

# 2015-2016

Independent Auditors' Report  
Financial Statements and Supplemental Information  
Schedule of Findings and Questioned Costs

For the year ended June 30, 2016



State of Iowa – Area VII Community College

**HAWKEYE COMMUNITY COLLEGE  
WATERLOO, IOWA**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**HAWKEYE COMMUNITY COLLEGE  
1501 EAST ORANGE ROAD  
WATERLOO, IA 50701  
[www.hawkeyecollege.edu](http://www.hawkeyecollege.edu)**

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**HAWKEYE COMMUNITY COLLEGE  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Trustees</b>		
Casey McLaughlin	Chairperson	2019
Jay Nardini	Vice Chairperson	2019
Teresa Meyer	Member	2019
David Krejchi	Member	2017
Bruce Clark	Member	2017
Gene Ficken	Member	2017
Ronald McGregor	Member	2019
John Schuller	Member	2017
Joan Webster-Vore	Member	2017

**Community College**  
(As of June 30, 2016)

Linda Allen	President
Daniel Gillen	Vice President, Administration and Finance
Julie Thomas	Board Treasurer
Donna McNulty	President Secretary
Denise Dunn	Board Secretary



## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Hawkeye Community College  
Waterloo, Iowa

### Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hawkeye Community College Foundation (a discretely presented component unit of the Community College discussed in Note 1), which statements reflect total assets of \$7,121,991 and total revenues of \$1,186,990 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Hawkeye Community College Foundation, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Hawkeye Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

### *Opinions*

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress for the Retiree Health Plan, the Schedule of the College's Proportionate Share of the Net Pension Liability, the Schedule of College Contributions, and Notes to Required Supplementary Information – Net Pension Liability on pages 4 through 10 and 34 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hawkeye Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which is not presented herein) and expressed unmodified opinions on those financial statements. We did not previously audit, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2006. The other supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, Schedule 10, is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of federal expenditures is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hawkeye Community College's internal control over financial reporting and compliance.

Spencer, Iowa  
December 5, 2016

*Williams & Company, P.C.*  
Certified Public Accountants

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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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, 2016. We are also discretely presenting financial information about the Hawkeye Community College Foundation (Foundation). We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- College operating revenues totaled \$35,203,357 for fiscal year 2016, and increased \$2,809,995, as compared to fiscal year 2015 operating revenues of \$32,393,362. The increase resulted primarily from an increase in net tuition and fees and federal appropriations, partially offset by a reduction in new jobs training program revenue.
- College operating expenses totaled \$60,689,303 for fiscal year 2016 and increased \$2,580,136, as compared to fiscal year 2015 operating expenses of \$58,109,167. The increase resulted primarily from the expansion of early childhood services and adult literacy programming as well as increased costs associated with physical plant and early retirement.
- The College's net position decreased 0.3%, or \$230,413, from the year ended June 30, 2015.

**USING THE ANNUAL REPORT**

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

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

The Basic Financial Statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances.

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

Required Supplementary Information presents the College's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the individual funds. The Budgetary Comparison Schedule of Expenditures – Budget to Actual further explains and supports the financial statements with a comparison of the College's budget for the year. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the College.

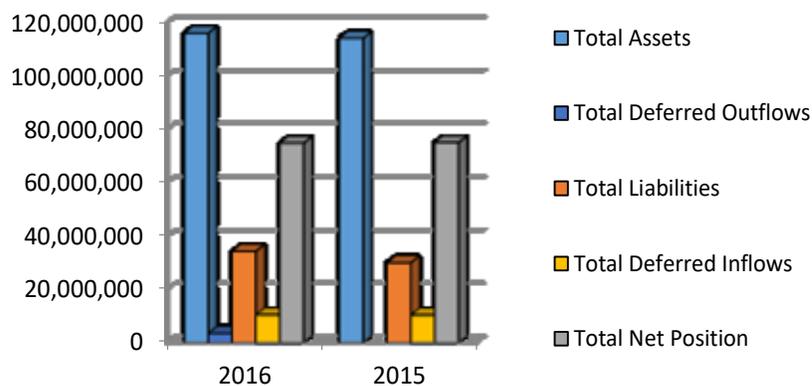
## REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

### The Statement of Position

The statement of net position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as a whole, as of the end of the fiscal year June 30, 2016. The statement of net position is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The statement of net position includes year-end information concerning current and non-current assets, deferred outflows or resources, current and non-current liabilities, deferred inflows of resources, and net position. Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net position. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

### Net Position

	June 30, 2016	June 30, 2015
Current and Other Assets	\$ 57,915,763	\$ 56,063,042
Capital Assets, Net of Accumulated Depreciation	58,316,870	58,282,119
<b>Total Assets</b>	<b>116,232,633</b>	<b>114,345,161</b>
Deferred Outflows of Resources	3,623,204	1,385,410
Current Liabilities	14,808,204	11,932,257
Non-current Liabilities	19,539,038	18,135,686
<b>Total Liabilities</b>	<b>34,347,242</b>	<b>30,067,943</b>
Deferred Inflows of Resources	10,551,806	10,475,426
Net Position:		
Net Investment in Capital Assets	60,403,511	58,282,119
Restricted	10,213,825	11,616,293
Unrestricted	4,339,453	5,288,790
<b>Total Net Position</b>	<b>\$ 74,956,789</b>	<b>\$ 75,187,202</b>



### Comparison of Net position

A portion of the College's net position (80.6%) 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 position (13.6%) includes resources that are subject to external restrictions. The remaining net position (5.8%) are the unrestricted net position that can be used to meet the College's obligations as they come due.

## Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned by the College, both operating and non-operating, and the expenses incurred by the College, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

In general, a public college, such as Hawkeye Community College, will report an operating loss since the financial reporting model classifies state appropriations and property taxes as non-operating 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. Non-operating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

### Changes in Net Position

	Year Ended June 30, 2016	Year Ended June 30, 2015
Operating Revenues:		
Tuition and Fees	\$ 18,459,195	\$ 17,732,024
Less: Scholarship Allowances	<u>(7,316,422)</u>	<u>(8,214,705)</u>
Tuition and Fees, net of scholarship allowances	11,142,773	9,517,319
Federal Appropriations	15,917,845	13,559,712
Iowa Industrial New Jobs Training Program	2,658,380	3,813,684
Auxiliary Enterprises Revenue, net of scholarships	2,189,174	2,133,658
Gifts and Grants	87,034	95,959
Miscellaneous	<u>3,208,151</u>	<u>3,273,030</u>
Total Operating Revenues	<u>35,203,357</u>	<u>32,393,362</u>
Total Operating Expenses	<u>60,689,303</u>	<u>58,109,167</u>
Operating Loss	(25,485,946)	(25,715,805)
Non-Operating Revenues (Expenses)		
State Appropriations	17,149,114	17,099,053
Property Taxes	8,469,716	8,262,008
Interest Income from Investments	252,834	277,070
Gain (Loss) on Sale of Capital Assets	(144,420)	(176,488)
Interest on Indebtedness	<u>(471,711)</u>	<u>(514,188)</u>
Net Non-Operating Revenues	<u>25,255,533</u>	<u>24,947,455</u>
(Decrease) in Net Position	(230,413)	(768,350)
Net Position Beginning of Year	75,187,202	75,955,552
Net Position End of Year	<u>\$ 74,956,789</u>	<u>\$ 75,187,202</u>

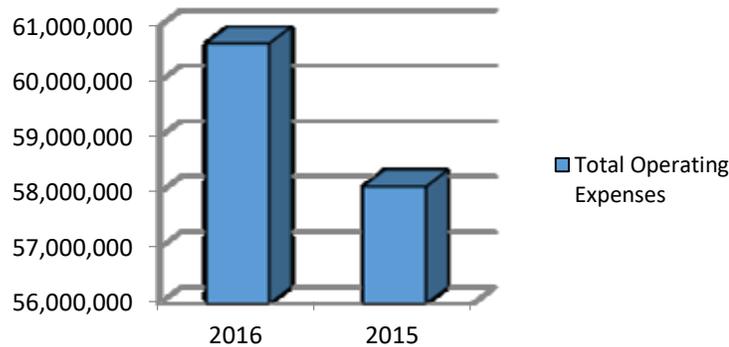
Net Position of the College decreased \$230,413 as a result of operations during fiscal year 2016.

In fiscal year 2016, the major fluctuations in revenues were a result of the following changes:

- Increase in tuition rate.
- Federal Appropriations increased due primarily to I-HUM and a John Deere National Emergency Grant.

## Operating Expenses

	Year Ended June 30, 2016	Year Ended June 30, 2015
Education and Support:		
Liberal Arts and Sciences	\$ 7,582,396	\$ 7,370,096
Vocational Technical	16,450,678	16,264,681
Adult Education	5,077,968	4,689,368
Cooperative Services	5,275,000	5,345,385
General Administration	2,319,533	1,953,527
Student Services	3,947,029	3,939,035
Learning Resources	1,077,673	1,143,181
Physical Plant	4,286,328	3,679,968
General Institution	7,737,937	6,887,909
Sub-total	<u>53,754,542</u>	<u>51,273,150</u>
Auxiliary Enterprises	2,698,963	2,784,313
Scholarships and Grants	1,206,324	1,107,943
Depreciation Expense	<u>3,029,474</u>	<u>2,943,761</u>
 Total	 <u>\$ 60,689,303</u>	 <u>\$ 58,109,167</u>



In fiscal year 2016, the major fluctuations in operating expenses were a result of the following factors:

- General institution expenses increased due primarily to Early Childhood services and early retirement costs.
- Physical Plant expenses increased due to utility costs and campus repair, upkeep and improvement projects.
- Adult Education expenditures increased due to categorical funding provided by the State.

## 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, non-capital financing, capital financing and investing activities.

### Cash Flows

	Year Ended June 30, 2016	Year Ended June 30, 2015
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (24,862,371)	\$ (24,717,554)
Non-Capital Financing Activities	25,618,828	25,361,061
Capital and Related Financing Activities	140,409	(6,900,400)
Investing Activities	<u>(3,901,355)</u>	<u>9,726,624</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,004,489)	3,469,731
Cash and Cash Equivalents at Beginning of Year	<u>5,301,372</u>	<u>1,831,641</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,296,883</u></u>	<u><u>\$ 5,301,372</u></u>

Cash used by operating activities includes tuition, fees, grants and contracts, net of payments to employees and to suppliers. Cash provided by non-capital financing activities includes state appropriations 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 AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2016, the College had \$58,316,870 invested in capital assets, which was net of accumulated depreciation of \$37,784,387. Depreciation expense totaled \$3,029,474 for fiscal year 2016. Details of the capital assets are shown below.

