation, a component unit of the College.

Hawkeye Community College

Notes to Basic Financial Statements

Note 2. Deposits and Investments (Continued)

As of June 30, 2004, the College's Foundation cash bank balance and investments by category of risk were as follows:

Cash, insured by FDIC or by State Sinking Fund	\$ 386,042
Investments, Category 3, stocks and bonds	1,425,122
Investments not subject to categorization, money markets, and mutual funds	471,433
	<u>\$ 2,282,597</u>

Note 3. Capital Assets

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

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 287,173	\$ -	\$ -	\$ 287,173
Construction in process	-	693,679	-	693,679
Total capital assets not being depreciated	<u>287,173</u>	<u>693,679</u>	<u>-</u>	<u>980,852</u>
Capital assets being depreciated:				
Buildings	26,882,181	-	-	26,882,181
Other structures and improvements	3,316,813	-	-	3,316,813
Furniture and equipment	6,514,137	363,336	505,581	6,371,892
Total capital assets being depreciated	<u>36,713,131</u>	<u>363,336</u>	<u>505,581</u>	<u>36,570,886</u>
Less accumulated depreciation for:				
Buildings	9,844,493	537,287	-	10,381,780
Other structures and improvements	2,707,018	29,864	-	2,736,882
Furniture and equipment	4,032,818	534,309	450,128	4,116,999
Total accumulated depreciation	<u>16,584,329</u>	<u>1,101,460</u>	<u>450,128</u>	<u>17,235,661</u>
Total capital assets being depreciated, net	<u>20,128,802</u>	<u>(738,124)</u>	<u>55,453</u>	<u>19,335,225</u>
Total capital assets, net	<u>\$ 20,415,975</u>	<u>\$ (44,445)</u>	<u>\$ 55,453</u>	<u>\$ 20,316,077</u>

Hawkeye Community College

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

Capital assets activity for the College's Foundation, a component unit, for the year ended June 30, 2004 is as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Furniture and equipment	\$ 201,352	\$ -	\$ -	\$ 201,352
Less accumulated depreciation	122,317	33,559	-	155,876
	<u>\$ 79,035</u>	<u>\$ (33,559)</u>	<u>\$ -</u>	<u>\$ 45,476</u>

Note 4. Noncurrent Liabilities

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

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004	Amount Due Within One Year
Certificates payable	\$ 11,179,500	\$ 2,810,000	\$ 2,068,590	\$ 11,920,910	\$ 1,980,000
Capital loan notes	1,450,000	-	720,000	730,000	730,000
General obligation school bonds	-	6,566,324	-	6,566,324	2,125,000
Compensated absences	355,175	498,108	355,175	498,108	498,108
Early retirement	583,594	1,648,415	463,040	1,768,969	620,569
Total long-term debt	<u>\$ 13,568,269</u>	<u>\$ 11,522,847</u>	<u>\$ 3,606,805</u>	<u>\$ 21,484,311</u>	<u>\$ 5,953,677</u>

Compensated absences are generally liquidated with unrestricted funds. Early retirement is generally liquidated through property tax levies.

Certificates payable:

In accordance with agreements dated between June 30, 1994 and June 30, 2004, the College issued certificates with a June 30, 2004 outstanding balance of \$11,920,910 and with interest rates ranging from 2.2% to 8.8% per annum. These certificates were issued to finance the development and training costs incurred relative to implementing the Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest on the certificates is payable semiannually, while the principal matures annually. The certificates are to be retired from the proceeds of withholding taxes remitted by the State of Iowa, incremental property taxes, budgeted reserves, and in the case of default, from standby property taxes collected.

Hawkeye Community College

Notes to Basic Financial Statements

Note 4. Noncurrent Liabilities (Continued)

The future debt service requirements on these certificates are as follows:

	Principal	Interest	Total
Year ending June 30:			
2005	\$ 1,980,000	\$ 726,100	\$ 2,706,100
2006	1,990,000	578,433	2,568,433
2007	1,705,000	474,150	2,179,150
2008	1,565,000	376,665	1,941,665
2009	1,355,000	284,970	1,639,970
2010-2013	3,495,000	423,033	3,918,033
	12,090,000	2,863,351	14,953,351
Less unamortized discount	(169,090)	-	(169,090)
	<u>\$ 11,920,910</u>	<u>\$ 2,863,351</u>	<u>\$ 14,784,261</u>

Capital loan notes payable:

The College issued capital loan notes with a June 30, 2004 balance of \$730,000 at a rate of 1.55%. Interest is accrued semiannually with principal and interest payments due annually in two amounts through 2005. These notes were issued primarily to finance the purchase of grounds, construction of buildings, payment of debts contracted for the construction of buildings, purchase of buildings, equipment for buildings, and for the purpose of maintaining, remodeling, improving, and expanding the College.

The capital loan notes will be repaid from the future receipt of installments of the tax levy of 20 ¼ cents per thousand dollars of assessed value authorized by the voters of Hawkeye Community College at the election held September 13, 1994, pursuant to authority granted by Section 260C.22 of the Code of Iowa.

General obligation school bonds:

The College issued general obligation school bonds with a June 30, 2004 balance of \$6,566,324, including premium of \$66,324 at a rate of 2.25%. Interest is accrued semiannually with principal and interest payments due annually in two amounts through 2008. These notes were issued primarily to finance the construction of the 2004 addition to Black Hawk Hall.

Hawkeye Community College

Notes to Basic Financial Statements

Note 4. Noncurrent Liabilities (Continued)

Future maturities and interest of the notes and bonds payable as of June 30, 2004 are as follows:

	Principal	Interest	Total
Year ending June 30:			
2005	\$ 2,855,000	\$ 170,158	\$ 3,025,158
2006	2,165,000	93,025	2,258,025
2007	1,095,000	49,725	1,144,725
2008	1,115,000	25,087	1,140,087
	<u>7,230,000</u>	<u>337,995</u>	<u>7,567,995</u>
Plus unamortized premium	66,324	-	66,324
	<u>\$ 7,296,324</u>	<u>\$ 337,995</u>	<u>\$ 7,634,319</u>

Note 5. Retirement System

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

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The College's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$423,803, \$431,486, and \$437,617, respectively, equal to the required contributions for each year.

