

Hawkeye Community College

Financial and Compliance Report

06.30.2005

McGladrey & Pullen

Certified Public Accountants

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Hawkeye Community College

Officials

Name	Title	Term Expires
Board of Trustees:		
Mark Birdnow	Chairperson	2006
Ruth Niemann	Vice Chairperson	2007
Harold Brock	Member	2007
Ronald McGregor	Member	2007
Donna Miller	Member	2006
Miriam Tyson	Member	2008
Micalca Lorenz	Member	2008
Luane Lorenzen	Member	2006
Dr. Charles Johnson	Member	2008
Community College:		
Greg Schmitz	President	
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, 2005. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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. 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, 2005, 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, 2005 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, 2005

Hawkeye Community College

Management's Discussion and Analysis Year Ended June 30, 2005

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

Financial Highlights

- College operating revenues totaled \$24,181,056 for fiscal year 2005 and increased \$1,409,925, as compared to fiscal year 2004 operating revenues of \$22,771,131. The increase resulted primarily from increases in revenue from Iowa Industrial New Jobs Training Program.
- College operating revenues totaled \$22,771,131 for fiscal year 2004. College operating revenues increased from 2003 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 \$37,962,123 for fiscal year 2005 and increased \$1,036,935, as compared to fiscal year 2004. The increase resulted primarily from increase in cooperative services.
- College operating expenses totaled \$36,925,188 for fiscal year 2004. College operating expenses were higher than 2003 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 9% or \$3,524,109 during the year ended 2005 and increased 5.0% or \$1,837,776 during the year ended 2004.

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

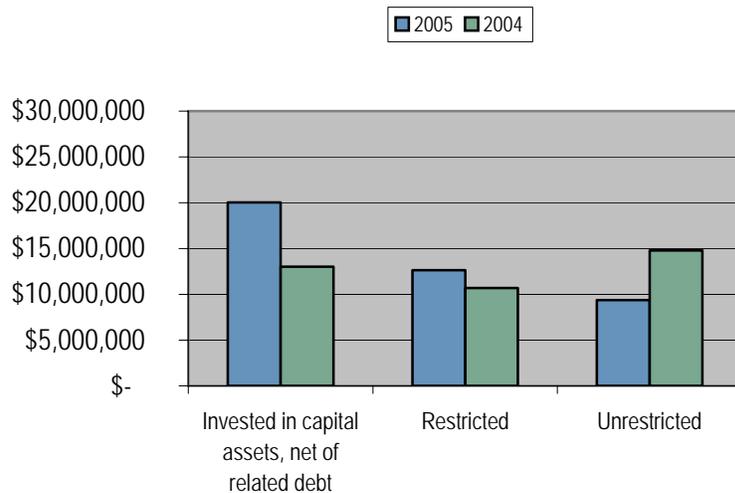
Management's Discussion and Analysis
Year Ended June 30, 2005

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, 2005. The statement of net assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The statement of net assets includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities, and net assets (assets less liabilities). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

Net Assets	June 30,	
	2005	2004
Current and other assets	\$ 49,351,827	\$ 50,946,455
Capital assets, net of accumulated depreciation	24,460,862	20,316,077
Total assets	73,812,689	71,262,532
Current liabilities	16,541,775	17,201,366
Noncurrent liabilities	15,216,273	15,530,634
Total liabilities	31,758,048	32,732,000
Net assets:		
Invested in capital assets, net of related debt	20,039,435	13,019,753
Restricted	12,649,639	10,710,346
Unrestricted	9,365,567	14,800,433
Total net assets	\$ 42,054,641	\$ 38,530,532

Comparison of Net Assets



Hawkeye Community College

Management's Discussion and Analysis
Year Ended June 30, 2005

A portion of the College's net assets (47%) 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 (30%) includes resources that are subject to external restrictions. The remaining net assets (23%) 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.

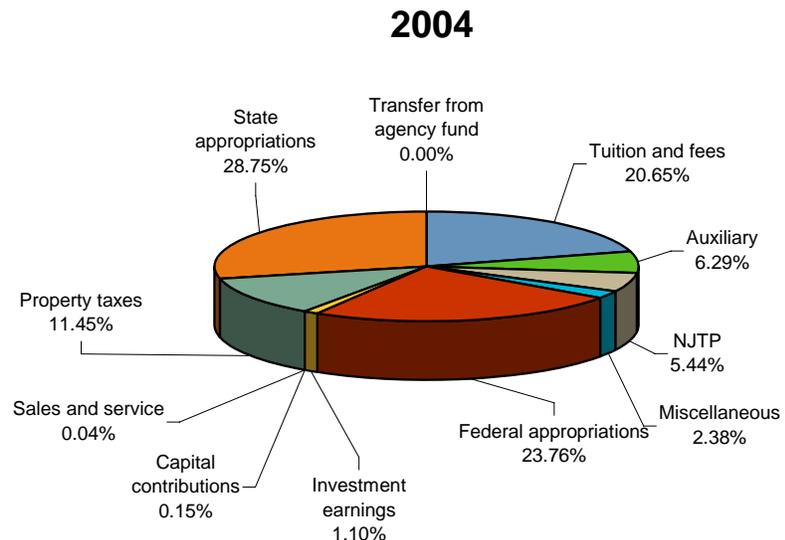
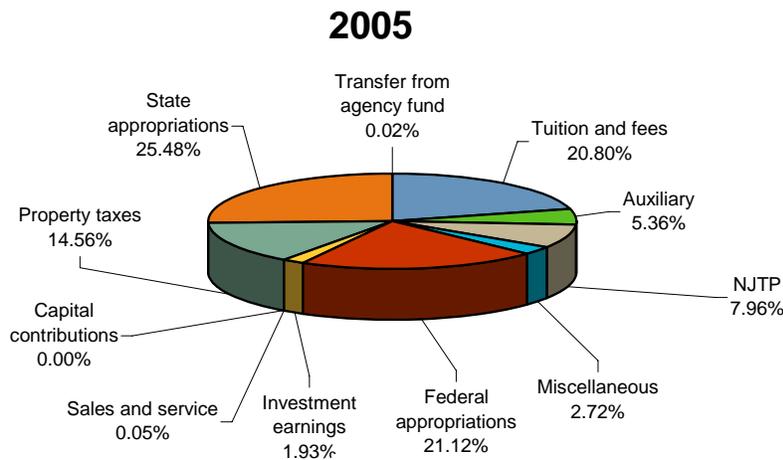
Changes in Net Assets	Year Ended June 30,	
	2005	2004
Operating revenues:		
Tuition and fees, net	\$ 8,652,048	\$ 8,010,164
Federal appropriations	8,785,557	9,215,730
Iowa Industrial New Jobs Training Program	3,309,867	2,109,670
Auxiliary	2,227,806	2,440,745
Interest on student loans	53,661	55,794
Sales and service	19,908	14,065
Miscellaneous	1,132,209	924,963
Total operating revenues	24,181,056	22,771,131
Nonoperating revenues:		
State appropriations	10,597,041	11,151,485
Property taxes	6,056,036	4,441,456
Investment earnings	804,686	426,625
Transfers from agency fund	10,232	-
Capital contributions	-	57,769
Total nonoperating revenues	17,467,995	16,077,335
Total revenues	41,649,051	38,848,466
Operating expenses	37,962,123	36,925,188
Nonoperating expenses:		
Interest on indebtedness	132,400	30,049
Loss on disposal of plant assets	30,419	55,453
Total expenses	38,124,942	37,010,690
Increase in net assets	3,524,109	1,837,776
Net assets:		
Beginning	38,530,532	36,692,756
Ending	\$ 42,054,641	\$ 38,530,532

Hawkeye Community College

Management's Discussion and Analysis Year Ended June 30, 2005

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 2005 and 2004, with an increase in the net assets of \$3,524,109 and \$1,837,776, respectively, at the end of the fiscal year.