### Capital Assets, Net, at Year-End

	June 30, 2016	June 30, 2015
Land	\$ 434,179	\$ 379,179
Construction in Progress	<u>555,243</u>	<u>2,599,570</u>
Capital Assets Not Depreciated	989,422	2,978,749
Buildings	29,765,156	30,619,581
Other Structures and Improvements	21,637,823	18,985,556
Furniture and Equipment	<u>5,924,469</u>	<u>5,698,233</u>
Capital Assets, Net of Depreciation	<u>57,327,448</u>	<u>55,303,370</u>
Total Capital Assets	<u><u>\$ 58,316,870</u></u>	<u><u>\$ 58,282,119</u></u>

Major capital expenses for the fiscal year ended June 30, 2016 include: purchase of land for future expansion; completion of the Child Development Center relocation and remodel and the Black Hawk Hall excavation and waterproofing; upgrade and replacement of doors and electronic access system; Hawkeye Center bathroom remodel. More detailed information about the College's capital assets is presented in Note 5 to the basic financial statements.

## Long-Term Debt

As of June 30, 2016, the College had \$16,608,770 in debt outstanding, an increase of \$1,543,770 from June 30, 2015. The table below summarizes these amounts by type.

### Outstanding Debt

	Year Ended June 30, 2016	Year Ended June 30, 2015
Certificate Payable	\$ 12,811,457	\$ 15,065,000
General Obligation Bonds	3,797,313	-
Total	<u>\$ 16,608,770</u>	<u>\$ 15,065,000</u>

More detailed information about the College's outstanding debt is presented in Note 6 to the basic financial statements.

## ECONOMIC FACTORS

Hawkeye Community College continues to take steps in anticipation of enrollment decreases experienced by most of Iowa's Community Colleges due to demographic and economic fluctuations. Cost cutting measures in the past few years have resulted in a financial situation for the College that will help position it to maintain fiscal sustainability during uncertain economic times ahead. Some challenges that are facing the College are:

- While the Iowa Department of Education projects a modest increase in the number of high school graduates through 2018, longer-term projections show a decline in their total number through 2030.
- Historically, community colleges will experience a decline in enrollment as the labor market improves. The current availability of jobs and a relatively low unemployment rate in parts of Hawkeye's service region are viewed as possible threats to enrollment.
- Salaries, wages and fringe benefits comprise approximately 75% of annual Educational and Support expenses. Providing competitive packages to attract and retain the best employees in an area of relatively low unemployment continues to be an issue facing the College.
- Facilities at the College require constant upkeep and maintenance at increasing costs. The addition of space through new construction and remodeling over the past several years has added an additional burden to maintenance costs. Hawkeye Community College has used a Plant Fund Levy, which expired in fiscal year 2015, to help fund the cost of upkeep and repair. In the fall of 2013, the College successfully sought taxpayer approval to extend the levy for an additional 10-year term. In addition, legislation was passed that will allow the levy to continue indefinitely, subject to a reverse referendum.
- The use of technology continues to expand with current equipment quickly becoming outdated. The College faces the challenge of maintaining and upgrading technology at a reasonable cost.
- The Iowa Board of Regents has recommended a change to the distribution formula for state aid to reward enrollment of Iowa students. This initiative will create an increased emphasis to draw Iowa students to the Regents Universities which will in turn create an even higher level of competition with Iowa's Community Colleges.
- The amount of property taxes collected to fund the general operations of the College is capped at a 20.25 cent millage rate. This results in a contribution of approximately 5% of general operating fund resources. The original funding formula for Iowa's Community Colleges intended for local funding to contribute 33% with State General Aid (SGA) and tuition covering one-third each. While SGA contributes nearly 38%, the shortfall in local funding has shifted the burden to tuition and fees which now account for approximately 51% of the general operating fund.
- Hawkeye Community College has the 6<sup>th</sup> lowest mandatory tuition and fees rate per credit hour of the 15 Iowa Community Colleges and charges nearly \$3 less than the state average.
- Revenue forecasts for Iowa suggest a sluggish economy for the next 2 or 3 years. As a result, legislative leaders have expressed a desire to reduce the overall state budget and look at a variety of tax reform proposals.

## **CONTACTING THE COLLEGE'S FINANCIAL MANAGMENT**

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.

## **Basic Financial Statements**

**HAWKEYE COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	Primary Government	Component Unit
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 2,296,883	\$ 258,713
Pooled Investments	14,184,106	4,183,588
Receivables:		
Accounts Receivable, net	-	27,660
Due from Others, Net of Allowance for Uncollectible Accounts of \$6,068,950	3,650,989	28,768
Accrued Interest	34,445	14,778
Property Taxes - Succeeding Year	8,801,396	-
Student Loans	16,641	-
Loans Receivable, Net	-	31,639
Iowa Industrial New Jobs Training Program	782,084	-
Due From Other Governments	2,324,304	-
Prepaid Expenses	505,583	-
Inventories	153,479	-
	32,749,910	4,545,146
Total Current Assets		
Noncurrent Assets		
Pooled Investments	25,165,853	2,139,950
Receivables:		
Life Insurance Cash Value	-	27,048
Capital Assets:		
Land	434,179	375,841
Land Improvements	-	37,785
Construction in Progress	555,243	-
Buildings	49,730,154	-
Other Structures and Improvements	29,534,216	-
Furniture and Equipment	15,847,465	-
Accumulated Depreciation	(37,784,387)	(3,779)
	83,482,723	2,576,845
Total Noncurrent Assets		
	116,232,633	7,121,991
<b>TOTAL ASSETS</b>		
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Deferred Outflows	3,623,204	-
	3,623,204	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>		
	\$ 3,623,204	\$ -

**HAWKEYE COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	Primary Government	Component Unit
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 1,855,468	\$ 63,523
Salaries and Benefits Payable	3,366,933	-
Accrued Interest Payable	36,503	-
Unearned Revenue	1,402,091	-
Compensated Absences	587,500	-
Early Retirement Payable	1,306,355	-
Assets Held in Custody for Others	840,854	-
Bonds and Capital Notes Payable	2,371,918	-
Certificates Payable	3,091,646	-
Total Current Liabilities	14,859,268	63,523
Noncurrent Liabilities		
Unearned Revenue	310,700	-
Compensated Absences	223,364	-
Certificates Payable	9,719,811	-
Bonds and Capital Notes Payable	1,425,395	-
Net Pension Liability	7,517,459	-
Net OPEB Liability	291,245	-
Total Noncurrent Liabilities	19,487,974	-
<b>TOTAL LIABILITIES</b>	<b>34,347,242</b>	<b>63,523</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Property Tax Revenue	8,801,396	-
Pension Related Deferred Inflows	1,750,410	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>10,551,806</b>	<b>-</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	60,403,511	409,847
Restricted:		
Nonexpendable:		
Endowment	-	2,161,074
Expendable:		
Economic Development	2,389,665	-
Property Tax Levies	2,942,412	-
Iowa New Jobs Training	2,837,817	-
Scholarships and Departmental Programs	52,214	601,066
Loans	99,434	141,509
Cash Reserve	366,380	-
Other	1,525,903	1,782,791
Unrestricted	4,339,453	1,962,181
<b>TOTAL NET POSITION</b>	<b>\$ 74,956,789</b>	<b>\$ 7,058,468</b>

See Accompanying Notes to Financial Statements

**HAWKEYE COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2016**

	Primary Government	Component Unit
<b>REVENUES</b>		
Operating Revenues:		
Tuition and Fees, net of scholarship allowances of \$7,316,422	\$ 11,142,773	\$ -
Federal Appropriations	15,917,845	-
Iowa Industrial New Jobs Training Program	2,658,380	-
Gifts and Grants	87,034	1,085,518
Auxiliary Enterprises Revenue, net of scholarship allowances of \$359,469	2,189,174	-
Miscellaneous	3,208,151	38,539
Total Operating Revenues	35,203,357	1,124,057
<b>EXPENSES</b>		
Operating Expenses:		
Education and Support:		
Liberal Arts and Sciences	7,582,396	-
Vocational Technical	16,450,678	-
Adult Education	5,077,968	-
Cooperative Services	5,275,000	-
General Administration	2,319,533	-
Student Services	3,947,029	-
Learning Resources	1,077,673	-
Physical Plant	4,286,328	-
General Institution	7,737,937	-
Auxiliary Enterprises	2,698,963	-
Scholarships and Grants	1,206,324	263,737
Loan Cancellations and Bad Debts	-	52,265
Administrative	-	448,374
Capital/Facilities Assistance	-	303,548
Fundraising Expenses	-	143,354
Depreciation Expense	3,029,474	2,519
Total Operating Expenses	60,689,303	1,213,797
Operating (Loss)	(25,485,946)	(89,740)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State Appropriations	17,149,114	-
Property Taxes	8,469,716	-
Interest Income from Investments	252,834	62,933
Loss on Sale of Capital Assets	(144,420)	-
Interest on Indebtedness	(471,711)	-
Net Non-Operating Revenues	25,255,533	62,933
Change in Net Position	(230,413)	(26,807)
Net Position Beginning of Year	75,187,202	7,085,275
Net Position End of Year	\$ 74,956,789	\$ 7,058,468

See Accompanying Notes to Financial Statements

**HAWKEYE COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016**

	Primary Government
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Tuition and Fees	\$ 17,860,109
Grants and Contracts	15,938,977
Iowa Industrial New Jobs Training Program	545,000
Payments to Employees	(33,382,231)
Payments to Suppliers	(28,438,598)
Payments to NJTP Recipients	(950,501)
Collection of Loans to Students	(436)
Auxiliary Enterprise Net Activity	(273,948)
Other Receipts	3,757,443
Miscellaneous Agency Fund Receipts	2,922,806
Miscellaneous Agency Fund Disbursements	(2,840,992)
	(24,862,371)
<b>Net Cash (Used) by Operating Activities</b>	
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
State Appropriations	17,149,113
Property Taxes	8,469,715
	25,618,828
<b>Net Cash Provided from Non-Capital Financing Activities</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from Sale of Capital Assets	16,100
Purchases of Capital Assets	(3,224,740)
Proceeds from New Debt Issued	6,138,765
Principal Paid on Debt and Leases	(2,320,000)
Interest Paid on Debt and Leases	(469,716)
	140,409
<b>Net Cash Provided from Capital and Related Financing Activities</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from Sales and Maturities of Investments	24,318,769
Purchase of Investments	(28,464,520)
Interest on Investments	244,396
	(3,901,355)
<b>Net Cash (Used) by Investing Activities</b>	
<b>Net Decrease in Cash</b>	(3,004,489)
<b>Cash at Beginning of Year</b>	5,301,372
<b>Cash at End of Year</b>	\$ 2,296,883

**HAWKEYE COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016**

<b>Reconciliation of Operating (Loss) to Net Cash</b>	
<b>(Used) by Operating Activities:</b>	
Operating (Loss)	\$ (25,485,946)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:	
Depreciation	3,029,474
Changes in Assets and Liabilities:	
Increase in Due From Others	(437,613)
Increase in Notes Receivable	(436)
Increase in Due From Other Governments	(65,902)
Increase in Inventories	(1,597)
Increase in Prepaid Expenses	(197,473)
Increase in Deferred Outflows	(2,237,794)
Decrease in Accounts Payable	(597,822)
Increase in Salaries and Benefits Payable	690,307
Decrease in Compensated Absences	(43,196)
Decrease in Unearned Revenue	(45,762)
Increase in Early Retirement Payable	276,069
Increase in Assets Held in Custody for Others	81,814
Decrease in NJTP Loans Payable	(2,253,543)
Decrease in Net OPEB Liability	(7,463)
Increase in Net Pension Liability	2,358,132
Increase in Deferred Inflows	76,380
	<hr/>
Total Adjustments	623,575
	<hr/>
<b>Net Cash (Used) by Operating Activities</b>	<b>\$ (24,862,371)</b>
	<hr/> <hr/>

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Note 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hawkeye Community College is a publicly supported school established and operated by Merged Area VII under the provisions of Chapter 260C of the Code of Iowa. Hawkeye Community College may offer programs of adult and continuing education, lifelong learning, community education, and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. Hawkeye Community College may also offer up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. Hawkeye Community College maintains seven sites throughout Waterloo, Cedar Falls, and Independence, Iowa, and has its administrative offices in Waterloo. Hawkeye Community College is governed by a Board of Trustees whose members are elected from each trustee district within Merged Area VII.