Note 6. Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF)

Hawkeye Community College contributes to the TIAA-CREF retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.70% and the College is required to contribute 5.75%. The College and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2004 were \$411,087 and \$264,536, respectively.

Hawkeye Community College

Notes to Basic Financial Statements

Note 7. Operating Leases

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. These leases expire between 2005 and 2008 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance on the properties.

The following is a schedule, by year, of the future minimum rentals due under these operating leases:

Year ending June 30:		
2005	\$	82,485
2006		15,600
2007		15,600
2008		1,300
	\$	<u>114,985</u>

Rents for the year ended June 30, 2004 for all operating leases totaled \$136,743.

Note 8. Risk Management Program

Hawkeye Community College is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance in any of the past three years.

Note 9. Early Retirement

Full-time and certain regular part-time staff, who are between the ages of 55 and 65 and who have at least 10 years of continuous service with the College, are eligible to receive early retirement remuneration. Retirement is to begin at the earlier of the end of the employee's contract or when a suitable replacement is found, if so requested. A staff member who accepts early retirement has three options to choose from as to when the cash benefits will be received. In addition, the College will continue to contribute monthly amounts toward the employee's health insurance premiums. The plan is funded on a pay-as-you-go basis through property tax levies. The College's payments for the years ended June 30, 2004, 2003, and 2002 were \$463,040, \$353,604, and \$667,782, respectively. As of June 30, 2004, the potential liability of the College, if all eligible employees accepted early retirement, is approximately \$1,127,000.

Note 10. New Jobs Training Programs

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area VII 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 taxes, budgeted reserves, and in the case of default, from standby property taxes. The College is currently administering 76 projects receiving project funding or in the repayment stage. In cases where projects exceed the budgeted amounts, the College intends to obtain additional withholding revenue from the companies.

Hawkeye Community College

Notes to Basic Financial Statements

Note 11. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The College adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, during the year ended June 30, 2004, which had no effect on the College's basic financial statements.

As of June 30, 2004, the Governmental Accounting Standards Board (GASB) has also issued several statements not yet implemented by the College. The statements which might impact the College are as follows:

Statement No. 40, *Deposit and Investment Risk Disclosures*, issued March 2003, will be effective for the College beginning with its year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also establishes and modifies disclosure requirements for deposit risks.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the College beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of a capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

Statement No. 43, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the College beginning with its year ending June 30, 2008. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions*, issued June 2004, will be effective for the College beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

Statement No. 46, *Net Asset Restricted by Enabling Legislation*, will be effective for the College beginning with its year ending June 30, 2006. This Statement helps colleges determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those assets should be reported in financial statements when there are changes in the circumstances surrounding the legislation.

The College's management has not yet determined the effect these Statements will have on the College's financial statements.

Note 12. Authorized Unissued Bonds and Commitments

On June 10, 2003, voters approved a bond referendum for Hawkeye Community College up to a maximum of \$25,000,000. The proceeds will be used to improve or expand current campus facilities. As of June 30, 2004, \$6,500,000 of these bonds have been issued.

As of June 30, 2004, the College has construction commitments of approximately \$5,000,000.

Hawkeye Community College

Required Supplementary Information, Budgetary Comparison Schedule of Expenditures
Budget and Actual
Year Ended June 30, 2004

Funds/Levy	Original Budget	Final Budget	Actual	Variance Between Actual and Final Budget
Unrestricted	\$ 24,428,114	\$ 24,428,114	\$ 24,325,466	\$ 102,648
Restricted	\$ 14,452,325	\$ 14,452,325	\$ 4,703,884	\$ 9,748,441
Unemployment	130,510	130,510	129,479	1,031
Insurance	358,234	358,234	149,112	209,122
Early retirement	1,047,158	1,047,158	463,040	584,118
Equipment replacement	652,120	652,120	22,586	629,534
Total restricted	\$ 16,640,347	\$ 16,640,347	\$ 5,468,101	\$ 11,172,246
Plant, bonds, and interest	\$ 3,560,541	\$ 3,560,541	\$ 766,148	\$ 2,794,393

The Board of Trustees annually prepares a budget 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 statutory 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 accounts, Iowa Code 260F Jobs Training, scholarships and grants account, Loan Funds, and Agency Funds.

Hawkeye Community College

Balance Sheet June 30, 2004

	Current Funds	
	Unrestricted	Restricted
Assets		
Cash and investments	\$ 8,331,086	\$ 22,498,255
Receivables:		
Property taxes	1,978,432	1,522,450
Accounts	149,119	2,057,107
Notes	1,010,101	-
Prepaid expenses	166,327	37,509
Inventories	156,180	-
Due from Iowa Industrial New Jobs Training Program	-	424,457
Capital assets:		
Land	-	-
Buildings	-	-
Other structures and improvements	-	-
Furniture and equipment	-	-
Construction in progress	-	-
Accumulated depreciation	-	-
Total assets	\$ 11,791,245	\$ 26,539,778
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 1,140,025	\$ 122,988
Salaries and benefits payable	1,338,593	1,844,055
Accrued interest payable	-	60,420
Deferred revenue	2,416,087	1,848,830
Compensated absences	464,947	32,229
Assets held in custody for others	-	-
Certificates payable	-	11,920,910
Capital loan notes payable	-	-
General obligation school bonds	-	-
Total liabilities	5,359,652	15,829,432
Fund Balances:		
Invested in capital assets, net of related debt	-	-
Restricted for student loans and scholarships	-	10,710,346
Unrestricted	6,431,593	-
Total fund balances	6,431,593	10,710,346
Total liabilities and fund balances	\$ 11,791,245	\$ 26,539,778

See Note to Supplementary Information.