Hawkeye Community College

Management's Discussion and Analysis Year Ended June 30, 2005

In fiscal year 2005, the major fluctuations in revenues were a result of the following changes:

- Tuition and fees increased \$641,884 from 2004 due to rising enrollment and tuition rate increased from \$87/credit hour in 2004 to \$93/credit hour in 2005 for resident tuition.
- Iowa Industrial New Jobs Training Program revenues increased \$1,200,197 due to 28 new certificates issued this year as compared to 11 from fiscal year 2004.

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

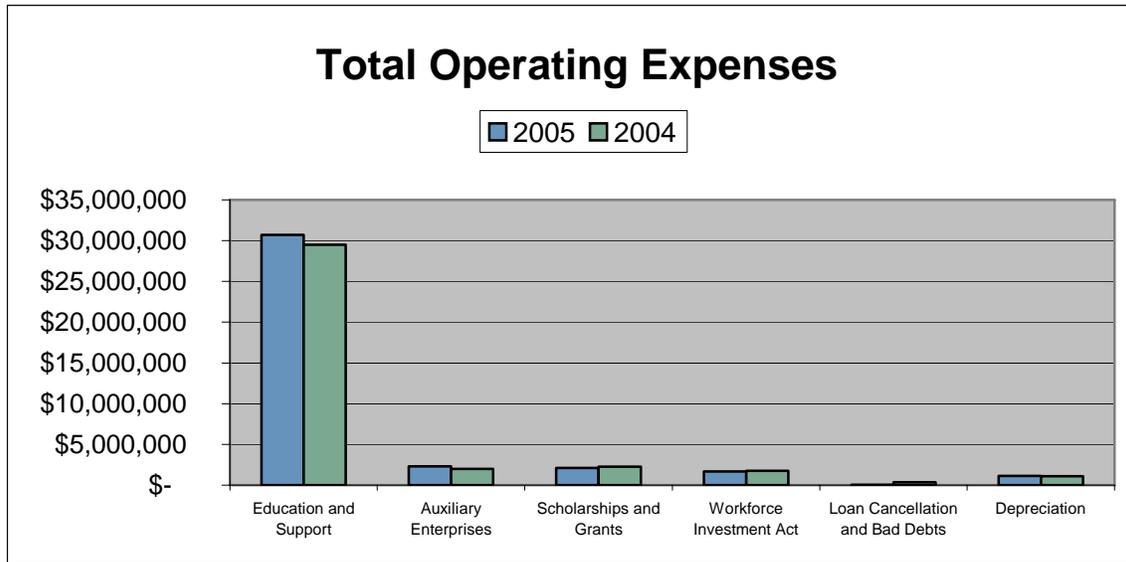
- Tuition and fees increased \$1,191,085 from 2003 due to rising enrollment and tuition rate increase from \$81/credit hour in 2003 to \$87/credit hour in 2004 for resident tuition.
- Federal appropriations increased \$676,181 primarily due to an increase in student financial assistance grants due to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

Operating Expenses

	Year Ended June 30,	
	2005	2004
Education and support:		
Liberal arts and sciences	\$ 5,292,260	\$ 5,050,798
Vocational technical	7,399,237	7,054,069
Adult education	3,095,073	2,694,978
Cooperative services	2,889,926	1,823,461
General administration	1,627,592	1,563,024
Student services	1,891,325	1,420,694
Learning resources	873,833	725,935
Physical plant	3,107,385	3,030,479
General institution	4,519,376	6,133,866
Auxiliary enterprises	2,303,069	1,976,122
Scholarships and grants	2,098,252	2,259,556
Workforce Investment Act	1,683,680	1,738,058
Loan cancellations and bad debts	51,769	352,688
Depreciation	1,129,346	1,101,460
Total operating expenses	\$ 37,962,123	\$ 36,925,188

Hawkeye Community College

Management's Discussion and Analysis
Year Ended June 30, 2005



In fiscal year 2005, the major fluctuations in operating expenses were a result of the following factors:

- Cooperative services increased \$1,066,465, primarily due to 28 new New Jobs Training certificates issued in 2005 as compared to 11 for 2004.
- General institution decreased \$1,614,490, primarily due to a decrease in the number of employees electing early retirement.
- Student services increased \$470,631, primarily due to number of students served as well as focus on support programs.
- Adult education increased \$400,095, primarily due to an increase in enrollment for adult education classes.

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.

Hawkeye Community College

Management's Discussion and Analysis
Year Ended June 30, 2005

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,	
	2005	2004
Cash provided by (used in):		
Operating activities	\$ (13,971,908)	\$ (10,442,053)
Noncapital financing activities	18,508,646	16,271,468
Capital and related financing activities	(8,205,391)	4,819,893
Investing activities	(854,076)	(1,874,661)
Net increase (decrease) in cash	(4,522,729)	8,774,647
Cash:		
Beginning	11,631,041	2,856,394
Ending	<u>\$ 7,108,312</u>	<u>\$ 11,631,041</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, 2005, the College has \$24,460,862 invested in capital assets, which was net of accumulated depreciation of \$17,892,487. 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. Depreciation charges totaled \$1,129,346 for fiscal year 2005 and \$1,101,460 for fiscal year 2004. Details of the capital assets are shown below.

Capital Assets	June 30,	
	2005	2004
Land	\$ 379,179	\$ 287,173
Buildings	26,882,181	26,882,181
Other structures and improvements	3,310,894	3,316,813
Furniture and equipment	7,006,035	6,371,892
Construction in progress	4,775,060	693,679
Total	\$ 42,353,349	\$ 37,551,738

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 Year Ended June 30, 2005

Planned capital expenditures for the fiscal year ended June 30, 2005 and beyond includes the continued 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, 2005, the College had \$18,308,037 in debt outstanding, excluding compensated absences of \$516,809 and early retirement of \$1,795,548, a decrease of \$909,197 from 2004, primarily due to normal debt payments. 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. The table below summarizes these amounts by type.