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

A. Reporting Entity

For financial reporting purposes, Hawkeye Community College has included all funds, organizations, agencies, boards, commissions and authorities. Hawkeye Community College has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with Hawkeye Community College are such that exclusion would cause Hawkeye Community College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the College to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on Hawkeye Community College.

These financial statements present Hawkeye Community College (the primary government) and its component unit. The component unit discussed below is included in Hawkeye Community College's reporting entity because of the significance of its operational or financial relationship with the Community College. Certain disclosures about the component unit have been audited separately and a report has been issued under a separate cover. The audited financial statements are available at the College.

Discretely Presented Component Unit

Hawkeye Community College Foundation is a non-profit corporation, whose 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 is governed by a Board of Trustees, two of which are appointed by the Board of Trustees of the Community College. The Foundation operates on a June 30 fiscal year end. The financial statements of Hawkeye Community College Foundation, Inc. can be obtained from: Business Services, Hawkeye Community College, 1501 E. Orange Road, P.O. Box 8015, Waterloo, IA 50704-8015.

B. Basis of Presentation

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires resources to be classified for accounting and reporting purposes into the following net position categories/components:

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

Note 1 -- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position:

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

Expendable – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College, pursuant to those stipulations or that expire by the passage of time.

Unrestricted Net Position: Net position not subject to externally imposed situations. Resources may be designated for specific purposes by action of management or by the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and general programs of the College.

GASB Statement No. 35 requires the Statements of Net Position, Revenues, Expenses, and Changes in Net Position and Cash Flows be reported on a consolidated basis. These basic financial statements report information on all of the activities of the College. For the most part, the effect of interfund activity has been removed from these statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the balance sheets:

Cash, Cash Equivalents and Pooled Investments -- Investments are stated at fair value.

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

Due From Other Governments -- This represents state aid, grants and reimbursements due from the State of Iowa, and grants and reimbursements due from the Federal government.

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

Note 1 -- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Inventories -- Inventories are valued at lower of cost (first-in, first-out method) or market, except for the livestock and grain from the farm operations, which is valued at market value. Inventories consist of supplies and materials held for consumption, livestock and merchandise held for resale. The cost is recorded as an expenditure at the time individual inventory items are consumed or sold.

Property Tax Receivable – Property tax 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. The succeeding year property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to submit to the state board by May 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2016 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets -- Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the College), are reported 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 repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. No interest costs were capitalized.

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>Assets</u>	<u>Years</u>
Buildings and Other Structures and Improvements	25 - 50
Furniture and Equipment	3 - 10

The College does not capitalize or depreciate library books. The value of each book falls below the capital asset threshold and the balance was deemed immaterial to the financial statements.

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

Note 1 -- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Salaries and Benefits Payable -- Payroll and related expenses for instructors with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned Revenue – When assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue. Unearned revenue consists of tuition deposits, tuition and fees for a portion of summer classes, fees and registration for fall, unearned revenue on 260E projects, unearned revenue on federal and state funds.

Compensated Absences – College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences plus related benefits are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2016.

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

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

Auxiliary Enterprise Revenues – Auxiliary enterprise revenues primarily represent revenues generated by career education, adult education, farm operations, and food service.

Summer Session – The Community College operates summer sessions during May, June, and July. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the summer session class schedule.

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.

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

Note 1 -- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Operating and Non-operating Activities – Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Position, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Non-operating activities include state appropriations, property tax, and interest income.

E. Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method, as prescribed by the National Association of College and University Business Officer (NACUBO). Certain aid (loans and funds provided to students as awarded by third parties) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid 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. Under the alternative method, these amounts are computed on a total College basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third party aid.

Note 2 – **CASH, CASH EQUIVALENTS, AND POOLED INVESTMENTS**

The College's deposits in banks at June 30, 2016, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

Note 2 – **CASH, CASH EQUIVALENTS, AND POOLED INVESTMENTS** (Continued)

At June 30, 2016, the Community College had the following investments:

Current Pooled Investments	\$ 14,184,106
Noncurrent Pooled Investments	25,165,853
	<u>\$ 39,349,959</u>

Investment Type	Fair Value	Investment Maturities (in years)	
		Less than 1	1 to 5
Money Market Mutual Fund	\$ 7,956,927	\$ 7,956,927	\$ -
Certificates of Deposit	1,396,039	211,038	1,185,001
U.S Government Securities	20,038,926	6,016,141	14,022,785
U.S Agency Securities	9,958,067	-	9,958,067
	<u>\$ 39,349,959</u>	<u>\$ 14,184,106</u>	<u>\$ 25,165,853</u>

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

The recurring fair value measurement for the Money Market Mutual Fund, U.S. Government Securities and U.S. Agency Securities were determined using quoted market prices (Level 1 inputs).

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

Credit risk - The Community College's investments in Money Market Mutual Funds are unrated.

Concentration of credit risk - The College's investment policy seeks to provide safety of the principal, maintain the necessary liquidity to match expected liabilities, and obtain a reasonable rate of return. The policy allows for 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 College to invest in futures, options or reverse purchase agreements.

**Component Unit Investments.** Investments are managed by the Foundation and external managers, in accordance with Board policy, and are stated at fair value and categorized according to the generally accepted accounting principles hierarchy described above. Fair value of the investments has been determined as of June 30. Values have not been adjusted for market fluctuations subsequent to June 30. Accounting principles generally accepted in the United States of America require adjustment of year end values only when the value has been permanently impaired. Management does not feel market fluctuations after year end have caused permanent impairment to its investment portfolio. A summary of the securities held at June 30, 2016 is presented on the following page:

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

Note 2 – **CASH, CASH EQUIVALENTS, AND POOLED INVESTMENTS** (Continued)

	<u>Fair Value (Level 1)</u>
Common Stocks	\$ 2,585,670
Corporate Bonds	241,688
U.S. Government Agency Bonds	605,402
Mutual Funds - Equity	817,327
Mutual Funds - Foreign	732,084
Mutual Fund	1,341,367
	\$ 6,323,538

Note 3 – **LOANS RECEIVABLE** (Component Unit)

The Foundation, a component unit to the College, makes loans to students of the College to be used primarily for the cost of tuition and books. These loans generally become payable upon the student's completion of or withdrawal from higher education programs. HyPro, John Deere, and Tyson loans become forgivable upon the completion of the program and two or three years of employment with the respective companies.

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible or forgivable amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to loans receivable. Interest rates and terms vary by program. Below is a summary of loans receivable:

	<u>2016</u>
Loans Receivable	\$ 318,313
Less Allowance for Uncollectible Loans	(1,985)
Less Allowance for Forgivable Loans	(284,689)
Net Loans Receivable	\$ 31,639

Note 4 -- **INVENTORIES**

The Community College's inventories at June 30, 2016 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and Materials	\$ 31,469
Farm Operations	90,356
Merchandise Held for Resale	31,654
Total	\$ 153,479

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Note 5 -- CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 379,179	\$ 55,000	\$ -	\$ 434,179
Construction in progress	2,599,570	542,895	2,587,222	555,243
Total capital assets not being depreciated	<u>2,978,749</u>	<u>597,895</u>	<u>2,587,222</u>	<u>989,422</u>
Capital assets being depreciated:				
Buildings	49,590,624	139,530	-	49,730,154
Other structures and improvements	25,890,303	3,643,913	-	29,534,216
Furniture and equipment	14,879,412	1,430,630	462,577	15,847,465
Total capital assets being depreciated	<u>90,360,339</u>	<u>5,214,073</u>	<u>462,577</u>	<u>95,111,835</u>
Less accumulated depreciation for:				
Buildings	18,971,043	993,955	-	19,964,998
Other structures and improvements	6,904,747	991,646	-	7,896,393
Furniture and equipment	9,181,179	1,043,873	302,056	9,922,996
Total accumulated depreciation	<u>35,056,969</u>	<u>3,029,474</u>	<u>302,056</u>	<u>37,784,387</u>
Total capital assets being depreciated, net	<u>55,303,370</u>	<u>2,184,599</u>	<u>160,521</u>	<u>57,327,448</u>
Capital assets, net	<u>\$ 58,282,119</u>	<u>\$ 2,782,494</u>	<u>\$ 2,747,743</u>	<u>\$ 58,316,870</u>

On June 30, 2016, the Community College had future construction commitments of \$117,319. Construction in Progress projects as of June 30, 2016 include: Hawkeye Restroom Remodel and Exterior Campus Signs.

Reconciliation Net Investment in Capital Assets:

Land	\$ 434,179
Buildings	49,730,154
Construction in Progress	555,243
Other Structures and Improvements	29,534,216
Furniture and Equipment	15,847,465
Accumulated Depreciation	<u>(37,784,387)</u>
Capital Assets (Net of Accumulated Depreciation)	58,316,870
Less: Bonds Payable	(3,797,313)
Plus: Unspent Bond Proceeds	<u>\$ 5,883,954</u>
Net Investment in Capital Assets	<u>\$60,403,511</u>

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

Note 5 -- **CAPITAL ASSETS** (Continued)

Capital Assets for the College's Foundation, a component unit, for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 375,841	\$ -	\$ -	\$ 375,841
Total capital assets not being depreciated	375,841	-	-	375,841
Capital assets being depreciated:				
Land Improvements	37,785	-	-	37,785
Total capital assets being depreciated	37,785	-	-	37,785
Less accumulated depreciation for:				
Land Improvements	1,259	2,520	-	3,779
Total accumulated depreciation	1,259	2,520	-	3,779
Total capital assets being depreciated, net	36,526	(2,520)	-	34,006
Capital assets, net	\$ 412,367	\$ (2,520)	\$ -	\$ 409,847

Note 6 -- **LONG-TERM LIABILITIES**

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

	Balance Beginning of Year	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Compensated Absences	\$ 854,060	\$ 710,355	\$ (753,551)	\$ 810,864	\$ 587,500
Early Retirement Payable	1,030,285	1,254,046	(977,976)	1,306,355	1,306,355
Certificates Payable	15,065,000	1,915,000	(4,185,000)	12,795,000	3,090,000
General Obligation School Bonds	-	6,000,000	(2,320,000)	3,680,000	2,310,000
Net Pension Liability	5,159,327	2,358,132	-	7,517,459	-
Net OPEB Liability	298,708	-	(7,463)	291,245	-
Total Primary Government	\$ 22,407,380	\$ 12,237,533	\$ (8,243,990)	\$ 26,400,923	\$ 7,293,855

General Obligation School Bonds listed on the Statement of Net Position include Unamortized Premium of \$117,313. Certificates Payable listed on the Statement of Net Position include Unamortized Premium of \$16,457.