Plant Funds	Agency Funds	Adjustments	Total
\$ 8,555,993	\$ 232,710	\$ -	\$ 39,618,044
3,715,836	-	-	7,216,718
15,632	95,164	-	2,317,022
-	-	-	1,010,101
-	97	-	203,933
-	-	-	156,180
-	-	-	424,457
287,173	-	-	287,173
26,882,181	-	-	26,882,181
3,316,813	-	-	3,316,813
6,371,892	-	-	6,371,892
693,679	-	-	693,679
-	-	(17,235,661)	(17,235,661)
<u>\$ 49,839,199</u>	<u>\$ 327,971</u>	<u>\$ (17,235,661)</u>	<u>\$ 71,262,532</u>

\$ 216,565	\$ 5,364	\$ -	\$ 1,484,942
-	745	-	3,183,393
-	-	-	60,420
3,702,056	-	-	7,966,973
-	932	-	498,108
-	320,930	-	320,930
-	-	-	11,920,910
730,000	-	-	730,000
6,566,324	-	-	6,566,324
<u>11,214,945</u>	<u>327,971</u>	<u>-</u>	<u>32,732,000</u>

30,255,414	-	(17,235,661)	13,019,753
-	-	-	10,710,346
8,368,840	-	-	14,800,433
<u>38,624,254</u>	<u>-</u>	<u>(17,235,661)</u>	<u>38,530,532</u>
<u>\$ 49,839,199</u>	<u>\$ 327,971</u>	<u>\$ (17,235,661)</u>	<u>\$ 71,262,532</u>

Hawkeye Community College

Schedule of Revenues, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
Tuition and fees	\$ 11,859,508	\$ -
Property taxes	1,196,233	2,035,210
State appropriations	9,883,140	1,268,345
Federal appropriations	967,424	8,248,306
Sales and services	14,065	-
Investment earnings	95,788	290,977
Interest on student loans	55,794	-
Iowa Industrial New Jobs Training Program	-	2,109,670
Increase in plant investment due to plant expenditures	-	-
Increase in plant investment due to retirement of debt	-	-
Miscellaneous, primarily company program contributions	221,235	703,728
	<u>24,293,187</u>	<u>14,656,236</u>
Auxiliary enterprises:		
Tuition and fees	881,785	-
Sales and services	1,601,942	-
Miscellaneous	212,743	-
	<u>2,696,470</u>	<u>-</u>
Total revenues	<u>26,989,657</u>	<u>14,656,236</u>
Expenditures:		
Education and support:		
Liberal arts and sciences	5,039,967	10,831
Vocational technical	6,983,139	183,177
Adult education	1,889,606	810,872
Cooperative services	-	1,823,461
General administration	1,542,511	20,513
Student services	1,179,156	241,538
Learning resources	725,935	-
Physical plant	2,804,209	278,463
General institution	3,808,255	2,360,293
Workforce Investment Act	-	1,738,058
Depreciation expense	-	-
	<u>23,972,778</u>	<u>7,467,206</u>
Auxiliary enterprises		
Scholarships and grants	-	6,364,625
Loan cancellations and bad debts	352,688	-
Plant asset acquisitions	-	-
Interest on indebtedness	-	-
	<u>2,387,335</u>	<u>6,364,625</u>
Total expenditures	<u>\$ 26,360,113</u>	<u>\$ 13,831,831</u>

Plant Funds					
Unexpended	Retirement of Indebtedness	Investment In Plant	Adjustments	Total	
\$ -	\$ -	\$ -	\$ (3,849,344)	\$	8,010,164
1,210,013	-	-	-		4,441,456
-	-	-	-		11,151,485
-	-	-	-		9,215,730
-	-	-	-		14,065
2,353	37,507	-	-		426,625
-	-	-	-		55,794
-	-	-	-		2,109,670
-	-	1,057,015	(999,246)		57,769
720,000	-	-	(720,000)		-
-	-	-	-		924,963
1,932,366	37,507	1,057,015	(5,568,590)		36,407,721
-	-	-	-		881,785
-	-	-	(255,725)		1,346,217
-	-	-	-		212,743
-	-	-	(255,725)		2,440,745
1,932,366	37,507	1,057,015	(5,824,315)		38,848,466
-	-	-	-		5,050,798
-	-	-	(112,247)		7,054,069
-	-	-	(5,500)		2,694,978
-	-	-	-		1,823,461
-	-	-	-		1,563,024
-	-	-	-		1,420,694
-	-	-	-		725,935
-	-	-	(52,193)		3,030,479
42,421	-	-	(77,103)		6,133,866
-	-	-	-		1,738,058
-	-	-	1,101,460		1,101,460
42,421	-	-	854,417		32,336,822
-	-	-	(58,525)		1,976,122
-	-	-	(4,105,069)		2,259,556
-	-	-	-		352,688
693,678	-	-	(693,678)		-
23,578	6,471	-	-		30,049
717,256	6,471	-	(4,857,272)		4,618,415
\$ 759,677	\$ 6,471	\$ -	\$ (4,002,855)	\$	36,955,237

(Continued)

Hawkeye Community College

Schedule of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Year Ended June 30, 2004

	Current Funds	
	Unrestricted	Restricted
Excess of revenues over expenditures	\$ 629,544	\$ 824,405
Other additions (deductions):		
Retirement of indebtedness	-	-
Loss on disposal of plant assets	-	-
Disposal of plant assets	-	-
Total other additions (deductions)	-	-
Net change in fund balances	629,544	824,405
Fund balances:		
Beginning	5,802,049	9,885,941
Ending	\$ 6,431,593	\$ 10,710,346

See Note to Supplementary Information.