Outstanding Debt	June 30,	
	2005	2004
Certificates payable	\$ 13,886,610	\$ 11,920,910
Capital loan notes	-	730,000
General obligation bonds	4,421,427	6,566,324
	<u>\$ 18,308,037</u>	<u>\$ 19,217,234</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
Year Ended June 30, 2005

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, 2005

Assets	Primary Institution	Component Unit - Foundation
Current Assets:		
Cash and cash equivalents	\$ 7,108,312	\$ 264,186
Investments	29,645,765	1,479,889
Receivables:		
Property taxes	7,544,449	-
Accounts, including amounts due from other governments of \$2,280,866	2,965,663	300,991
Notes	249,910	112,531
Prepaid expenses	202,864	-
Inventories	220,868	-
Other	-	10,887
Total current assets	47,937,831	2,168,484
Noncurrent Assets:		
Endowment and scholarship investments	-	720,295
Due from Iowa Industrial New Jobs Training Program	1,413,996	-
Capital assets:		
Nondepreciable:		
Land	379,179	375,841
Construction in progress	4,775,060	-
Depreciable:		
Buildings	26,882,181	-
Other structures and improvements	3,310,894	-
Furniture and equipment	7,006,035	45,476
Accumulated depreciation	(17,892,487)	(33,558)
Other	-	10,582
Total noncurrent assets	25,874,858	1,118,636
Total assets	\$ 73,812,689	\$ 3,287,120
Liabilities		
Current Liabilities:		
Accounts payable	\$ 1,039,784	\$ 647
Salaries and benefits payable	1,433,931	9
Accrued interest payable	64,359	-
Deferred revenue	8,370,535	-
Compensated absences	516,809	-
Assets held in custody for others	229,045	-
Early retirement	597,312	-
Certificates payable	2,125,000	-
General obligation school bonds	2,165,000	-
Notes payable	-	109,662
Total current liabilities	16,541,775	110,318
Noncurrent Liabilities:		
Early retirement	1,198,236	-
Certificates payable	11,761,610	-
General obligation school bonds	2,256,427	-
Notes payable	-	87,516
Total noncurrent liabilities	15,216,273	87,516
Total liabilities	31,758,048	197,834
Net Assets:		
Invested in capital assets, net of related debt	20,039,435	11,918
Restricted for:		
Scholarships, departmental programs, and loans	12,649,639	1,924,117
Endowments	-	728,288
Unrestricted	9,365,567	424,963
Total net assets	42,054,641	3,089,286
Total liabilities and net assets	\$ 73,812,689	\$ 3,287,120

See Notes to Basic Financial Statements.

Hawkeye Community College

Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2005

	Primary Institution	Component Unit - Foundation
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$3,726,425	\$ 8,652,048	\$ -
Federal appropriations	8,785,557	-
Iowa Industrial New Jobs Training Program	3,309,867	-
Auxiliary enterprises revenue, net of scholarship allowances of \$240,948	2,227,806	-
Interest on student loans	53,661	-
Sales and services	19,908	-
Contributions	-	808,582
Special events and grants	-	89,718
Miscellaneous, primarily company program contributions	1,132,209	25,083
Total operating revenues	24,181,056	923,383
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	5,292,260	-
Vocational technical	7,399,237	-
Adult education	3,095,073	-
Cooperative services	2,889,926	-
General administration	1,627,592	-
Student services	1,891,325	-
Learning resources	873,833	-
Physical plant	3,107,385	-
General institution	4,519,376	-
Auxiliary enterprises	2,303,069	-
Scholarships and grants	2,098,252	115,459
Workforce Investment Act	1,683,680	-
Loan cancellations and bad debts	51,769	148,537
Administrative and collection costs	-	86,422
Depreciation expense	1,129,346	33,558
Total operating expenses	37,962,123	383,976
Operating income (loss)	(13,781,067)	539,407
Nonoperating revenues (expenses):		
State appropriations	10,597,041	-
Property taxes	6,056,036	-
Investment earnings	804,686	59,746
Interest on indebtedness	(132,400)	-
Loss on disposal of plant assets	(30,419)	-
Transfers from agency fund	10,232	-
Net nonoperating revenues	17,305,176	59,746
Increase in net assets	3,524,109	599,153
Net assets:		
Beginning	38,530,532	2,490,133
Ending	\$ 42,054,641	\$ 3,089,286

See Notes to Basic Financial Statements.

Hawkeye Community College

Statement of Cash Flows
Year Ended June 30, 2005

	Primary Institution
<hr/>	
Cash Flows from Operating Activities:	
Cash received from tuition and fees	\$ 8,871,185
Cash received from federal appropriations	8,717,478
Cash received from the Iowa Industrial New Jobs Training Program	2,385,129
Cash received for auxiliary	2,227,806
Payments to employees for salaries and benefits	(22,460,701)
Payments to suppliers for goods and services	(12,820,331)
Cash paid for scholarships	(2,098,252)
Other receipts	1,205,778
Net cash (used in) operating activities	<u>(13,971,908)</u>
Cash Flows from Noncapital Financing Activities:	
State appropriations	10,597,041
Property taxes	6,027,558
Proceeds from certificates payable	3,915,100
Payments on certificates payable	(1,949,400)
Proceeds from Agency Fund transfers	10,232
Miscellaneous Agency Fund receipts	1,989,759
Miscellaneous Agency Fund disbursements	(2,081,644)
Net cash provided by noncapital financing activities	<u>18,508,646</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(5,202,033)
Principal paid on capital loan notes and bonds payable	(2,855,000)
Interest paid on indebtedness, net of capitalized interest of \$39,526	(148,358)
Net cash (used in) capital and related financing activities	<u>(8,205,391)</u>
Cash Flows from Investing Activities:	
Interest on investments	804,686
Purchase of investments	(1,658,762)
Net cash (used in) investing activities	<u>(854,076)</u>
Net (decrease) in cash and cash equivalents	(4,522,729)
Cash and cash equivalents:	
Beginning	11,631,041
Ending	<u>\$ 7,108,312</u>

(Continued)

Hawkeye Community College

Statement of Cash Flows (Continued)

Year Ended June 30, 2005

Primary
Institution

<hr/>	
Reconciliation of Operating (Loss) to Net Cash	
(Used In) Operating Activities:	
Operating (loss)	\$ (13,781,067)
Adjustments to reconcile operating (loss) to net cash	
(used in) operating activities:	
Depreciation	1,129,346
Changes in assets and liabilities:	
Other receivables	111,550
Prepaid expenses	1,069
Inventories	(64,688)
Due from Iowa Industrial New Jobs Training Program	(989,539)
Accounts payable	(547,675)
Salaries and benefits payable	46,086
Deferred revenue	104,309
Compensated absences	18,701
Total adjustments	<u>(190,841)</u>
Net cash (used in) operating activities	<u>\$ (13,971,908)</u>
 Schedule of Noncash Activities:	
Accounts payable incurred for purchase of capital assets	\$ (267,441)
Prior year accounts payable paid for purchase of capital assets	164,924

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, 2005, 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, 2005 inventories are as follows:

Merchandise held for resale	\$ 91,153
Farm operations	129,715
	<u>\$ 220,868</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 an early retirement 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, 2005.