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

Note 6 -- **LONG-TERM DEBT** (Continued)

Certificates Payable

In accordance with agreements dated between June 30, 1996 and June 30, 2016, the Community College issued certificates with a June 30, 2016 outstanding balance of \$12,795,000 with interest rates ranging from 0.40% to 5.35%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semi-annually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves, and, in the case of default, from standby property taxes. During 2016, Hawkeye Community College recorded \$419,827 of interest expense from the certificates payable.

The certificates will mature as follows:

Year Ending June 30,	Principal	Interest	Total
2017	3,090,000	327,650	3,417,650
2018	2,655,000	251,183	2,906,183
2019	1,535,000	172,225	1,707,225
2020	1,225,000	133,358	1,358,358
2021	1,235,000	106,135	1,341,135
2021-2025	<u>3,055,000</u>	<u>173,622</u>	<u>3,228,622</u>
Total	<u>\$ 12,795,000</u>	<u>\$ 1,164,173</u>	<u>\$ 13,959,173</u>

Bonds Payable

On January 26, 2016, Hawkeye Community College issued \$6,000,000 in general obligation school bonds, to finance the improvement of its Main Campus and construct, remodel, erect and equip buildings thereon, and construct, lease, or acquire and improve and equip new or existing facilities. Annual principal payments began June 1, 2016. Interest payments are due semi-annually each June and December. The capital loan notes will mature June 2018. The balance of the general obligation school bonds at June 30, 2016, was \$3,680,000.

Details of the Community College's June 30, 2016 bonded indebtedness maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 2,310,000	\$ 110,400	\$ 2,420,400
2018	<u>1,370,000</u>	<u>41,100</u>	<u>1,411,100</u>
Total	<u>\$ 3,680,000</u>	<u>\$ 151,500</u>	<u>\$ 3,831,500</u>

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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. The leases expire between 2016 and 2021 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2016:

Year Ending June 30,	Amount
2017	\$ 297,107
2018	257,777
2019	239,670
2020	239,503
2121	156,422
Total	<u>\$ 1,190,479</u>

Rents for the year ended June 30, 2016 for all operating leases, except those with terms of a month or less, totaled \$262,893.

**Note 8 -- IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)**

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

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

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

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

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Note 8 -- IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) (Continued)**

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

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

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

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

The Community College's contributions to IPERS for the year ended June 30, 2016 were \$987,894.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Community College reported a liability of \$7,517,459 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Community College's proportion of the net pension liability was based on the Community College's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the Community College's collective proportion was 0.151213 percent, which was an increase of 0.023730 percent from its proportion measured as of June 30, 2014.

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

Note 8 -- **IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)** (Continued)

For the year ended June 30, 2016, the Community College recognized pension expense of \$891,023. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 113,579	\$ -
Changes of assumptions	206,975	-
Net difference between projected and actual earnings on pension plan investments	1,124,761	1,750,410
Changes in proportion and differences between Community College contributions and proportionate share of contributions	1,189,995	-
Community College contributions subsequent to the measurement date	987,894	-
Total	\$ 3,623,204	\$ 1,750,410

\$987,894 reported as deferred outflows of resources related to pensions resulting from the Community College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 81,364
2017	81,364
2018	81,364
2019	573,895
2020	66,913
	\$ 884,900

There are no non-employer contributing entities at IPERS.

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

Note 8 -- IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Note 8 -- IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) (Continued)**

Sensitivity of the Community College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	\$ 13,161,718	\$ 7,517,459	\$ 2,753,299

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan – At June 30, 2016, the College reported payables to the defined benefit pension plan of \$96,976, for legally required employer contributions.

**Note 9 -- TEACHERS INSURANCE AND ANNUITY ASSOCIATION -- COLLEGE RETIREMENT EQUITIES FUND (TIAA-CREF)**

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

Benefit terms, including contribution requirements, for TIAA-CREF are established and specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa. For each employee in the pension plan, the College is required to contribute 8.93 percent of annual salary, including overtime pay, to an individual employee account. Each employee is required to contribute 5.95 percent. Contributions made by both employer and employee vest immediately. For the years ended June 30, 2016, employee contributions totaled \$677,592 and the College recognized pension expense of \$1,016,556.

At June 30, 2016, the College reported payables to the defined contribution pension plan of \$99,789, for legally required employer contributions.

**Note 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description- The College operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 272 active and 13 retired members in the plan. The plan does not issue a publicly available financial report.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy- The contribution requirements of plan members are established and may be amended by the College. The College currently finances the retiree benefit plan on a pay-as-you-go basis.

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

Note 10 - **OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

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

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

Annual Required Contribution	\$ 49,620
Interest on Net OPEB Obligation	12,935
Adjustment to Annual Required Contribution	<u>(18,138)</u>
Annual OPEB Cost	44,417
Net OPEB Obligation Beginning of Year	298,708
Annual OPEB Cost	44,417
Employer Contributions Made	<u>(51,880)</u>
Expected Net OPEB Obligation End of Year	<u><u>\$ 291,245</u></u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2009 through 2016 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$135,045	0%	\$135,045
June 30, 2010	\$135,045	0%	\$270,090
June 30, 2011	\$ 53,233	98.8%	\$270,710
June 30, 2012	\$ 53,233	84.4%	\$279,021
June 30, 2013	\$ 53,714	78.8%	\$290,392
June 30, 2014	\$ 53,714	74.0%	\$304,342
June 30, 2015	\$ 44,417	112.7%	\$298,708
June 30, 2016	\$ 44,417	116.8%	\$291,245

Funded Status and Funding Progress- As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$438,328, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$438,328. The covered payroll (annual payroll of active employees covered by the plan) was \$16,704,697 and the ratio of the UAAL to covered payroll was 2.6%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions- Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

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

As of the July 1, 2014 actuarial valuation date, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 4.25% investment return. The projected annual medical trend (inflation) rate is 5% for all years. An inflation rate of 3% is assumed for the purpose of this computation

Mortality rates are from the RP 2014 Mortality Tables with Scale MP-2014, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Scale T-6 of the Actuary's Pension Handbook. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

**Note 11 -- RISK MANAGEMENT**

The Community College has secured insurance purchased from commercial insurance carriers to provide coverage and protection in the following categories: general liability, automobile liability, group excess liability, linebacker, pollution liability, professional services, property and inland marine, workers compensation and employers' liability, and crime insurance. There have been no reductions in insurance coverage from prior years. Settled claims resulting from the risks have not exceeded commercial insurance coverage in any of the past three years.

**Note 12 -- NEW JOBS TRAINING PROGRAMS**

Hawkeye Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Merged 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 Community 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 tax. The Community College is currently administering 92 projects receiving project funding or in the repayment stage.

Hawkeye Community College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Merged Area VII in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses receive loans from the Iowa Employment Training Fund, a State administered fund. The Community College received funding for 13 projects during fiscal year 2016.

**HAWKEYE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Note 13 – EARLY RETIREMENT PROGRAM**

During fiscal year 2016 and 2015, a Voluntary Early Retirement Plan was offered. All full-time staff that were 55 years of age by the end of the contract year and who had at least 10 years of full-time service with the Community College were eligible for early retirement remuneration. Early retirement was effective at the end of the employee's contract year, unless otherwise negotiated between the College and the employee.

The benefits for fiscal year 2016 were equal to the College making a cash payment of \$52,622, the equivalent to six years of health insurance coverage at the College's current least expensive single health insurance premium with five percent compounded inflation, plus two percent of the contract year salary at the time of retirement election for each complete year based on the employee's full-time employment anniversary date.

The benefits for fiscal year 2015 were equal to the College making a cash payment of \$52,404, the equivalent to six years of health insurance coverage at the College's current least expensive single health insurance premium with five percent compounded inflation, plus two percent of the contract year salary at the time of retirement election for each complete year based on the employee's full-time employment anniversary date.

Payments will be made for both years on the following schedule: the first payment, equal to 30% of the total, paid on the second pay period of the month following the date of retirement; the second payment, equal to the remaining 70% of the total, paid on the second pay period in January of the following calendar year. Eligible employees retiring before reaching 65 year of age are entitled to continue their participation in the College's health insurance program, at their own expense, until they reach 65 years of age.

At June 30, 2016, there was one participant expecting to receive payment under the 2015 plan and there were 15 participants expecting to receive payments under the 2016 plan, with total liability of payments of \$1,306,355. The Community College's early retirement expense for the year ended June 30, 2016 was \$1,278,357.

**Note 14 – NEW ACCOUNTING PRONOUNCEMENT**

The College adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

**Note 15 – SUBSEQUENT EVENTS**

In November of 2016, the College purchased 1.751 acres of land located at Jefferson Street and West Mullan Avenue in Waterloo, IA for \$550,000.

**Required Supplementary Information**

**HAWKEYE COMMUNITY COLLEGE  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

(in thousands)

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2009	July 1, 2008	\$ -	\$ 1,790	\$ 1,790	0.0%	\$ 15,164	11.8%
2010	July 1, 2008	\$ -	\$ 1,790	\$ 1,790	0.0%	\$ 15,164	11.8%
2011	July 1, 2010	\$ -	\$ 578	\$ 578	0.0%	\$ 13,405	4.3%
2012	July 1, 2010	\$ -	\$ 578	\$ 578	0.0%	\$ 13,405	4.3%
2013	July 1, 2012	\$ -	\$ 613	\$ 613	0.0%	\$ 13,678	4.5%
2014	July 1, 2012	\$ -	\$ 613	\$ 613	0.0%	\$ 13,678	4.5%
2015	July 1, 2014	\$ -	\$ 438	\$ 438	0.0%	\$ 16,705	2.6%
2016	July 2, 2014	\$ -	\$ 438	\$ 438	0.0%	\$ 16,705	2.6%

See Note 10 to the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, and the funded status and funding progress.

**HAWKEYE COMMUNITY COLLEGE  
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE LAST TWO YEARS**

	<u>2016</u>	<u>2015</u>
College's Proportion of the Net Pension Liability	0.151213%	0.127483%
College's Proportionate Share of the Net Pension Liability	\$ 7,517,459	\$ 5,159,327
College's Covered-Employee Payroll	\$ 11,062,638	\$ 10,051,937
College's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	67.95%	51.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.19%	87.61%

**Note:** GASB Statement 68 requires 10 years of information to be presented in this table. However, until this information is available, the College will present information from those years for which information is available.