Plant Funds				
Unexpended	Retirement of Indebtedness	Investment In Plant	Adjustments	Total
\$ 1,172,689	\$ 31,036	\$ 1,057,015	\$ (1,821,460)	\$ 1,893,229
-	(720,000)	-	720,000	-
-	-	-	(55,453)	(55,453)
-	-	(505,581)	505,581	-
-	(720,000)	(505,581)	1,170,128	(55,453)
1,172,689	(688,964)	551,434	(651,332)	1,837,776
558,585	30,206	37,000,304	(16,584,329)	36,692,756
\$ 1,731,274	\$ (658,758)	\$ 37,551,738	\$ (17,235,661)	\$ 38,530,532

Hawkeye Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Unrestricted Current Funds
 Education and Support
 Year Ended June 30, 2004

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Student Loans
Revenues:				
Tuition and fees	\$ 4,955,683	\$ 5,823,849	\$ 584,813	\$ 13,391
Property taxes	-	-	-	-
State appropriations	-	82,320	-	-
Federal appropriations	-	354,636	329,988	-
Sales and services	-	205	2,750	-
Investment earnings	-	-	-	-
Interest on student loans	-	-	-	55,794
Miscellaneous	-	74,201	3,154	-
	<u>4,955,683</u>	<u>6,335,211</u>	<u>920,705</u>	<u>69,185</u>
Allocation of support services revenues	<u>4,020,990</u>	<u>6,041,141</u>	<u>1,950,272</u>	<u>-</u>
Total revenues	<u>8,976,673</u>	<u>12,376,352</u>	<u>2,870,977</u>	<u>69,185</u>
Expenditures:				
Salaries and benefits	4,834,510	6,091,760	1,810,283	-
Services	47,955	277,619	-	-
Materials and supplies	70,348	503,269	71,411	-
Travel	62,826	18,182	2,412	-
Expended for plant assets	-	92,309	5,500	-
Miscellaneous	24,328	-	-	352,688
	<u>5,039,967</u>	<u>6,983,139</u>	<u>1,889,606</u>	<u>352,688</u>
Allocation of support services expenditures	<u>3,367,471</u>	<u>5,059,294</u>	<u>1,633,301</u>	<u>-</u>
Total expenditures	<u>8,407,438</u>	<u>12,042,433</u>	<u>3,522,907</u>	<u>352,688</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 569,235</u>	<u>\$ 333,919</u>	<u>\$ (651,930)</u>	<u>\$ (283,503)</u>
Fund balances:				
Beginning				
Ending				

See Note to Supplementary Information.

Support					
General Admini- stration	Student Services	Learning Resources	Physical Plant	General Institution	Total
\$ -	\$ 481,772	\$ -	\$ -	\$ -	\$ 11,859,508
1,196,233	-	-	-	-	1,196,233
-	-	1,441	-	9,799,379	9,883,140
47,519	-	-	-	235,281	967,424
11,110	-	-	-	-	14,065
95,788	-	-	-	-	95,788
-	-	-	-	-	55,794
28,682	3,016	2,257	6,017	103,908	221,235
1,379,332	484,788	3,698	6,017	10,138,568	24,293,187
(1,379,332)	(484,788)	(3,698)	(6,017)	(10,138,568)	-
-	-	-	-	-	24,293,187
1,066,673	994,402	463,859	1,123,847	1,717,510	18,102,844
159,774	111,406	91,246	1,378,366	1,046,933	3,113,299
45,908	65,272	166,109	247,193	983,931	2,153,441
58,861	8,076	4,721	2,610	33,754	191,442
-	-	-	52,193	26,127	176,129
211,295	-	-	-	-	588,311
1,542,511	1,179,156	725,935	2,804,209	3,808,255	24,325,466
(1,542,511)	(1,179,156)	(725,935)	(2,804,209)	(3,808,255)	-
-	-	-	-	-	24,325,466
\$ -	\$ -	\$ -	\$ -	\$ -	(32,279)

3,748,216
\$ 3,715,937

Hawkeye Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Unrestricted Current Funds
 Auxiliary Enterprises
 Year Ended June 30, 2004

	Career Education	Adult Education
Revenues:		
Tuition and fees	\$ 11,239	\$ 279,525
Sales and services	1,117,753	15,793
Miscellaneous	142,936	10,203
Total revenues	<u>1,271,928</u>	<u>305,521</u>
Expenditures:		
Salaries and benefits	40,744	28,022
Services	119,281	135,883
Materials and supplies	165,000	91,370
Cost of goods sold	710,819	18,409
Travel	1,725	9,278
Expended for plant assets	1,000	46,251
Miscellaneous	806	-
Total expenditures	<u>1,039,375</u>	<u>329,213</u>
Excess (deficiency) of revenues over expenditures	232,553	(23,692)
Fund balances:		
Beginning	547,357	344,971
Ending	<u>\$ 779,910</u>	<u>\$ 321,279</u>

See Note to Supplementary Information.

Farm Operations	Food Service	Other	Total
\$ -	\$ -	\$ 591,021	\$ 881,785
144,287	45,548	278,561	1,601,942
-	-	59,604	212,743
<u>144,287</u>	<u>45,548</u>	<u>929,186</u>	<u>2,696,470</u>
8,748	-	124,979	202,493
445	2,053	51,066	308,728
133,130	2,657	188,786	580,943
15,099	424	124,672	869,423
442	-	2,284	13,729
-	-	11,274	58,525
-	-	-	806
<u>157,864</u>	<u>5,134</u>	<u>503,061</u>	<u>2,034,647</u>
(13,577)	40,414	426,125	661,823
7,195	35,642	1,118,668	2,053,833
<u>\$ (6,382)</u>	<u>\$ 76,056</u>	<u>\$ 1,544,793</u>	<u>\$ 2,715,656</u>

Hawkeye Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits) - Restricted Current Funds Year Ended June 30, 2004