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 and Accounting Change

For the year ended June 30, 2005, the College implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement established and modified 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 required certain disclosures of investments that have fair value that are highly sensitive to changes in interest rates. This Statement also established and modified disclosure requirements for deposit risks.

Interest rate risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits operating funds portfolio to maturities of less than 397 days. However, the Treasurer may invest funds of the District that are not identified as operating funds in investments with maturities greater than 397 days.

As of June 30, 2005, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Money market mutual fund	\$ 26,068,760	\$ 26,068,760	\$ -	\$ -	\$ -
U.S. government securities	3,577,006	499,718	3,077,288	-	-
	<u>\$ 29,645,766</u>	<u>\$ 26,568,478</u>	<u>\$ 3,077,288</u>	<u>\$ -</u>	<u>\$ -</u>

Credit risk: The District 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. However, the District's investment policy additionally limits investments in commercial paper to obligations that mature within 270 days and that is rated within the two highest classifications, as established by at least one of the standard rating services, with no more than five percent at the time of purchase placed in the second highest classification. At the time of purchase not more than ten percent of the investment portfolio can be in these investments and no more than five percent of the investment portfolio can be invested in the securities of a single issuer.

Hawkeye Community College

Notes to Basic Financial Statements

Note 2. Deposits and Investments (Continued)

As of June 30, 2005, the District's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's Investor Service
Money market mutual fund , Goldman Sachs Trust Financial Square Treasury Obligation Fund	Not Rated	
U.S. government securities:		
Federal Home Loan Mortgage Corp Note DTD, 03/03/04, 3.75%	AAA	Aaa
Federal Home Loan Mortgage Corp Note MNT DTD, 11/21/01, 4.35%	AAA	Aaa
Federal Farm Credit Bank Bond DTD, 4/15/04, 3.05%, 4/15/2008	AAA	Aaa
Federal Farm Credit Bank DTD, 5/27/04, 4.25%, 02/11/2009	AAA	Aaa
Federal Home Loan Mortgage Corp DTD, 03/07/03, 2.75%, 03/15/2008	AAA	Aaa
Federal National Mortgage Assn DTD, 11/18/02, 3.25% 11/15/2007	AAA	Aaa
Federal National Mortgage Assn Note DTD, 7/25/03, 3.25%	AAA	Aaa
Federal National Mortgage Assn Note DTD, 07/09/03, 1.75%	AAA	Aaa

Concentration of credit risk: The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The District's investment policy seeks to provide safety of the principal, maintain the necessary liquidity to match expected liabilities, and obtain a reasonable rate of return. The policy allows for investments of up to 100% in interest bearing savings, money market and checking accounts, certificates of deposits, repurchase agreements, money market mutual funds, bonds, notes, certificates of indebtedness, treasury bills or other securities issued by the United States of America, its agencies and allowable instrumentalities; up to 10% in prime bankers' acceptances; and up to 10% in commercial paper. The policy does not allow the District to invest in futures, options, or reverse purchase agreements.

The District does not have investments in any one issuer that represents more than 5% of their total investments.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. It is the District's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default.

Hawkeye Community College

Notes to Basic Financial Statements

Note 2. Deposits and Investments (Continued)

As of June 30, 2005, the College's deposits with financial institutions 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.

As of June 30, 2005, \$3,577,006 of the College's investments was Category 2 as the investments were held by the financial institutions trust department in the College's name. The College's investments in money market mutual funds were not subject to risk categorization.

Excluded from cash and investment amounts, disclosed above, are cash and investments of \$2,464,370 which belong to the component unit of the District. Investments of the component unit consist principally of common stock, corporate bonds, U.S. government obligations, and mutual funds. Disclosures for interest rate risk, credit risk, concentration of credit risk, and custodial credit risk for the component unit is not available.

Note 3. Capital Assets

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

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 287,173	\$ 92,006	\$ -	\$ 379,179
Construction in process	693,679	4,081,381	-	4,775,060
Total capital assets not being depreciated	980,852	4,173,387	-	5,154,239
Capital assets being depreciated:				
Buildings	26,882,181	-	-	26,882,181
Other structures and improvements	3,310,894	-	-	3,310,894
Furniture and equipment	6,377,811	1,131,163	502,939	7,006,035
Total capital assets being depreciated	36,570,886	1,131,163	502,939	37,199,110
Less accumulated depreciation for:				
Buildings	10,381,780	538,288	-	10,920,068
Other structures and improvements	2,736,882	46,148	-	2,783,030
Furniture and equipment	4,116,999	544,910	472,520	4,189,389
Total accumulated depreciation	17,235,661	1,129,346	472,520	17,892,487
Total capital assets being depreciated, net	19,335,225	1,817	30,419	19,306,623
Total capital assets, net	\$ 20,316,077	\$ 4,175,204	\$ 30,419	\$ 24,460,862

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, 2005 is as follows:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets not being depreciated and capital assets being depreciated	\$ 375,841	\$ -	\$ -	\$ 375,841
Furniture and equipment	201,352	-	-	201,352
Less accumulated depreciation	155,876	33,558	-	189,434
Total capital assets	\$ 421,317	\$ (33,558)	\$ -	\$ 387,759

Note 4. Noncurrent Liabilities

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

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005	Amount Due Within One Year
Certificates payable	\$ 11,920,910	\$ 3,915,100	\$ 1,949,400	\$ 13,886,610	\$ 2,125,000
Capital loan notes	730,000	-	730,000	-	-
General obligation school bonds	6,566,324	-	2,144,897	4,421,427	2,165,000
Compensated absences	498,108	516,811	498,110	516,809	516,811
Early retirement	1,768,969	739,167	712,588	1,795,548	597,312
Total long-term debt	\$ 21,484,311	\$ 5,171,078	\$ 6,034,995	\$ 20,620,394	\$ 5,404,123

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

The general obligations school bonds debt service includes \$2,125,000 of bond payments and \$19,897 of premium amortization.

Certificates payable:

In accordance with agreements dated between June 30, 1994 and June 30, 2005, the College issued certificates with a June 30, 2005 outstanding balance of \$14,105,000 and with interest rates ranging from 2.75% to 7.80% 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:			
2006	\$ 2,125,000	\$ 782,140	\$ 2,907,140
2007	2,350,000	672,323	3,022,323
2008	1,930,000	546,458	2,476,458
2009	1,685,000	437,973	2,122,973
2010	1,625,000	341,153	1,966,153
2011-2014	4,390,000	931,603	5,321,603
	14,105,000	3,711,650	17,816,650
Less unamortized discount	(218,390)	-	(218,390)
	<u>\$ 13,886,610</u>	<u>\$ 3,711,650</u>	<u>\$ 17,598,260</u>

General obligation school bonds:

The College issued general obligation school bonds with a June 30, 2005 balance of \$4,421,427, including premium of \$46,427 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.