**HAWKEYE COMMUNITY COLLEGE  
SCHEDULE OF COLLEGE CONTRIBUTIONS - IPERS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE LAST TEN YEARS**

	Years Ended June 30,				
	2016	2015	2014	2013	2012
Statutorily Required Contribution	\$ 987,894	\$ 897,638	\$ 759,289	\$ 696,670	\$ 571,237
Contributions in Relation to the Statutorily Required Contribution	<u>987,894</u>	<u>897,638</u>	<u>759,289</u>	<u>696,670</u>	<u>571,237</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered-Employee Payroll	\$ 11,062,638	\$ 10,051,937	\$ 8,502,676	\$ 8,035,409	\$ 7,078,525
Contribution as a Percentage of Covered-Employee Payroll	8.93%	8.93%	8.93%	8.67%	8.07%

2011	2010	2009	2008	2007
\$ 475,282	\$ 503,571	\$ 537,200	\$ 507,045	\$ 469,877
475,282	503,571	537,200	507,045	469,877
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 6,838,590	\$ 7,572,496	\$ 8,459,843	\$ 8,380,909	\$ 8,171,774
6.95%	6.65%	6.35%	6.05%	5.75%

See Accompanying Independent Auditors' Report

**HAWKEYE COMMUNITY COLLEGE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – NET PENSION LIABILITY**  
**JUNE 30, 2016**

**CHANGES OF BENEFIT TERMS:**

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

**CHANGES OF ASSUMPTIONS:**

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

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

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

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

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

## Other Supplementary Information

**HAWKEYE COMMUNITY COLLEGE**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION SCHEDULES**  
**JUNE 30, 2016**

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

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

Unrestricted Fund -- The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the Community College.

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

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

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

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

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

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

Agency Funds -- The Agency Funds are used to account for assets held by the Community College in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities.

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

Schedules presented in other supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The schedule of revenues, expenditures and changes in fund balances is a schedule of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

**HAWKEYE COMMUNITY COLLEGE**  
**BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - OTHER SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2016**

Funds/Levy	Original Budget	Amended Budget	Actual	Variance between Actual and Budget
Unrestricted	<u>\$ 37,029,866</u>	<u>\$ 37,029,866</u>	<u>\$ 36,914,412</u>	<u>\$ 115,454</u>
Restricted	11,752,000	14,305,134	11,522,467	2,782,667
Early Retirement	400,000	400,000	1,278,357	(878,357)
Unemployment	60,000	60,000	37,211	22,789
Tort Liability	150,000	150,000	195,717	(45,717)
Insurance	1,250,000	1,250,000	1,254,184	(4,184)
Equipment Replacement	805,000	805,000	928,097	(123,097)
Total Restricted	<u>14,417,000</u>	<u>16,970,134</u>	<u>15,216,033</u>	<u>1,754,101</u>
Plant	2,000,000	3,500,000	2,875,817	624,183
Bonds and Interest	<u>-</u>	<u>2,400,000</u>	<u>2,371,884</u>	<u>28,116</u>
 Total	 <u><u>\$ 53,446,866</u></u>	 <u><u>\$ 59,900,000</u></u>	 <u><u>\$ 57,378,146</u></u>	 <u><u>\$ 2,521,854</u></u>

**HAWKEYE COMMUNITY COLLEGE**  
**NOTE TO OTHER SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**JUNE 30, 2016**

While the College reports financial position, results of operation and changes in net position on the basis of generally accepted accounting principles (GAAP), the Board of Trustees annually prepares a budget designating the proposed expenditures for operation of the Community College on a budgetary basis that is accrual basis with the exception of capital outlay and debt service payments. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Trustees certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

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

The major differences between the budget basis and GAAP are as follows:

	Total Funds
Total Actual Expenditures, Budgetary Basis	\$ 57,378,146
Items Not Required to be Budgeted:	
Auxiliary Enterprises	2,754,205
Scholarships and Grants Accounts	8,658,434
Workforce Act	2,665,726
Investment in Plant - Asset Disposals	462,577
Investment in Plant - Issuance of Long Term Debt	6,000,000
Combining Adjustments	(16,613,654)
GAAP Basis	\$ 61,305,434

Expenses from the Statement of Revenues, Expenses, and Changes in Net Position:

Total Operating Expenses	\$ 60,689,303
Loss on Sale of Capital Assets	144,420
Interest on Indebtedness	471,711
	\$ 61,305,434

**HAWKEYE COMMUNITY COLLEGE  
COMBINING BALANCE SHEET  
JUNE 30, 2016**

	Current Funds	
	Unrestricted	Restricted
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>		
Assets:		
Cash and Investments	\$ 13,230,734	\$ 21,881,720
Receivables:		
Due From Others	3,401,320	226,505
Accrued Interest	34,178	-
Property Taxes - Succeeding Year	1,836,259	2,683,024
Student Loans	-	16,641
Iowa Industrial New Jobs Training Program	-	782,084
Due From Other Governments	123,229	2,156,610
Prepaid Expenses	505,583	-
Inventories	153,479	-
Capital Assets:		
Land	-	-
Buildings	-	-
Construction in Progress	-	-
Other Structures and Improvements	-	-
Furniture and Equipment	-	-
Accumulated Depreciation	-	-
Total Assets	19,284,782	27,746,584
Deferred Outflows of Resources:		
Pension Related Deferred Outflows	-	-
Total Assets and Deferred Outflows of Resources	\$ 19,284,782	\$ 27,746,584

SCHEDULE 2

Unexpended	Plant Funds		Agency Funds	Adjustments	Total
	Retirement of Indebtedness	Investment in Plant			
\$ 5,668,838	\$ 18,719	\$ -	\$ 846,831	\$ -	\$ 41,646,842
23,164	-	-	-	-	3,650,989
267	-	-	-	-	34,445
1,836,259	2,445,854	-	-	-	8,801,396
-	-	-	-	-	16,641
-	-	-	-	-	782,084
44,465	-	-	-	-	2,324,304
-	-	-	-	-	505,583
-	-	-	-	-	153,479
-	-	434,179	-	-	434,179
-	-	49,730,154	-	-	49,730,154
-	-	555,243	-	-	555,243
-	-	29,534,216	-	-	29,534,216
-	-	15,847,465	-	-	15,847,465
-	-	-	-	(37,784,387)	(37,784,387)
<u>7,572,993</u>	<u>2,464,573</u>	<u>96,101,257</u>	<u>846,831</u>	<u>(37,784,387)</u>	<u>116,232,633</u>
-	-	-	-	3,623,204	3,623,204
<u>\$ 7,572,993</u>	<u>\$ 2,464,573</u>	<u>\$ 96,101,257</u>	<u>\$ 846,831</u>	<u>\$ (34,161,183)</u>	<u>\$ 119,855,837</u>

**HAWKEYE COMMUNITY COLLEGE  
COMBINING BALANCE SHEET  
JUNE 30, 2016**

	Current Funds	
	Unrestricted	Restricted
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 1,801,691	\$ 38,438
Salaries and Benefits Payable	3,359,618	7,315
Accrued Interest Payable	-	27,303
Unearned Revenue	1,053,924	658,867
Early Retirement Payable	-	1,306,355
Compensated Absences	810,864	-
Assets Held in Custody For Others	-	-
Certificates Payable	-	12,811,457
Bonds and Capital Notes Payable	-	-
Net Pension Liability	-	-
Net OPEB Liability	-	-
	7,026,097	14,849,735
Deferred Inflows of Resources:		
Succeeding Year Property Tax	1,836,259	2,683,024
Pension Related Deferred Inflows	-	-
	1,836,259	2,683,024
Fund Balance:		
Invested in Capital Assets, Net of Related Debt	-	-
Restricted:		
Expendable:		
Economic Development	-	2,389,665
Property Tax Levies	-	2,942,412
Iowa New Jobs Training	-	2,837,817
Scholarships	-	52,214
Loans	-	99,434
Debt Service	-	-
Cash Reserve	-	366,380
Other	-	1,525,903
Unrestricted	7,579,395	-
Auxiliary Enterprises	2,843,031	-
	10,422,426	10,213,825
	Total Liabilities, Deferred Inflows of Resources, and Fund Balance	Total Liabilities, Deferred Inflows of Resources, and Fund Balance
	\$ 19,284,782	\$ 27,746,584

SCHEDULE 2

Plant Funds		Investment in Plant	Agency Funds	Adjustments	Total
Unexpended	Retirement of Indebtedness				
\$ 9,362	\$ -	\$ -	\$ 5,977	\$ -	\$ 1,855,468
-	-	-	-	-	3,366,933
-	9,200	-	-	-	36,503
-	-	-	-	-	1,712,791
-	-	-	-	-	1,306,355
-	-	-	-	-	810,864
-	-	-	840,854	-	840,854
-	-	-	-	-	12,811,457
-	-	3,797,313	-	-	3,797,313
-	-	-	-	7,517,459	7,517,459
-	-	-	-	291,245	291,245
<u>9,362</u>	<u>9,200</u>	<u>3,797,313</u>	<u>846,831</u>	<u>7,808,704</u>	<u>34,347,242</u>
1,836,259	2,445,854	-	-	-	8,801,396
-	-	-	-	1,750,410	1,750,410
<u>1,836,259</u>	<u>2,445,854</u>	<u>-</u>	<u>-</u>	<u>1,750,410</u>	<u>10,551,806</u>
5,883,954	-	92,303,944	-	(37,784,387)	60,403,511
-	-	-	-	-	2,389,665
-	-	-	-	-	2,942,412
-	-	-	-	-	2,837,817
-	-	-	-	-	52,214
-	-	-	-	-	99,434
-	9,519	-	-	-	9,519
-	-	-	-	-	366,380
-	-	-	-	-	1,525,903
(156,582)	-	-	-	(5,935,910)	1,486,903
-	-	-	-	-	2,843,031
<u>5,727,372</u>	<u>9,519</u>	<u>92,303,944</u>	<u>-</u>	<u>(43,720,297)</u>	<u>74,956,789</u>
<u>\$ 7,572,993</u>	<u>\$ 2,464,573</u>	<u>\$ 96,101,257</u>	<u>\$ 846,831</u>	<u>\$ (34,161,183)</u>	<u>\$ 119,855,837</u>

**HAWKEYE COMMUNITY COLLEGE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 OTHER CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2016**