	Scholarships and Grants	Equipment Replacement	Insurance	Unemployment Compensation	Cash Reserve
Revenues:					
Property taxes	\$ -	\$ 179,259	\$ 147,529	\$ 87,239	\$ -
State appropriations	345,891	-	-	-	-
Federal appropriations	5,986,563	-	-	-	-
Investment earnings	-	1,686	1,400	1,992	-
Iowa Industrial New Jobs Training Program	-	-	-	-	-
Miscellaneous, primarily company program contributions	23,960	-	-	-	-
Total revenues	6,356,414	180,945	148,929	89,231	-
Expenditures:					
Salaries and benefits	-	-	-	69,691	-
Services	-	-	149,059	59,713	-
Materials and supplies	-	2,584	-	-	-
Travel	-	-	-	-	-
Expended for plant assets	-	19,938	-	-	-
Interest on indebtedness	-	-	-	-	-
Federal Pell Grant Program	5,804,790	-	-	-	-
Supplemental Educational Opportunity Grant (SEOG)	146,947	-	-	-	-
Iowa College Student Aid Commission	377,413	-	-	-	-
Private scholarships	35,475	-	-	-	-
Miscellaneous	-	64	53	75	-
Total expenditures	6,364,625	22,586	149,112	129,479	-
Excess (deficiency) of revenues over expenditures	(8,211)	158,359	(183)	(40,248)	-
Fund balances (deficits):					
Beginning	361,953	585,770	24,307	139,081	366,380
Ending	\$ 353,742	\$ 744,129	\$ 24,124	\$ 98,833	\$ 366,380

See Note to Supplementary Information.

Workforce Investment Act	Iowa Industrial New Jobs Training Program	Economic Development	Contracted Training	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,621,183	\$ 2,035,210
659,805	-	-	-	262,649	1,268,345
1,053,695	-	-	-	1,208,048	8,248,306
-	8,337	258,259	-	19,303	290,977
-	1,626,809	-	482,861	-	2,109,670
17,953	-	449,266	17,550	194,999	703,728
1,731,453	1,635,146	707,525	500,411	3,306,182	14,656,236
1,262,179	-	131,814	-	2,607,011	4,070,695
389,770	421,700	7,468	261,047	422,107	1,710,864
15,916	-	46,585	73,731	119,499	258,315
68,365	-	9,064	-	21,475	98,904
-	-	-	-	50,976	70,914
-	716,089	-	-	-	716,089
-	-	-	-	-	5,804,790
-	-	-	-	-	146,947
-	-	-	-	-	377,413
-	-	-	-	-	35,475
1,828	489,616	20,513	-	29,276	541,425
1,738,058	1,627,405	215,444	334,778	3,250,344	13,831,831
(6,605)	7,741	492,081	165,633	55,838	824,405
(15,933)	-	6,387,936	1,070,964	965,483	9,885,941
\$ (22,538)	\$ 7,741	\$ 6,880,017	\$ 1,236,597	\$ 1,021,321	\$ 10,710,346

Hawkeye Community College

Schedule of Changes in Assets Held in Custody for Others -
Agency Funds
Year Ended June 30, 2004

	Student Organizations	Federal Direct Student Loan Program	Miscellaneous	Total
Additions:				
State appropriations	\$ -	\$ -	\$ 94,307	\$ 94,307
Federal appropriations	-	12,668,740	102,579	12,771,319
Tuition and fees	178,283	-	24,869	203,152
Sales and services	41,557	-	1,514,861	1,556,418
Miscellaneous	42,042	-	109,500	151,542
	<u>261,882</u>	<u>12,668,740</u>	<u>1,846,116</u>	<u>14,776,738</u>
Deductions:				
Salaries and benefits	30,513	-	69,178	99,691
Services	167,240	12,668,740	129,609	12,965,589
Materials and supplies	78,585	-	32,898	111,483
Travel	19,229	-	937	20,166
Miscellaneous	22,834	-	99,750	122,584
Purchase for resale, textbooks	13,913	-	1,511,587	1,525,500
	<u>332,314</u>	<u>12,668,740</u>	<u>1,843,959</u>	<u>14,845,013</u>
Net increase (decrease)	(70,432)	-	2,157	(68,275)
Assets held in custody for others:				
Beginning	192,639	-	196,566	389,205
Ending	<u>\$ 122,207</u>	<u>\$ -</u>	<u>\$ 198,723</u>	<u>\$ 320,930</u>

See Note to Supplementary Information.

Hawkeye Community College

Note to Supplementary Information

Statements presented in the supplementary information are reported using the economic resources measurement focus and the accrual basis of accounting, except for depreciation. The schedule of revenues, expenditures, and changes in fund balances is the statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses. In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions are accounted for and reported by fund group. Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated for specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary revenue derived from investments, receivables, and the like is accounted for in the fund owning such assets.

The College utilizes the following fund groups:

Current funds:

These 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. These include the following unrestricted and restricted subfunds:

Unrestricted: The Education and Support subgroup of the Unrestricted Current Funds accounts for the general operations of the College. All property taxes and other revenues that are not allocated by law or contractual agreement to some other fund, are accounted for in this subgroup. From this subgroup are paid the general operating costs, the fixed charges, and the acquisition of plant assets that are not paid from other funds.

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. In addition, they account for activities which provide instructional and laboratory experiences for students and which incidentally create goods and services that may be sold to students, faculty, staff, and the general public.

Hawkeye Community College

Note to Supplementary Information

Restricted: The Restricted Current Funds are 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.

The scholarships and grants subgroup accounts for resources available for awards to students which are not in payment of services rendered to the College and which will not require repayment to the College.

The College has agreements with various businesses under the Iowa Industrial New Jobs Training Program (NJTP). The College administers the program, with the revenues and expenditures being restricted by the State for use in this program. The College is accounting for the activity of the NJTP in the restricted current funds.

Plant Funds:

The Plant Funds are used to account for transactions relating to investment in College properties and consist of the following self-balancing subfunds:

Unexpended - This subfund is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

Retirement of indebtedness - This subfund is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

Investment in plant - This subfund is used to account for the excess of the carrying value of plant assets over the related liabilities.

Agency Funds:

The Agency Funds are used to account for assets held by the College in a custodial capacity or as an agent for others. Transactions of Agency Funds do not affect the schedule of revenues, expenditures, and changes in fund balances.