Future maturities and interest of the notes and bonds payable as of June 30, 2005 are as follows:

	Principal	Interest	Total
Year ending June 30:			
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
	4,375,000	167,837	4,542,837
Plus unamortized premium	46,427	-	46,427
	<u>\$ 4,421,427</u>	<u>\$ 167,837</u>	<u>\$ 4,589,264</u>

Hawkeye Community College

Notes to Basic Financial Statements

Note 4. Noncurrent Liabilities (Continued)

For the component unit, long-term debt consists of the following:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Regions Bank, note payable, interest rate of 5.35%, secured by farm land, payments of \$8,202, due semi-annually on May 1 and November 1, final payment due November 1, 2009.	\$ -	\$ 200,000	\$ 2,822	\$ 197,178

Future principal payments are due on long-term debt as follows:

Year ending June 30:	
2006	\$ 109,662
2007	11,879
2008	12,523
2009	13,202
2010	49,912
	<u>\$ 197,178</u>

The Foundation made a \$100,000 prepayment on the note payable in August 2005.

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, 2005, 2004, and 2003 were \$438,375, \$423,803, and \$431,486, respectively, equal to the required contributions for each year.

Hawkeye Community College

Notes to Basic Financial Statements

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 years ended June 30, 2005 and 2004 were \$441,834 and \$411,087, respectively.

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 2006 and 2009 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:		
2006	\$	172,046
2007		103,810
2008		56,367
2009		24,579
	\$	<u>356,802</u>

Rents for the year ended June 30, 2005 for all operating leases totaled \$174,404.

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, 2005, 2004, and 2003 were \$739,167, \$463,040, and \$353,604, respectively. As of June 30, 2005, the potential liability of the College, if all eligible employees accepted early retirement, is approximately \$1,998,000.

Hawkeye Community College

Notes to Basic Financial Statements

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 80 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.

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

As of June 30, 2005, the Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the College. The Statements which might impact the College are as follows:

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*, an amendment of GASB No. 34, issued December 2004, 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.

Hawkeye Community College

Notes to Basic Financial Statements

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

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, will be effective for the College with its year ending June 30, 2006. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees and the amount can be estimated.

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, 2005, \$6,500,000 of these bonds have been issued.

As of June 30, 2005, the College has construction commitments of approximately \$500,000 to complete a building reconstruction. Subsequent to year-end, the College entered into a contract for approximately \$1,100,000 for parking lot construction.

Hawkeye Community College

Required Supplementary Information, Budgetary Comparison Schedule of Expenditures
Budget and Actual
Year Ended June 30, 2005

Funds/Levy	Original Budget	Final Budget	Actual	Variance Between Actual and Final Budget
Unrestricted	\$ 25,716,963	\$ 25,716,293	\$ 25,195,261	\$ 521,032
Restricted	\$ 13,667,810	\$ 13,667,810	4,359,340	\$ 9,308,470
Unemployment	98,319	98,319	14,663	83,656
Insurance	403,939	403,939	318,949	84,990
Early retirement	762,592	762,592	739,167	23,425
Equipment replacement	782,120	782,120	444,748	337,372
Total restricted	\$ 15,714,780	\$ 15,714,780	\$ 5,876,867	\$ 9,837,913
Plant, bonds, and interest	\$ 7,082,401	\$ 12,405,834	\$ 4,518,375	\$ 7,887,459

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.

The plant, bonds, and interest fund budget was amended to allow for construction costs from bond proceeds.

Hawkeye Community College

Balance Sheet

June 30, 2005

	Current Funds	
	Unrestricted	Restricted
Assets		
Cash and investments	\$ 11,102,841	\$ 22,100,353
Receivables:		
Property taxes	2,000,195	2,000,237
Accounts	2,936,892	22,250
Notes	249,910	-
Prepaid expenses	202,864	-
Inventories	220,868	-
Due from other funds	-	3,460,364
Due from Iowa Industrial New Jobs Training Program	-	1,413,996
Capital assets:		
Land	-	-
Buildings	-	-
Other structures and improvements	-	-
Furniture and equipment	-	-
Construction in progress	-	-
Accumulated depreciation	-	-
Total assets	\$ 16,713,570	\$ 28,997,200
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 1,039,784	\$ -
Salaries and benefits payable	3,229,479	-
Accrued interest payable	-	64,359
Deferred revenue	2,475,242	2,396,592
Compensated absences	516,809	-
Assets held in custody for others	-	-
Due to other funds	4,668,589	-
Certificates payable	-	13,886,610
General obligation school bonds	-	-
Total liabilities	11,929,903	16,347,561
Fund Balances:		
Invested in capital assets, net of related debt	-	-
Restricted for student loans and scholarships	-	12,649,639
Unrestricted	4,783,667	-
Total fund balances	4,783,667	12,649,639
Total liabilities and fund balances	\$ 16,713,570	\$ 28,997,200

See Note to Supplementary Information.

Plant Funds	Agency Funds	Adjustments	Total
\$ 3,550,783	\$ 100	\$ -	\$ 36,754,077
3,544,017	-	-	7,544,449
6,521	-	-	2,965,663
-	-	-	249,910
-	-	-	202,864
-	-	-	220,868
979,280	228,945	(4,668,589)	-
-	-	-	1,413,996
379,179	-	-	379,179
26,882,181	-	-	26,882,181
3,310,894	-	-	3,310,894
7,006,035	-	-	7,006,035
4,775,060	-	-	4,775,060
-	-	(17,892,487)	(17,892,487)
<u>\$ 50,433,950</u>	<u>\$ 229,045</u>	<u>\$ (22,561,076)</u>	<u>\$ 73,812,689</u>

\$ -	\$ -	\$ -	\$ 1,039,784
-	-	-	3,229,479
-	-	-	64,359
3,498,701	-	-	8,370,535
-	-	-	516,809
-	229,045	-	229,045
-	-	(4,668,589)	-
-	-	-	13,886,610
4,421,427	-	-	4,421,427
<u>7,920,128</u>	<u>229,045</u>	<u>(4,668,589)</u>	<u>31,758,048</u>

37,931,922	-	(17,892,487)	20,039,435
-	-	-	12,649,639
4,581,900	-	-	9,365,567
<u>42,513,822</u>	<u>-</u>	<u>(17,892,487)</u>	<u>42,054,641</u>
<u>\$ 50,433,950</u>	<u>\$ 229,045</u>	<u>\$ (22,561,076)</u>	<u>\$ 73,812,689</u>

Hawkeye Community College

Schedule of Revenues, Expenditures, and Changes in Fund Balances Year Ended June 30, 2005