	Current Funds	
	Unrestricted	Restricted
<b>REVENUES AND OTHER ADDITIONS:</b>		
General:		
State Appropriations	\$ 13,696,479	\$ 2,949,672
Tuition and Fees	18,461,054	-
Property Taxes	1,750,945	2,644,199
Federal Appropriations	208,699	15,709,146
Gifts and Grants	-	87,034
Investment Earnings	240,897	-
Iowa Industrial New Jobs Training Program	-	2,658,380
Expended for Plant Facilities (Including \$1,564,064 charged to current funds)	-	-
Principal Retired	-	-
Proceeds from Sale of Bonds	-	-
Miscellaneous	1,788,352	1,182,228
	<u>36,146,426</u>	<u>25,230,659</u>
Auxiliary Enterprises		
Tuition and Fees	970,083	-
Sales and Services	1,358,039	-
Miscellaneous	218,663	-
	<u>2,546,785</u>	<u>-</u>
Total Revenues and Other Additions	<u>\$ 38,693,211</u>	<u>\$ 25,230,659</u>

SCHEDULE 3

Plant Funds				
Unexpended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
\$ 445,184	\$ 57,779	\$ -	\$ -	\$ 17,149,114
-	-	-	(7,318,281)	11,142,773
1,750,948	2,323,624	-	-	8,469,716
-	-	-	-	15,917,845
-	-	-	-	87,034
11,937	-	-	-	252,834
-	-	-	-	2,658,380
-	-	3,224,746	(3,224,746)	-
-	-	2,320,000	(2,320,000)	-
6,000,000	-	-	(6,000,000)	-
253,671	-	-	(16,100)	3,208,151
<u>8,461,740</u>	<u>2,381,403</u>	<u>5,544,746</u>	<u>(18,879,127)</u>	<u>58,885,847</u>
-	-	-	(357,611)	612,472
-	-	-	-	1,358,039
-	-	-	-	218,663
<u>-</u>	<u>-</u>	<u>-</u>	<u>(357,611)</u>	<u>2,189,174</u>
<u>\$ 8,461,740</u>	<u>\$ 2,381,403</u>	<u>\$ 5,544,746</u>	<u>\$ (19,236,738)</u>	<u>\$ 61,075,021</u>

**HAWKEYE COMMUNITY COLLEGE  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
OTHER CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2016**

	Current Funds	
	Unrestricted	Restricted
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>		
Educational and Support:		
Liberal Arts and Sciences	\$ 7,397,479	\$ 225,317
Vocational Technical	10,152,660	7,345,991
Adult Education	4,368,715	855,851
Cooperative Services	-	5,275,000
General Administration	2,232,777	86,756
Student Services	3,710,232	236,797
Learning Resources	1,077,673	-
Physical Plant	2,956,840	1,449,900
General Institution	5,018,036	1,762,538
Total Education and Support	<u>36,914,412</u>	<u>17,238,150</u>
Auxiliary Enterprises	2,754,205	-
Scholarships and Grants	-	8,882,216
Plant Asset Acquisitions	-	-
Retirement of Indebtedness	-	-
Disposal of Plant Assets	-	-
Interest on Indebtedness	-	419,827
Issuance of Long Term Debt	-	-
Loss on Sale of Capital Assets	-	-
Depreciation	-	-
Total Expenditures and Other Deductions	<u>39,668,617</u>	<u>26,540,193</u>
Excess of Revenues and Other Additions		
Over (Under) Expenditures and Other Deductions	(975,406)	(1,309,534)
<b>TRANSFERS:</b>		
Non-mandatory Transfers	<u>31,719</u>	<u>(92,934)</u>
Total Transfers	<u>31,719</u>	<u>(92,934)</u>
Net Increase (Decrease) for the Year	(943,687)	(1,402,468)
Fund Balance June 30, 2015	<u>11,366,113</u>	<u>11,616,293</u>
Fund Balance June 30, 2016	<u>\$ 10,422,426</u>	<u>\$ 10,213,825</u>

SCHEDULE 3

Plant Funds				
Unexpended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
\$ -	\$ -	\$ -	\$ (40,400)	\$ 7,582,396
-	-	-	(1,047,973)	16,450,678
-	-	-	(146,598)	5,077,968
-	-	-	-	5,275,000
-	-	-	-	2,319,533
-	-	-	-	3,947,029
-	-	-	-	1,077,673
-	-	-	(120,412)	4,286,328
1,215,136	-	-	(257,773)	7,737,937
<u>1,215,136</u>	<u>-</u>	<u>-</u>	<u>(1,613,156)</u>	<u>53,754,542</u>
-	-	-	(55,242)	2,698,963
-	-	-	(7,675,892)	1,206,324
1,660,681	-	-	(1,660,681)	-
-	2,320,000	-	(2,320,000)	-
-	-	462,577	(462,577)	-
-	51,884	-	-	471,711
-	-	6,000,000	(6,000,000)	-
-	-	-	144,420	144,420
-	-	-	3,029,474	3,029,474
<u>2,875,817</u>	<u>2,371,884</u>	<u>6,462,577</u>	<u>(16,613,654)</u>	<u>61,305,434</u>
5,585,923	9,519	(917,831)	(2,623,084)	(230,413)
<u>178,528</u>	<u>-</u>	<u>(117,313)</u>	<u>-</u>	<u>-</u>
<u>178,528</u>	<u>-</u>	<u>(117,313)</u>	<u>-</u>	<u>-</u>
5,764,451	9,519	(1,035,144)	(2,623,084)	(230,413)
<u>(37,079)</u>	<u>-</u>	<u>93,339,088</u>	<u>(41,097,213)</u>	<u>75,187,202</u>
<u>\$ 5,727,372</u>	<u>\$ 9,519</u>	<u>\$ 92,303,944</u>	<u>\$ (43,720,297)</u>	<u>\$ 74,956,789</u>

**HAWKEYE COMMUNITY COLLEGE  
UNRESTRICTED FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE  
EDUCATION AND SUPPORT  
YEAR ENDED JUNE 30, 2016**

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	General Administration
<b>REVENUES:</b>				
State Appropriations	\$ -	\$ -	\$ 45,858	\$ 45,184
Tuition and Fees	9,940,081	5,818,592	2,702,381	-
Property Taxes	-	-	-	1,750,945
Federal Appropriations	-	-	198,699	10,000
Investment Earnings	-	-	-	240,897
Miscellaneous	-	28,900	187,197	303,252
<b>Total Revenues</b>	<b>9,940,081</b>	<b>5,847,492</b>	<b>3,134,135</b>	<b>2,350,278</b>
<b>EXPENDITURES:</b>				
Salaries and Benefits	6,886,533	9,173,373	2,825,146	1,569,292
Services	62,861	245,149	1,004,043	356,197
Materials and Supplies	78,996	498,868	132,908	73,710
Travel	57,033	33,782	3,830	47,617
Expended for Plant Facilities	-	28,707	78,108	-
Miscellaneous	312,056	172,781	324,680	185,961
<b>Total Expenditures</b>	<b>7,397,479</b>	<b>10,152,660</b>	<b>4,368,715</b>	<b>2,232,777</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,542,602	(4,305,168)	(1,234,580)	117,501
<b>TRANSFERS:</b>				
Non-mandatory Transfers	(48,775)	195,850	-	(37,064)
<b>Total Transfers</b>	<b>(48,775)</b>	<b>195,850</b>	<b>-</b>	<b>(37,064)</b>
<b>Net Increase (Decrease) for the Year</b>	<b>\$ 2,493,827</b>	<b>\$ (4,109,318)</b>	<b>\$ (1,234,580)</b>	<b>\$ 80,437</b>
Fund Balance June 30, 2015				
Fund Balance June 30, 2016				

SCHEDULE 4

Support				
Student Services	Learning Resources	Physical Plant	General Institution	Total
\$ -	\$ 430	\$ -	\$ 13,605,007	\$ 13,696,479
-	-	-	-	18,461,054
-	-	-	-	1,750,945
-	-	-	-	208,699
-	-	-	-	240,897
<u>50,218</u>	<u>312</u>	<u>11,614</u>	<u>1,206,859</u>	<u>1,788,352</u>
50,218	742	11,614	14,811,866	36,146,426
3,126,319	624,205	354,021	3,068,967	27,627,856
400,397	20,129	1,881,013	1,046,643	5,016,432
144,548	426,862	598,317	706,560	2,660,769
37,705	6,477	3,078	47,584	237,106
-	-	120,411	146,963	374,189
1,263	-	-	1,319	998,060
<u>3,710,232</u>	<u>1,077,673</u>	<u>2,956,840</u>	<u>5,018,036</u>	<u>36,914,412</u>
(3,660,014)	(1,076,931)	(2,945,226)	9,793,830	(767,986)
<u>50,166</u>	<u>-</u>	<u>1,336</u>	<u>(10,000)</u>	<u>151,513</u>
<u>50,166</u>	<u>-</u>	<u>1,336</u>	<u>(10,000)</u>	<u>151,513</u>
<u>\$ (3,609,848)</u>	<u>\$ (1,076,931)</u>	<u>\$ (2,943,890)</u>	<u>\$ 9,783,830</u>	(616,473)
				<u>8,195,868</u>
				<u>\$ 7,579,395</u>

**HAWKEYE COMMUNITY COLLEGE  
CURRENT UNRESTRICTED FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE  
AUXILIARY ENTERPRISES  
YEAR ENDED JUNE 30, 2016**

	Career Education	Adult Education	Farm Operations	Food Service	Other	Total
<b>REVENUES:</b>						
Sales and Services	\$ 921,743	\$ -	\$ 204,270	\$ 48,466	\$ 183,560	\$ 1,358,039
Tuition and Fees	-	566,501	-	-	403,582	970,083
Miscellaneous	6,329	12,428	-	-	199,906	218,663
<b>Total Revenues</b>	<b>928,072</b>	<b>578,929</b>	<b>204,270</b>	<b>48,466</b>	<b>787,048</b>	<b>2,546,785</b>
<b>EXPENDITURES:</b>						
Salaries and Benefits	32,720	807	6,164	-	264,792	304,483
Services	157,124	160,377	62,468	1,018	374,442	755,429
Materials and Supplies	643,776	332,373	155,668	3,387	306,011	1,441,215
Cost of Goods Sold	144,996	-	-	-	-	144,996
Travel	5,227	22,337	30	-	11,900	39,494
Expended for Plant Facilities	-	-	6,545	-	48,697	55,242
Miscellaneous	7,090	70	-	-	6,186	13,346
<b>Total Expenditures</b>	<b>990,933</b>	<b>515,964</b>	<b>230,875</b>	<b>4,405</b>	<b>1,012,028</b>	<b>2,754,205</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(62,861)	62,965	(26,605)	44,061	(224,980)	(207,420)
<b>TRANSFERS:</b>						
Non-mandatory Transfers	(76,510)	-	-	-	(43,284)	(119,794)
<b>Total Transfers</b>	<b>(76,510)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43,284)</b>	<b>(119,794)</b>
Net Increase (Decrease) for the Year	(139,371)	62,965	(26,605)	44,061	(268,264)	(327,214)
Fund Balance June 30, 2015	1,779,974	9,354	21,429	302,911	1,056,577	3,170,245
Fund Balance June 30, 2016	<u>\$ 1,640,603</u>	<u>\$ 72,319</u>	<u>\$ (5,176)</u>	<u>\$ 346,972</u>	<u>\$ 788,313</u>	<u>\$ 2,843,031</u>