Hawkeye Community College

**Schedule of Credit and Contact Hours
Year Ended June 30, 2004**

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	57,210	-	57,210	957,569	-	957,569
Vocational education	66,995	-	66,995	1,438,653	-	1,438,653
Adult/continuing education	-	-	-	433,939	30,504 *	464,443
Cooperative programs/services	-	-	-	-	-	-
Related services and activities	-	-	-	-	2,400	2,400
	<u>124,205</u>	<u>-</u>	<u>124,205</u>	<u>2,830,161</u>	<u>32,904</u>	<u>2,863,065</u>

* Includes 240 hour adjustment of 211 hours.

Hawkeye Community College

Comparison of Taxes and Intergovernmental Revenues

	Year Ended June 30,			
	2004	2003	2002	2001
Local (property taxes)	\$ 4,441,456	\$ 4,637,770	\$ 3,909,413	\$ 3,857,746
State	11,151,485	11,157,848	10,579,182	11,924,786
Federal	9,215,730	8,539,549	8,607,465	7,751,572
Total	\$ 24,808,671	\$ 24,335,167	\$ 23,096,060	\$ 23,534,104

Hawkeye Community College

Iowa Industrial New Jobs Training Program Schedule of Expenditures Compared to Budget Year Ended June 30, 2004

Project Name	Project Costs			Subtotal
	Training and Wages	Admini- stration	Legal and Issue Costs	
Iowa Laser Technology, Inc.	\$ -	\$ -	\$ 7	\$ 7
IBP, cooked meats	19,380	-	74	19,454
Century Life #3	-	-	-	-
Medical Technology	-	-	28	28
Rubber Development	-	-	39	39
APAC Teleservices	-	-	70	70
Bertch Cabinets	-	-	98	98
Unverferth Mfg. Company, Inc.	-	-	95	95
Omega Cabinets	-	-	89	89
Heartland Windows	-	-	27	27
Decker Industries, Inc.	-	-	15	15
Don R. Havens Co.	-	-	15	15
Allen-Bradley Company, Inc.	19,188	-	30	19,218
Auto-Tech Inc.	-	-	8	8
D.C. Industries, Inc.	1,950	-	8	1,958
EURAS U.S.A., Inc.	-	-	8	8
Prisma Software Corporation	-	-	11	11
Welyn Enterprises, Inc.	-	-	6	6
Eagle Tanning #3	-	-	-	-
Collision Services, Inc.	-	-	-	-
Newcor	-	-	-	-
Principal Mutual Life Ins. Co. #2	25,325	-	-	25,325
Bertch Cabinet Mfg., Inc.	-	-	134	134
Croell Redi Mix, Inc.	13,282	-	48	13,330
GMT Corporation	-	-	178	178
Iowa Metal Spinners	-	-	6	6
K & M Industries	-	-	16	16
Allen-Bradley Inc.	-	-	146	146
APAC Teleservices	-	-	142	142
Casting Cleaning	-	-	41	41
Dieomatic, Inc.	-	-	20	20
Greater Machining & Mfg.	-	-	13	13
Heartland Windows	-	-	11	11
Principal Mutual Life Insurance	45,958	-	49	46,007
Dieomatic, Inc.	-	-	9	9
Iowa Laser Technology Inc.	11,390	-	27	11,417
Ruppman Marketing	-	-	29	29
Omega Cabinets	-	-	82	82
Hunt-Wesson, Inc.	-	-	125	125
Subtotal forward	\$ 136,473	\$ -	\$ 1,704	\$ 138,177

Retirement Costs *		Current Year Costs	Less: Non- Budgeted Costs	Prior Period Budgeted Costs	Total Budgeted Costs	Budget
Debt	Interest					
\$ 10,000	\$ 1,328	\$ 11,335	\$ 11,328	\$ 164,742	\$ 164,749	\$ 165,000
180,000	24,590	224,044	204,590	229,418	248,872	260,000
-	-	-	-	180,465	180,465	200,000
-	-	28	-	55,931	55,959	75,000
-	-	39	-	71,615	71,654	105,000
-	-	70	-	162,994	163,064	190,000
20,000	1,613	21,711	21,613	145,023	145,121	165,000
20,000	1,613	21,708	21,613	139,485	139,580	160,000
20,000	1,613	21,702	21,613	130,606	130,695	150,000
10,000	807	10,834	10,807	37,892	37,919	45,000
5,000	403	5,418	5,403	21,136	21,151	25,000
5,000	403	5,418	5,403	14,370	14,385	25,000
40,000	5,658	64,876	45,658	157,780	176,998	310,000
10,000	1,328	11,336	11,328	55,353	55,361	80,000
10,000	1,328	13,286	11,328	63,244	65,202	80,000
15,000	1,991	16,999	16,991	51,093	51,101	85,000
15,000	2,339	17,350	17,339	5,634	5,645	110,000
10,000	1,328	11,334	11,328	45,838	45,844	65,000
20,000	2,863	22,863	22,863	91,274	91,274	155,000
5,000	965	5,965	5,965	36,343	36,343	45,000
20,000	2,531	22,531	22,531	105,469	105,469	130,000
60,000	7,593	92,918	67,593	357,536	382,861	420,000
90,000	20,821	110,955	110,821	632,184	632,318	635,000
30,000	7,694	51,024	37,694	111,464	124,794	225,000
120,000	18,320	138,498	138,320	754,271	754,449	840,000
5,000	1,094	6,100	6,094	24,562	24,568	30,000
10,000	2,188	12,204	12,188	54,448	54,464	75,000
50,000	15,153	65,299	65,153	214,501	214,647	445,000
50,000	15,505	65,647	65,505	299,779	299,921	435,000
15,000	4,829	19,870	19,829	110,749	110,790	125,000
5,000	2,431	7,451	7,431	33,110	33,130	60,000
5,000	1,374	6,387	6,374	27,823	27,836	40,000
5,000	1,374	6,385	6,374	28,456	28,467	35,000
35,000	11,573	92,580	46,573	173,103	219,110	315,000
5,000	2,204	7,213	7,204	13,545	13,554	55,000
20,000	6,888	38,305	26,888	62,172	73,589	170,000
20,000	6,888	26,917	26,888	39,324	39,353	185,000
60,000	20,020	80,102	80,020	496,745	496,827	525,000
80,000	32,668	112,793	112,668	712,706	712,831	800,000
\$ 1,080,000	\$ 231,318	\$ 1,449,495	\$ 1,311,318	\$ 6,112,183	\$ 6,250,360	\$ 8,040,000