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
Tuition and fees	\$ 12,378,473	\$ -
Property taxes	1,212,446	1,373,144
State appropriations	10,081,088	515,953
Federal appropriations	923,447	7,862,110
Sales and services	19,908	-
Investment earnings	251,617	452,080
Interest on student loans	53,661	-
Iowa Industrial New Jobs Training Program	-	3,309,867
Increase in plant investment due to plant expenditures	-	-
Increase in plant investment due to retirement of debt	-	-
Miscellaneous, primarily company program contributions	257,021	840,291
	<u>25,177,661</u>	<u>14,353,445</u>
Auxiliary enterprises:		
Tuition and fees	956,252	-
Sales and services	1,475,922	-
Miscellaneous	36,580	-
	<u>2,468,754</u>	<u>-</u>
Total revenues	<u>27,646,415</u>	<u>14,353,445</u>
Expenditures:		
Education and support:		
Liberal arts and sciences	5,286,055	6,205
Vocational technical	7,152,159	697,194
Adult education	2,280,695	814,378
Cooperative services	-	2,889,926
General administration	1,602,044	25,548
Student services	1,676,801	214,524
Learning resources	626,730	247,103
Physical plant	2,727,045	318,948
General institution	3,791,963	997,051
Workforce Investment Act	-	1,683,680
Depreciation expense	-	-
	<u>25,143,492</u>	<u>7,894,557</u>
Auxiliary enterprises	2,563,282	-
Scholarships and grants	-	6,065,625
Loan cancellations and bad debts	51,769	-
Plant asset acquisitions	-	-
Interest on indebtedness	-	-
	<u>2,615,051</u>	<u>6,065,625</u>
Total expenditures	<u>27,758,543</u>	<u>13,960,182</u>
Transfers among funds	(1,535,798)	1,546,030
Excess of revenues over expenditures	<u>\$ (1,647,926)</u>	<u>\$ 1,939,293</u>

Plant Fund	Adjustments	Total
\$ -	\$ (3,726,425)	\$ 8,652,048
3,470,446	-	6,056,036
-	-	10,597,041
-	-	8,785,557
-	-	19,908
100,989	-	804,686
-	-	53,661
-	-	3,309,867
5,304,550	(5,304,550)	-
2,855,000	(2,855,000)	-
34,897	-	1,132,209
<u>11,765,882</u>	<u>(11,885,975)</u>	<u>39,411,013</u>
-	-	956,252
-	(240,948)	1,234,974
-	-	36,580
-	(240,948)	2,227,806
<u>11,765,882</u>	<u>(12,126,923)</u>	<u>41,638,819</u>
-	-	5,292,260
-	(450,116)	7,399,237
-	-	3,095,073
-	-	2,889,926
-	-	1,627,592
-	-	1,891,325
-	-	873,833
108,690	(47,298)	3,107,385
10,632	(280,270)	4,519,376
-	-	1,683,680
-	1,129,346	1,129,346
<u>119,322</u>	<u>351,662</u>	<u>33,509,033</u>
-	(260,213)	2,303,069
-	(3,967,373)	2,098,252
-	-	51,769
4,227,327	(4,227,327)	-
171,726	(39,326)	132,400
<u>4,399,053</u>	<u>(8,494,239)</u>	<u>4,585,490</u>
<u>4,518,375</u>	<u>(8,142,577)</u>	<u>38,094,523</u>
-	-	10,232
<u>\$ 7,247,507</u>	<u>\$ (3,984,346)</u>	<u>\$ 3,554,528</u>

(Continued)

Hawkeye Community College

Schedule of Revenues, Expenditures, and Changes in Fund Balances (Continued)
 Year Ended June 30, 2005

	Current Funds	
	Unrestricted	Restricted
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	(1,647,926)	1,939,293
Fund balances:		
Beginning	6,431,593	10,710,346
Ending	\$ 4,783,667	\$ 12,649,639

See Note to Supplementary Information.

Plant Fund	Adjustments	Total
\$ (2,855,000)	\$ 2,855,000	\$ -
-	(30,419)	(30,419)
(502,939)	502,939	-
<u>(3,357,939)</u>	<u>3,327,520</u>	<u>(30,419)</u>
3,889,568	(656,826)	3,524,109
38,624,254	(17,235,661)	38,530,532
<u>\$ 42,513,822</u>	<u>\$ (17,892,487)</u>	<u>\$ 42,054,641</u>

Hawkeye Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Unrestricted Current Funds
 Education and Support
 Year Ended June 30, 2005

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Student Loans
Revenues:				
Tuition and fees	\$ 5,219,622	\$ 5,721,865	\$ 814,165	\$ 16,540
Property taxes	-	-	-	-
State appropriations	-	69,108	2,225	-
Federal appropriations	-	335,866	347,880	-
Sales and services	-	-	6,545	-
Investment earnings	-	-	-	-
Interest on student loans	-	-	-	53,661
Miscellaneous	-	146,198	-	-
	<u>5,219,622</u>	<u>6,273,037</u>	<u>1,170,815</u>	<u>70,201</u>
Allocation of support services revenues	<u>4,117,273</u>	<u>6,204,520</u>	<u>2,122,193</u>	<u>-</u>
Total revenues	<u>9,336,895</u>	<u>12,477,557</u>	<u>3,293,008</u>	<u>70,201</u>
Expenditures:				
Salaries and benefits	5,006,928	6,337,959	1,980,494	-
Services	46,815	220,904	69,098	-
Materials and supplies	151,276	374,128	224,392	-
Travel	53,032	29,048	6,711	-
Expended for plant assets	-	190,120	-	-
Miscellaneous	28,004	-	-	51,769
	<u>5,286,055</u>	<u>7,152,159</u>	<u>2,280,695</u>	<u>51,769</u>
Allocation of support services expenditures	<u>3,449,124</u>	<u>5,197,654</u>	<u>1,777,805</u>	<u>-</u>
Total expenditures	<u>8,735,179</u>	<u>12,349,813</u>	<u>4,058,500</u>	<u>51,769</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 601,716</u>	<u>\$ 127,744</u>	<u>\$ (765,492)</u>	<u>\$ 18,432</u>

Transfers among funds

Fund balances:

Beginning

Ending

See Note to Supplementary Information.

Support					
General Admini- stration	Student Services	Learning Resources	Physical Plant	General Institution	Total
\$ 606,281	\$ -	\$ -	\$ -	\$ -	\$ 12,378,473
1,212,446	-	-	-	-	1,212,446
-	-	1,154	-	10,008,601	10,081,088
40,982	-	-	-	198,719	923,447
13,363	-	-	-	-	19,908
251,617	-	-	-	-	251,617
-	-	-	-	-	53,661
18,332	1,024	1,804	4,089	85,574	257,021
2,143,021	1,024	2,958	4,089	10,292,894	25,177,661
(2,143,021)	(1,024)	(2,958)	(4,089)	(10,292,894)	-
-	-	-	-	-	25,177,661
1,031,613	1,452,904	409,130	1,229,996	2,031,502	19,480,526
181,936	118,498	53,090	1,361,118	1,095,649	3,147,108
40,242	101,924	163,133	86,738	633,591	1,775,424
46,878	3,475	1,377	1,895	31,221	173,637
-	-	-	47,298	-	237,418
301,375	-	-	-	-	381,148
1,602,044	1,676,801	626,730	2,727,045	3,791,963	25,195,261
(1,602,044)	(1,676,801)	(626,730)	(2,727,045)	(3,791,963)	-
-	-	-	-	-	25,195,261
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (17,600)
					(1,266,023)
					3,715,937
					<u>\$ 2,432,314</u>

Hawkeye Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Unrestricted Current Funds
 Auxiliary Enterprises
 Year Ended June 30, 2005

	Career Education	Adult Education
Revenues:		
Tuition and fees	\$ 20,826	\$ 362,409
Sales and services	1,064,849	563
Miscellaneous	(42,364)	3,469
Total revenues	1,043,311	366,441
Expenditures:		
Salaries and benefits	38,802	11,243
Services	44,301	8,111
Materials and supplies	645,113	179,967
Cost of goods sold	191,612	-
Travel	7,275	11,733
Expended for plant assets	-	-
Miscellaneous	407	-
Total expenditures	927,510	211,054
Transfers among funds	-	-
Excess (deficiency) of revenues over expenditures	115,801	155,387
Fund balances:		
Beginning	779,910	321,279
Ending	\$ 895,711	\$ 476,666

See Note to Supplementary Information.