**HAWKEYE COMMUNITY COLLEGE  
CURRENT RESTRICTED FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2016**

	Scholarships and Grants	Early Retirement	Equipment Replacement	Insurance
<b>REVENUES:</b>				
State Appropriations	\$ 1,090,690	\$ 34,503	\$ 20,082	\$ 5,871
Property Taxes	-	367,970	861,750	1,359,294
Federal Appropriations and Grants	6,687,874	-	-	-
Scholarships, Grants, and Gifts	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	685,669	-	15,224	43,636
<b>Total Revenues</b>	<b>8,464,233</b>	<b>402,473</b>	<b>897,056</b>	<b>1,408,801</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>				
Salaries and Benefits	711	1,273,554	-	6,347
Services	-	4,803	1,240	1,443,554
Materials and Supplies	-	-	464,745	-
Travel	-	-	-	-
Expended for Plant Facilities	-	-	462,112	-
Interest on Indebtedness	-	-	-	-
Federal Pell Grant Program	6,591,620	-	-	-
Federal Supplemental Educational Opportunity Grant	102,673	-	-	-
Private Scholarships	1,963,430	-	-	-
Miscellaneous	-	-	-	-
<b>Total Expenditures and Other Deductions</b>	<b>8,658,434</b>	<b>1,278,357</b>	<b>928,097</b>	<b>1,449,901</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Deductions	(194,201)	(875,884)	(31,041)	(41,100)
<b>TRANSFERS:</b>				
Non-mandatory Transfers	194,201	-	42,300	(43,636)
<b>Total Transfers</b>	<b>194,201</b>	<b>-</b>	<b>42,300</b>	<b>(43,636)</b>
Net Increase (Decrease) for the Year	-	(875,884)	11,259	(84,736)
Fund Balance June 30, 2015	52,214	2,380,560	274,894	992,134
Fund Balance June 30, 2016	<u>\$ 52,214</u>	<u>\$ 1,504,676</u>	<u>\$ 286,153</u>	<u>\$ 907,398</u>

SCHEDULE 6

Unemployment Compensation	Cash Reserve	Workforce Act and Other JTPA Programs	Iowa Industrial New Jobs Training Program	Economic Development	Miscellaneous	Total
\$ 3,829	\$ -	\$ 13,817	\$ -	\$ 869,270	\$ 911,610	\$ 2,949,672
55,185	-	-	-	-	-	2,644,199
-	-	2,644,710	-	-	6,376,562	15,709,146
-	-	1,195	-	-	85,839	87,034
-	-	-	2,427,646	(55,490)	286,224	2,658,380
-	-	-	-	398,417	39,282	1,182,228
59,014	-	2,659,722	2,427,646	1,212,197	7,699,517	25,230,659
37,211	-	2,030,385	-	958,731	2,095,258	6,402,197
-	-	397,127	950,501	38,574	857,313	3,693,112
-	-	39,305	16,063	29,232	678,183	1,227,528
-	-	24,827	124,008	43,515	111,487	303,837
-	-	-	-	-	672,521	1,134,633
-	-	-	419,827	-	-	419,827
-	-	-	-	-	-	6,591,620
-	-	-	-	-	-	102,673
-	-	-	-	-	224,493	2,187,923
-	-	174,082	354,467	-	3,948,294	4,476,843
37,211	-	2,665,726	1,864,866	1,070,052	8,587,549	26,540,193
21,803	-	(6,004)	562,780	142,145	(888,032)	(1,309,534)
-	-	-	-	(1,185,977)	900,178	(92,934)
-	-	-	-	(1,185,977)	900,178	(92,934)
21,803	-	(6,004)	562,780	(1,043,832)	12,146	(1,402,468)
222,382	366,380	32,354	2,275,037	3,433,497	1,586,841	11,616,293
\$ 244,185	\$ 366,380	\$ 26,350	\$ 2,837,817	\$ 2,389,665	\$ 1,598,987	\$ 10,213,825

**HAWKEYE COMMUNITY COLLEGE  
AGENCY FUNDS  
COMBINING SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS  
YEAR ENDED JUNE 30, 2016**

	Student Organizations	Contracted Training	Miscellaneous	Total
Balance June 30, 2015	\$ 229,388	\$ 262,624	\$ 268,059	\$ 760,071
<b>ADDITIONS:</b>				
State Appropriations and Grants	-	290,379	70,262	360,641
Tuition and Fees	337,112	-	-	337,112
Sales and Services	7,243	-	2,177,190	2,184,433
Miscellaneous	40,619	-	-	40,619
Total Additions	384,974	290,379	2,247,452	2,922,805
<b>DEDUCTIONS:</b>				
Salaries and Benefits	37,735	-	40,049	77,784
Services	309,773	219,712	28,105	557,590
Materials and Supplies	17,496	-	2,179,298	2,196,794
Travel	8,677	-	-	8,677
Miscellaneous	1,177	-	-	1,177
Total Deductions	374,858	219,712	2,247,452	2,842,022
Balance June 30, 2016	\$ 239,504	\$ 333,291	\$ 268,059	\$ 840,854

**HAWKEYE COMMUNITY COLLEGE  
SCHEDULE OF TAX AND INTERGOVERNMENTAL REVENUES  
FOR THE LAST TEN YEARS**

	Years Ended June 30,				
	2016	2015	2014	2013	2012
Local (Property Tax)	\$ 8,469,716	\$ 8,262,008	\$ 8,410,452	\$ 8,125,536	\$ 7,616,726
State	17,149,114	17,099,053	16,097,835	15,606,493	12,860,686
Federal	<u>15,917,845</u>	<u>13,559,712</u>	<u>12,217,312</u>	<u>12,662,733</u>	<u>13,900,279</u>
Total	<u><u>\$ 41,536,675</u></u>	<u><u>\$ 38,920,773</u></u>	<u><u>\$ 36,725,599</u></u>	<u><u>\$ 36,394,762</u></u>	<u><u>\$ 34,377,691</u></u>

	Years Ended June 30,				
	2011	2010	2009	2008	2007
Local (Property Tax)	\$ 7,565,783	\$ 6,890,306	\$ 7,073,144	\$ 5,509,468	\$ 6,759,565
State	12,435,369	12,927,107	14,593,950	13,848,935	12,318,253
Federal	<u>15,210,266</u>	<u>16,573,673</u>	<u>9,600,696</u>	<u>8,585,768</u>	<u>7,900,156</u>
Total	<u><u>\$ 35,211,418</u></u>	<u><u>\$ 36,391,086</u></u>	<u><u>\$ 31,267,790</u></u>	<u><u>\$ 27,944,171</u></u>	<u><u>\$ 26,977,974</u></u>

**HAWKEYE COMMUNITY COLLEGE  
CURRENT FUND REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
FOR THE LAST TEN YEARS**

	Years Ended June 30,				
	2016	2015	2014	2013	2012
<b>Revenues:</b>					
State Appropriations	\$ 16,646,151	\$ 16,647,722	\$ 15,697,835	\$ 13,549,640	\$ 12,424,445
Tuition and Fees	18,461,054	17,732,024	19,168,702	19,133,475	18,571,387
Property Tax	4,395,144	5,365,833	4,277,771	3,276,900	3,066,894
Federal Appropriations	15,917,845	13,559,712	12,217,312	12,662,733	13,900,279
Interest on Investments	240,897	275,357	173,207	86,313	109,604
Iowa Industrial New Jobs Training Program	2,658,380	3,813,684	1,194,342	2,809,463	3,930,802
Auxiliary Enterprises	2,546,785	2,480,309	2,186,038	2,116,873	2,396,957
Miscellaneous	3,057,614	2,872,136	1,958,797	1,829,326	2,099,885
Total	<u>\$ 63,923,870</u>	<u>\$ 62,746,777</u>	<u>\$ 56,874,004</u>	<u>\$ 55,464,723</u>	<u>\$ 56,500,253</u>
<b>Expenditures:</b>					
Liberal Arts and Sciences	\$ 7,622,796	\$ 7,370,096	\$ 6,690,837	\$ 7,576,779	\$ 7,143,778
Vocational Technical	17,498,651	16,309,298	9,850,670	9,856,494	9,435,893
Adult Education	5,224,566	4,694,368	4,761,973	3,067,166	2,580,395
Cooperative Services	5,275,000	5,345,385	3,899,676	4,599,275	5,389,973
Administration	2,319,533	1,953,527	2,265,799	2,607,332	3,541,248
Student Services	3,947,029	3,939,035	3,399,493	3,072,403	2,970,292
Learning Resources	1,077,673	1,143,181	878,858	790,155	819,601
Physical Plant	4,406,740	4,118,217	4,297,787	4,324,389	4,595,790
General Institution	6,780,574	6,209,544	6,583,374	6,555,564	7,434,657
Auxiliary Enterprises	2,754,205	2,799,975	2,792,120	2,441,526	2,646,111
Scholarships and Grants	8,882,216	9,669,299	9,939,104	10,637,681	11,688,960
Interest on Indebtedness	419,827	468,355	625,214	605,633	776,146
Total	<u>\$ 66,208,810</u>	<u>\$ 64,020,280</u>	<u>\$ 55,984,905</u>	<u>\$ 56,134,397</u>	<u>\$ 59,022,844</u>

SCHEDULE 9

	2011	2010	2009	2008	2007
\$	12,295,053	\$ 12,268,793	\$ 14,345,543	\$ 13,707,374	\$ 12,175,824
	19,021,047	17,097,104	15,085,782	14,167,513	13,689,822
	3,333,037	2,671,573	3,077,650	1,753,241	3,168,865
	15,184,989	16,008,293	9,600,696	8,585,768	7,900,156
	177,646	432,153	535,904	1,483,132	1,956,956
	2,868,437	3,294,700	4,154,074	3,529,935	3,090,789
	2,925,415	3,132,030	3,300,806	3,236,020	2,779,109
	<u>2,031,041</u>	<u>2,346,239</u>	<u>2,839,909</u>	<u>1,892,853</u>	<u>1,943,426</u>
\$	<u><u>57,836,665</u></u>	<u><u>57,250,885</u></u>	<u><u>52,940,364</u></u>	<u><u>48,355,836</u></u>	<u><u>46,704,947</u></u>
\$	6,530,382	\$ 6,034,637	\$ 6,539,305	\$ 5,850,308	\$ 6,041,749
	9,557,818	8,571,867	8,746,126	8,225,880	7,942,304
	2,429,625	1,705,003	2,232,503	2,121,382	2,366,688
	4,117,198	7,318,191	6,456,505	4,992,297	4,728,957
	2,549,778	4,767,847	3,046,212	3,060,923	2,770,850
	2,633,091	2,358,329	2,391,466	2,215,574	2,065,897
	713,523	762,633	799,826	801,075	786,252
	3,547,685	3,415,783	3,396,065	3,042,744	3,419,172
	7,163,263	6,415,669	6,225,230	5,742,150	4,308,703
	2,963,456	2,314,838	3,002,400	1,989,728	3,070,686
	12,378,999	10,573,721	6,834,454	6,259,914	5,541,916
	<u>907,771</u>	<u>990,577</u>	<u>951,985</u>	<u>920,862</u>	<u>871,687</u>
\$	<u><u>55,492,589</u></u>	<u><u>55,229,095</u></u>	<u><u>50,622,077</u></u>	<u><u>45,222,837</u></u>	<u><u>43,914,861</u></u>