(Continued)

Hawkeye Community College

Iowa Industrial New Jobs Training Program Schedule of Expenditures Compared to Budget (Continued) Year Ended June 30, 2004

Project Name	Project Costs			Subtotal
	Training and Wages	Admini- stration	Legal and Issue Costs	
Subtotal forwarded	\$ 136,473	\$ -	\$ 1,704	\$ 138,177
Advanced Heat Treat	-	-	-	-
Pioneer Graphics	-	-	-	-
Wyle Labs	440	-	-	440
Woolverton Printing	-	-	-	-
Powers Mfg. Co.	-	-	-	-
Schumacher Elevator Company	-	-	-	-
Van G. Miller & Assoc.	-	-	-	-
Hobson Mould Works	-	-	-	-
Profile Boats	-	-	-	-
Wayne Engineering Corporation	-	-	-	-
Omega Cabinets	524	-	74	598
GMT Corporation	-	-	238	238
Van G. Miller & Assoc.	-	-	137	137
Bertch Cabinets	907	-	-	907
Ag Services of America	-	-	88	88
CUNA Mutual Life Ins	-	-	200	200
Engineered Products	-	-	28	28
Deere & Co. DBA Waterloo Works	73,117	-	307	73,424
Aerial Services	-	-	7	7
Allan Inc.	-	-	47	47
Power Pavers, Inc.	-	-	7	7
Iowa Metal Spinners	22,667	-	9	22,676
Omega Cabinets	8,341	-	53	8,394
Target Corporation	126,000	-	252	126,252
Unverferth Mfg. Company, Inc.	-	31,356	3,208	34,564
Henry M. Greene & Assoc.	-	40,937	4,189	45,126
Jim Mudd Advertising Agency	-	15,678	1,604	17,282
Hansen's/J & J Dairy	-	2,613	267	2,880
Bertch Cabinet Mfg., Inc.	-	123,682	12,655	136,337
Omega Cabinets	-	104,520	10,695	115,215
Computer Pros, Inc.	-	9,581	980	10,561
Xpression, Inc.	-	5,226	535	5,761
Adivcon, Inc.	-	14,807	1,515	16,322
Access Direct Telemarketing	-	41,808	4,278	46,086
Perfect Events, Inc.	-	38,324	3,921	42,245
PIPAC	-	17,420	1,782	19,202
TEAM Technologies, LLC.	-	43,550	4,456	48,006
Total	\$ 368,469	\$ 489,502	\$ 53,236	\$ 911,207

* Retirement costs exclude bond premium of \$16,990.

Retirement Costs *		Current Year Costs	Less:		Total Budgeted Costs	Budget
Debt	Interest		Non- Budgeted Costs	Prior Period Budgeted Costs		
\$ 1,080,000	\$ 231,318	\$ 1,449,495	\$ 1,311,318	\$ 6,112,183	\$ 6,250,360	\$ 8,040,000
5,000	3,120	8,120	8,120	11,372	11,372	55,000
5,000	2,725	7,725	7,725	39,602	39,602	50,000
10,000	4,639	15,079	14,639	60,259	60,699	85,000
5,000	2,305	7,305	7,305	28,403	28,403	35,000
5,000	4,265	9,265	9,265	54,113	54,113	65,000
15,000	10,089	25,089	25,089	30,515	30,515	165,000
30,000	15,503	45,503	45,503	238,656	238,656	275,000
15,000	8,159	23,159	23,159	27,904	27,904	150,000
-	1,950	1,950	1,950	6,153	6,153	25,000
10,000	4,609	14,609	14,609	13,983	13,983	70,000
30,000	17,013	47,611	47,013	273,573	274,171	315,000
80,000	50,200	130,438	130,200	314,792	315,030	815,000
45,000	28,818	73,955	73,818	315,183	315,320	470,000
-	-	907	-	407,038	407,945	450,000
10,000	22,948	33,036	32,948	69,802	69,890	375,000
5,000	53,236	58,436	58,236	159,311	159,511	855,000
10,000	6,590	16,618	16,590	102,244	102,272	120,000
130,000	70,285	273,709	200,285	707,358	780,782	1,315,000
-	1,873	1,880	1,873	24,586	24,593	30,000
15,000	11,119	26,166	26,119	81,895	81,942	200,000
5,000	3,627	8,634	8,627	22,460	22,467	70,000
15,000	4,106	41,782	19,106	32,328	55,004	85,000
120,000	23,290	151,684	143,290	95,374	103,768	495,000
390,000	116,031	632,283	506,031	468,175	594,427	2,375,000
-	1,178	35,742	1,178	-	34,564	180,000
-	1,542	46,668	1,542	-	45,126	235,000
-	595	17,877	595	-	17,282	90,000
-	95	2,975	95	-	2,880	15,000
-	4,610	140,947	4,610	-	136,337	710,000
-	3,807	119,022	3,807	-	115,215	600,000
-	375	10,936	375	-	10,561	55,000
-	208	5,969	208	-	5,761	30,000
-	567	16,889	567	-	16,322	85,000
-	1,535	47,621	1,535	-	46,086	240,000
-	1,452	43,697	1,452	-	42,245	220,000
-	643	19,845	643	-	19,202	100,000
-	1,671	49,677	1,671	-	48,006	250,000
\$ 2,035,000	\$ 716,096	\$ 3,662,303	\$ 2,751,096	\$ 9,697,262	\$ 10,608,469	\$ 19,795,000