Farm Operations	Food Service	Other	Total
\$ -	\$ -	\$ 573,017	\$ 956,252
134,680	43,409	232,421	1,475,922
-	-	75,475	36,580
<u>134,680</u>	<u>43,409</u>	<u>880,913</u>	<u>2,468,754</u>
15,174	-	244,409	309,628
525	5	(33,545)	19,397
85,045	1,531	834,758	1,746,414
-	-	50	191,662
334	-	730	20,072
-	-	260,213	260,213
-	-	15,489	15,896
<u>101,078</u>	<u>1,536</u>	<u>1,322,104</u>	<u>2,563,282</u>
-	-	(269,775)	(269,775)
33,602	41,873	(710,966)	(364,303)
(6,382)	76,056	1,544,793	2,715,656
<u>\$ 27,220</u>	<u>\$ 117,929</u>	<u>\$ 833,827</u>	<u>\$ 2,351,353</u>

Hawkeye Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits) -
 Restricted Current Funds
 Year Ended June 30, 2005

	Scholarships and Grants	Equipment Replacement	Insurance	Unemployment Compensation	Cash Reserve
Revenues:					
Property taxes	\$ -	\$ 179,621	\$ 217,396	\$ 22,811	\$ -
State appropriations	398,936	-	-	-	-
Federal appropriations	5,267,938	-	-	-	-
Investment earnings	-	2,459	4,965	37,598	-
Iowa Industrial New Jobs Training Program	-	-	-	-	-
Miscellaneous, primarily company program contributions	37,400	171	1,182	(45)	-
Total revenues	5,704,274	182,251	223,543	60,364	-
Expenditures:					
Salaries and benefits	-	-	89,452	14,663	-
Services	-	-	227,674	-	-
Materials and supplies	-	184,752	1,823	-	-
Travel	-	-	-	-	-
Expended for plant assets	-	259,996	-	-	-
Interest on indebtedness	-	-	-	-	-
Federal Pell Grant Program	5,331,899	-	-	-	-
Supplemental Educational Opportunity Grant (SEOG)	153,343	-	-	-	-
Other scholarships	580,383	-	-	-	-
Miscellaneous	-	-	-	-	-
Total expenditures	6,065,625	444,748	318,949	14,663	-
Transfers among funds	265,189	-	-	-	-
Excess (deficiency) of revenues over expenditures	(626,540)	(262,497)	(95,406)	45,701	-
Fund balances (deficits):					
Beginning	353,742	744,129	24,124	98,833	366,380
Ending	\$ (272,798)	\$ 481,632	\$ (71,282)	\$ 144,534	\$ 366,380

See Note to Supplementary Information.

Workforce Act and Other JTPA Programs	Iowa Industrial New Jobs Training Program	Economic Development	Contracted Training	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ 953,316	\$ 1,373,144
-	-	111,292	-	5,725	515,953
1,664,002	-	-	-	930,170	7,862,110
-	5,812	388,784	-	12,462	452,080
-	2,659,942	-	301,654	348,271	3,309,867
27,157	(304)	638,318	-	136,412	840,291
1,691,159	2,665,450	1,138,394	301,654	2,386,356	14,353,445
1,114,837	-	279,688	-	1,236,694	2,735,334
414,841	973,437	53,179	334,010	453,034	2,456,175
93,398	-	111,897	-	166,487	558,357
58,747	-	13,276	-	16,461	88,484
-	-	-	-	280,269	540,265
-	740,592	-	-	-	740,592
-	-	-	-	-	5,331,899
-	-	-	-	-	153,343
-	-	-	-	-	580,383
1,857	717,902	25,503	-	30,088	775,350
1,683,680	2,431,931	483,543	334,010	2,183,033	13,960,182
-	-	-	-	(1,811,219)	(1,546,030)
7,479	233,519	654,851	(32,356)	2,014,542	1,939,293
(22,538)	7,741	6,880,017	1,236,597	1,021,321	10,710,346
\$ (15,059)	\$ 241,260	\$ 7,534,868	\$ 1,204,241	\$ 3,035,863	\$ 12,649,639

Hawkeye Community College

Schedule of Changes in Assets Held in Custody for Others -
Agency Funds
Year Ended June 30, 2005

	Student Organizations	Miscellaneous	Total
Additions:			
State appropriations	\$ -	\$ 82,087	\$ 82,087
Tuition and fees	185,042	3,072	188,114
Sales and services	36,693	1,668,671	1,705,364
Miscellaneous	12,596	1,598	14,194
	<u>234,331</u>	<u>1,755,428</u>	<u>1,989,759</u>
Deductions:			
Salaries and benefits	40,584	56,011	96,595
Services	114,867	1,881	116,748
Materials and supplies	127,147	1,721,145	1,848,292
Travel	9,522	-	9,522
Miscellaneous	212	43	255
Transfer among funds	-	10,232	10,232
	<u>292,332</u>	<u>1,789,312</u>	<u>2,081,644</u>
Net (decrease)	(58,001)	(33,884)	(91,885)
Assets held in custody for others:			
Beginning	122,207	198,723	320,930
Ending	<u>\$ 64,206</u>	<u>\$ 164,839</u>	<u>\$ 229,045</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, 2005

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	56,373	-	56,373	940,331	-	940,331
Vocational education	65,754	-	65,754	1,417,031	-	1,417,031
Adult/continuing education	-	-	-	408,562	76,120 *	484,682
Cooperative programs/services	-	-	-	-	-	-
Related services and activities	-	-	-	-	-	-
	<u>122,127</u>	<u>-</u>	<u>122,127</u>	<u>2,765,924</u>	<u>76,120</u>	<u>2,842,044</u>

* Includes 240 hour adjustment of 247 hours.