Hawkeye Community College

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
U.S. Department of Education:				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	N/A	\$ 146,947	\$ -
Federal Work-Study Program (FWS)	84.033	N/A	231,135	-
Federal Pell Grant Program	84.063	N/A	5,804,037	-
Federal Direct Loan	84.268	N/A	-	12,668,740
Total Student Financial Assistance Cluster			6,182,119	12,668,740
Passed through Iowa Department of Education:				
Vocational Education - Basic Grants to States	84.048	N/A	364,636	-
TRIO - Student Support Services	84.042	N/A	317,466	-
Adult Education - State Grant Program	84.002	N/A	334,331	-
Tech-Prep Education	84.243	N/A	81,367	-
Higher Education - Institutional Aid	84.031	N/A	439,484	-
Total U.S. Department of Education			7,719,403	12,668,740
U.S. Department of Labor:				
Passed through Iowa Department of Workforce Development:				
Workforce Investment Act Cluster:				
Adult Program	17.258	1-W-07-FR-0	275,626	-
Youth Activities	17.259	1-W-07-FR-0	335,480	-
Dislocated Workers	17.260	1-W-07-FR-0	206,220	-
Total Workforce Investment Act Cluster			817,326	-
Employment Services Cluster:				
Employment Service	17.207	1-W-07-FR-0	26,970	-
Disabled Veteran's Outreach Program	17.801	1-W-07-FR-0	3,600	-
Local Veteran's Employment Representative Program	17.804	1-W-07-FR-0	3,235	-
Total Employment Services Cluster			33,805	-
Unemployment insurance	17.225	1-W-07-FR-0	23,434	-
Welfare-to-Work Grants to States and Localities	17.253	1-W-07-FR-0	27,654	-
Employment and Training Assistance:				
Dislocated Workers	17.246	1-W-07-FR-0	203,896	-
Mine Safety and Health Administration	17.600	1-W-07-FR-0	740	-
Total U.S. Department of Labor			\$ 1,106,855	\$ -

(Continued)

Hawkeye Community College

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2004**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
U.S. Department of Health and Human Services, Passed through the Iowa Workforce Development, Temporary Assistance for Needy Families	93.558	1-W-07-FR-0	\$ 695,226	\$ -
Federal Mediation and Conciliation Services, Passed through the Iowa Workforce Development, Labor Management Cooperation	34.002	1-W-07-FR-0	1,611	-
Corporation for National and Community Service, Direct, Senior Companion Program	94.016	N/A	363,935	-
U.S. Environmental Protection Agency, Direct, Brownfields Job Training and Development	66.811	N/A	79,580	-
U.S. Department of Agriculture, Passed through the Iowa Department of Nutrition, Child Nutrition CACFP	10.558	N/A	4,669	-
Passed through the Iowa Workforce Development: State Administrative Matching Grants for Food Stamp Program	10.561	1-W-07-FR-0	6,342	-
Silos & Smoke Stacks National Heritage Area	10.925	N/A	1,242	-
			12,253	-
Total federal awards expended			\$ 9,978,863	\$ 12,668,740
Total federal awards expended and new loans			\$22,647,603	

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes only the federal grant activity of Hawkeye Community College. The schedule which is presented on the accrual basis of accounting, includes no consideration of the activity of the component unit of the College. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the College has done everything necessary to establish its right to revenue. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Hawkeye Community College

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2004**

The prior year single audit disclosed no findings and no uncorrected or unresolved findings from prior single audits, other than the following finding related to required statutory reporting.

Required Statutory Reporting:

IV-J-03 Official Depositories

The maximum deposit amounts were exceeded during the fiscal year 2003.

Corrective Action

Corrective action was taken December 2003.

McGladrey & Pullen

Certified Public Accountants

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

To the Board of Trustees
Hawkeye Community College
Waterloo, Iowa

We have audited the financial statements of Hawkeye Community College (College) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 16, 2004. The discretely presented component unit was audited by other auditors and was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to the discretely presented component unit. We conducted our audit of the College 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 Chapter 11 of the Code of Iowa.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 that are required to be reported under *Government Auditing Standards*. We also noted certain immaterial instances of noncompliance that we have reported to management of the College in a separate letter dated December 16, 2004.

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
December 16, 2004

McGladrey & Pullen

Certified Public Accountants

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

To the Board of Trustees
Hawkeye Community College
Waterloo, Iowa

Compliance

We have audited the compliance of Hawkeye Community College (College) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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; (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 11 of the Code of Iowa. The financial statements of the component unit was not audited in accordance with *Government Auditing Standards* or OMB Circular A-133 and, accordingly, this report does not extend to the component unit. Those standards and OMB Circular A-133 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

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

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
December 16, 2004

Hawkeye Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2004**

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? Yes No
- Reportable condition identified that is not considered to be a material weakness? Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Reportable condition identified that is not considered to be a material weakness? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster:	
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007
Federal Work-Study Program (FWS)	84.033
Federal Pell Grant Program	84.063
Federal Direct Loan	84.268

Dollar threshold used to distinguish between type A and type B programs

\$ 679,400

Auditee qualified as low-risk auditee?

Yes No

Hawkeye Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2004**

II. Findings Relating to the Basic Financial Statements

A. Reportable Conditions in Internal Control

No matters were reported.

B. Compliance Findings

No matters were reported.

III. Findings and Questioned Costs for Federal Awards

There were no current year findings or questioned costs required to be reported in accordance with Section 510(a) of Circular A-133.

IV. Other Findings Related to Required Statutory Reporting

IV-A-04 Official Depositories

Official depositories have been adopted by the Board. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget

Expenditures during the year ended June 30, 2004 did not exceed the amounts budgeted.

IV-C-04 Questionable Disbursements

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

IV-D-04 Travel Expense

No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.

IV-E-04 Business Transactions

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

Hawkeye Community College

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2004**

IV-F-04 Bond Coverage

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

IV-G-04 Board Minutes

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

IV-H-04 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-04 Publication

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

IV-J-04 Credit and Contact Hours

Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.

Hawkeye Community College

**Corrective Action Plan
Year Ended June 30, 2004**

There were no current year findings or no uncorrected or unresolved findings from prior single audits.