Hawkeye Community College

Comparison of Taxes and Intergovernmental Revenues

	Year Ended June 30,			
	2005	2004	2003	2002
Local (property taxes)	\$ 6,056,036	\$ 4,441,456	\$ 4,637,770	\$ 3,909,413
State	10,597,041	11,151,485	11,157,848	10,579,182
Federal	8,785,557	9,215,730	8,539,549	8,607,465
Total	\$ 25,438,634	\$ 24,808,671	\$ 24,335,167	\$ 23,096,060

Hawkeye Community College

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

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	\$ 153,343	\$ -
Federal Work-Study Program (FWS)	84.033	N/A	199,179	-
Federal Pell Grant Program	84.063	N/A	5,331,899	-
Federal Direct Loan	84.268	N/A	-	12,025,797
Total Student Financial Assistance Cluster			5,684,421	12,025,797
Passed through Iowa Department of Education:				
Vocational Education - Basic Grants to States	84.048	N/A	335,866	-
TRIO - Student Support Services	84.042	N/A	202,766	-
Adult Education - State Grant Program	84.002	N/A	352,637	-
Tech-Prep Education	84.243	N/A	69,108	-
Higher Education - Institutional Aid	84.031	N/A	98,296	-
			1,058,673	-
Total U.S. Department of Education			6,743,094	12,025,797
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	257,361	-
Youth Activities	17.259	1-W-07-FR-0	308,066	-
Dislocated Workers	17.260	1-W-07-FR-0	251,103	-
Total Workforce Investment Act Cluster			816,530	-
Employment Services Cluster:				
Employment Service	17.207	1-W-07-FR-0	42,203	-
Disabled Veteran's Outreach Program	17.801	1-W-07-FR-0	3,644	-
Local Veteran's Employment Representative Program	17.804	1-W-07-FR-0	3,667	-
Total Employment Services Cluster			49,514	-
Unemployment insurance	17.225	1-W-07-FR-0	35,623	-
Employment and Training Assistance:				
Transition Planning and Demonstration	17.720	1-W-07-FR-0	7,559	-
Trade Adjustment Assistance Workers	17.245	1-W-07-FR-0	1,502	-
Dislocated Workers	17.260	1-W-07-FR-0	68,064	-
Mine Safety and Health Administration	17.600	1-W-07-FR-0	3,125	-
			80,250	-
Total U.S. Department of Labor			\$ 981,917	\$ -

(Continued)

Hawkeye Community College

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2005

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	\$ 681,396	\$ -
Federal Mediation and Conciliation Services, Passed through the Iowa Workforce Development, Labor Management Cooperation	34.002	1-W-07-FR-0	2,294	-
Corporation for National and Community Service, Direct, Senior Companion Program	94.016	N/A	363,935	-
U.S. Department of Commerce, Direct, Public Telecommunications Facilities	11.550	N/A	247,103	-
U.S. Department of Agriculture: Passed through the Iowa Department of Nutrition, Child Nutrition CACFP	10.558	N/A	5,912	-
Passed through the Iowa Workforce Development, State Administrative Matching Grants for Food Stamp Program	10.561	1-W-07-FR-0	6,342	-
			12,254	-
Total federal awards expended			\$ 9,031,993	\$ 12,025,797
Total federal awards expended and new loans			\$21,057,790	

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, 2005

The prior year single audit disclosed no findings and no uncorrected or unresolved findings from prior single audits.

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, 2005, and have issued our report thereon dated December 16, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hawkeye Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. A reportable condition involves a matter coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hawkeye Community College's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 05-II-A.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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, 2005.

We also noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questions Costs. Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the 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, 2005

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

Scope of this Report

Hawkeye Community College's basic financial statements include the financial statements of Hawkeye Community College Technical Foundation, Inc. discretely presented component unit, which was audited by other auditors. We did not audit the compliance with the requirements of laws, regulations, contracts, and grants of the discretely presented component unit, and accordingly, this report does not extend to the discretely presented component unit.

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, 2005. 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; and (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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, 2005. We also noted certain immaterial instances of noncompliance that we have reported to management of the College in a separate letter dated December 16, 2005.

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 the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the 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, 2005

Hawkeye Community College

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- ◆ Material weakness(es) identified? Yes No
- ◆ Reportable condition(s) identified that are not considered to be material weakness(es)? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- ◆ Material weakness(es) identified? Yes No
- ◆ Reportable condition(s) identified that are not considered to be material weakness(es)? 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
Job Opportunities and Basics Skills Training (Promise Jobs)	93.558
Workforce Investment Act:	
Workforce Investment Act – Adult	17.258
Workforce Investment Act – Youth	17.259
Workforce Investment Act – Dislocated Worker	17.260

Hawkeye Community College

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Dollar threshold used to distinguish between
type A and type B programs \$631,734

Auditee qualified as low-risk auditee? Yes No

II. Findings Relating to the Basic Financial Statements

A. Reportable Conditions in Internal Control

05-II-A Finding: The College implemented a new computer system and chart of accounts at the beginning of the fiscal year. There were several fund balances that did not reconcile to previously audited amounts due to the College not posting prior year adjusting entries as well as certain transactions were posted directly to fund balances versus use of transfers accounts between funds. As a result, a significant number of adjustments were required to reconcile the fund balances and certain account balances.

Condition: The College did not post prior year audit entries to its general ledger. Upon conversion to the new chart of accounts there were three receivable balances from the prior year that were coded directly to fund balances. In addition, due to time constraints as a result of the implementation of the computer system and related training, several accounts were not adjusted by the College on a timely basis, including receivables for federal and state grants expended.

Recommendation: We recommend the College reconcile and post all adjustments on a timely basis. In addition, transactions affecting different funds should be recorded utilizing due to/from or transfer accounts versus posting the adjustment directly to fund balances.

Response and Corrective Action Plan: The College is now fully converted to the new computer system and staff has been trained on the system. The College will post all audit adjustments and reconcile fund balances on a timely basis.

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-05 Official Depositories

Official depositories have been adopted by the Board. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget

Expenditures during the year ended June 30, 2005 did not exceed the amounts budgeted.

Hawkeye Community College

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

IV-C-05 Questionable Disbursements

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

IV-D-05 Travel Expense

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

IV-E-05 Business Transactions

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

IV-F-05 Bond Coverage

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

IV-G-05 Board Minutes

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

IV-H-05 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-05 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-05 Credit and Contact Hours

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

IV-K-05 Tuition

Finding: The College failed to comply with Chapter 260C.14(12) of the Iowa Code that requires the College to not exceed the lowest tuition rate per semester, or the equivalent, charged by an institution of higher education under the state board of regents for a full-time Iowa resident student.

Hawkeye Community College

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Recommendation: The College should continue to be aware of all applicable statutes of the Iowa Code.

Response and Corrective Action Plan: The College will monitor that the tuition charged to resident students does not exceed the lowest tuition rate per semester charged by an institution of higher education.

Conclusion: Response accepted.

Hawkeye Community College

Corrective Action Plan
Year Ended June 30, 2005

Finding Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Reportable Conditions in Internal Control:				
05-II-A	The College did not post entries and reconcile beginning fund balance.	See corrective action plan at 05-II-A.	June 2006	Linda Nielson
Other Findings Related to Required Statutory Reporting				
IV-K-05	The College did not comply with Chapter 260C.14(12) of the Code of Iowa.	See corrective action plan at IV-K-05.	June 2006	Linda Nielson