**HAWKEYE COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016**

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
<b>DIRECT:</b>			
U.S. Department of Education:			
Student Financial Aid – Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 102,673	\$ -
Federal Work-Study Program (FWS)	84.033	149,888	-
Federal Pell Grant Program	84.063	6,591,620	-
Federal Direct Student Loans	84.268	-	14,420,785
Total Student Financial Aid Cluster		6,844,181	14,420,785
Child Care Access Means Parents in School (C-Campus)	84.335	94,741	-
TRIO - Student Support Services	84.042	233,866	-
Total Direct U.S. Department of Education		7,172,788	14,420,785
Corporation for National and Community Services:			
Senior Companion Program	94.016	307,118	-
U.S. Department of Labor:			
Trade Adjustment Assistance Community College and Career Training (Note 4)	17.282	4,761,808	-
Total Direct Expenditures		12,241,714	14,420,785
<b>INDIRECT:</b>			
U.S. Department of Education:			
Indirect through the Iowa Department of Education:			
Adult Education - Basic Grants to States	84.002	198,699	-
Career and Technical Education - National Programs	84.048	335,069	-
Total Indirect U.S. Department of Education		533,768	-
U.S. Department of Labor:			
Indirect through Iowa Workforce Development:			
Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities	17.207	87,439	-
Workforce Investment Act/Workforce Innovation and Opportunity Act - Cluster (WIA/WIOA):			
WIA/WIOA Adult Program	17.258	191,481	-
WIA/WIOA Youth Activities	17.259	223,458	-
WIA/WIOA Dislocated Worker Formula Grants	17.278	173,587	-
		588,526	-
WIOA National Dislocated Worker Grants	17.277	579,170	-
Indirect through Northeast Iowa Community College:			
Trade Adjustment Assistance Community College and Career Training	17.282	84,362	-
Indirect through Des Moines Area Community College:			
Trade Adjustment Assistance Community College and Career Training	17.282	149,113	-
Total Indirect U.S. Department of Labor		1,488,610	-
National Science Foundation:			
Indirect through Iowa State University			
Education and Human Resources	47.076	13,838	-
Indirect through Iowa Workforce Development:			
Temporary Assistance for Needy Families Cluster:			
Temporary Assistance for Needy Families	93.558	1,353,400	-
Head Start	93.600	257,210	-
Total Indirect U.S. Department of Health and Human Services		1,610,610	-

**HAWKEYE COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016**

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
<b>INDIRECT (Continued):</b>			
U.S. Department of Agriculture: Indirect through Iowa Department of Education: Child and Adult Care Food Program	10.558	25,700	-
Total Indirect Expenditures		3,672,526	-
Total Direct and Indirect Expenditures		\$ 15,914,240	\$ 14,420,785

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1 - BASIS OF PRESENTATION**

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

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles of State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - INDIRECT COST RATE**

Hawkeye Community College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4 - SUBRECIPIENTS**

Of the federal expenditures presented in the Schedule, Hawkeye Community College provided federal awards to subrecipients as follows:

Program Name	CFDA Number	Amount Provided to Subrecipients
Trade Adjustment Assistance Community College and Career Training	17.282	\$ 3,925,763



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Hawkeye Community College  
Waterloo, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hawkeye Community College, Waterloo, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Hawkeye Community College's basic financial statements and have issued our report thereon dated December 5, 2016. Other auditors audited the financial statements of Hawkeye Community College Foundation, as described in our report on Hawkeye Community College's financial statements. The financial statements of Hawkeye Community College Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with that portion of the entity.

**Internal Control Over Financial Reporting**

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, 2016-001, to be a material weakness.

**Compliance and Other Matters**

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

## Hawkeye Community College's Response to Findings

Hawkeye Community College's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hawkeye Community College during the course of our audit. Should you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*William & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
December 5, 2016



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

Board of Trustees  
Hawkeye Community College  
Waterloo, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Hawkeye Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hawkeye Community College's major federal programs for the year ended June 30, 2016. Hawkeye Community College's major federal programs are identified in Part I, Summary of Auditors' Results, of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

***Basis for Qualified Opinion on Senior Companion Program***

As described in the accompanying Schedule of Findings and Questioned Costs, Hawkeye Community College did not comply with requirements regarding CFDA 94.016 Senior Companion Program as described in finding number 2016-002 related to earmarking. Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

***Qualified Opinion on Senior Companion Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Hawkeye Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Senior Companion Program for the year ended June 30, 2016.

## ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, Hawkeye Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2016.

### ***Other Matters***

Hawkeye Community College's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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

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

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

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

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
December 5, 2016

**HAWKEYE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

**PART I – SUMMARY OF AUDITORS’ RESULTS**

- (A) An unmodified opinion was issued on the financial statements.
- (B) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance which is material to the financial statements.
- (D) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (E) The auditors’ report on compliance for the major federal award programs expresses a qualified opinion regarding the Senior Companion Program and an unmodified opinion on all other major federal programs.
- (F) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and the Uniform Guidance, Section 200.515.
- (G) Major programs were as follows:
  - Student Financial Aid Cluster
  - CFDA Number 94.016 – Senior Companion Program
- (H) The dollar threshold used to distinguish between Type A and Type B was \$750,000.
- (I) Hawkeye Community College did not qualify as a low-risk auditee.

**HAWKEYE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

**PART II – FINDING RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

MATERIAL WEAKNESS:

2016-001 Criteria – The College is responsible for the accuracy of the financial statements.

Condition – During the audit, we identified material amounts of New Jobs Training Projects (NJTP) receivables and NJTP funds returned, and immaterial amounts of receivables and expenses recorded or not properly recorded in the College's financial statements.

Effect – As a result of these misstatements, the financial statements were materially misstated related to NJTP receivables and funds return, and had the potential to be misstated related to the other areas identified above.

Recommendation – The College should continue to implement procedures to ensure all the identified areas above are properly identified, classified, and included in the College's financial statements.

Response – The return of NJTP funds was a first-time occurrence for the College. Appropriate accounting entries were determined during the audit fieldwork and similar entries will be made if the situation occurs in the future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE: No matters were reported.

**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

INSTANCES OF NON-COMPLIANCE:

**CFDA Number 94.016 – Senior Companion Program**

2016-002 Criteria – Compliance requirements require that an amount equal to 80% of the Federal share of the grant must be used for stipend and other direct benefits for Senior Companions.

Condition – During our review of compliance requirements of the Senior Companion Program, we identified that earmarking requirements were not met for the current year.

Questioned Cost – In the year under audit, the College incurred \$206,311 related to stipends and other direct benefits for Senior Companions. The Federal share of the grant is equal to \$307,118, and 80% of this amount equals \$245,694. The difference of \$39,383 was received and did not meet the requirement, thus resulting in a questioned cost.

Potential Effect – The portion of the funds received that did not meet the earmarking requirement could be disallowed.

Recommendation – The College should review grant monitoring procedures to ensure the earmarking requirements are being met in the future.

Response – The shortfall continues to be due to a shortage of volunteers. The new program manager has been researching new ways to market and recruit volunteers and is implementing findings. In addition, changes to the grant will be implemented in the next three-year term that will allow the program to require a fewer number of volunteers to meet the financial requirements. Orientation and training will also be more readily available so that new volunteers can start service as soon as possible.

Conclusion – Response accepted.

**HAWKEYE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

**PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

- IV-A-16: Certified Budget – Expenditures for the year ended June 30, 2016, did not exceed the amounts budgeted.
- IV-B-16: Questionable Disbursements – No expenditures we believe did not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-16: Travel Expense – No expenditures of Hawkeye Community College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.
- IV-D-16: Business Transactions – Business transactions between the Community College and the Community College officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Katrina Nagle, Adjunct Professor Spouse of Owner of Nagle Signs	Signage and Lettering	\$ 166,862
Darrin Siefken, Adjunct Professor Owner of Crawdaddy Outdoors	Sporting Equipment	\$ 19,002

In accordance with the Code of Iowa, the above transactions may represent a conflict of interest because the total received during the fiscal year is greater than \$2,500. However, the College did hold public bid proceedings related to the signage and lettering project, in accordance with the Code of Iowa and the College’s policy.

- IV-E-16: Bond Coverage – Surety bond coverage of Community College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-16: Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-16: Publication – The Community College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.
- IV-H-16: Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College’s investment policy were noted.

**HAWKEYE COMMUNITY COLLEGE  
SCHEDULE OF PRIOR YEAR FINDINGS  
JUNE 30, 2016**

**MATERIAL WEAKNESS:**

2015-001 Finding – During the audit, we identified material amounts of succeeding year property taxes and the related deferred inflows of resources, and immaterial amounts of receivables and fixed assets recorded or not properly recorded in the College's financial statements.

Recommendation – The College should implement procedures to ensure all the identified areas above are properly identified, classified, and included in the College's financial statements.

Current Status – The College has taken steps to ensure all amounts and adjustments indicated above are properly recorded for fiscal year 2016.

**SIGNIFICANT DEFICIENCIES:**

2015-002 Finding - During our review of internal control procedures over the WIA Cluster and Temporary Assistance for Needy Families Programs, we identified five items out of sixty where the amount of expense allocated between the programs did not have appropriate supporting documentation of the amounts allocated.

Recommendation – The College should review allocation procedures and maintaining adequate supporting documentation to ensure the expenses are properly allocated.

Current Status – The College has adhered to established procedures to properly identify and maintain supporting documentation for all allocation entries, including corrections.

2015-003 Finding – During our review of the internal control procedures over the Iowa Advanced Manufacturing Program (TAACCCT grant), we identified one Pcard that was missing proper approval by College staff. This Pcard accounted for thirteen of the thirty-seven items selected for testing.

Recommendation – The College should review procedures to ensure the expenses are properly approved.

Current Status – The College has taken steps to verify that approval procedures are followed and all appropriate approvals are obtained and documented.

**INSTANCES OF NON-COMPLIANCE:**

2015-004 Finding - During our review of compliance requirements of the Senior Companion Program, we identified that earmarking requirements were not met for the current year.

Recommendation – The College should review grant monitoring procedures to ensure the earmarking requirements are being met in the future.

Current Status – The recommendation is still in process.

**HAWKEYE COMMUNITY COLLEGE  
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS  
JUNE 30, 2016**

Corporation for National and Community Services:

Hawkeye Community College, respectfully submits the following corrective action plan for the year ended June 30, 2016.

The audit was performed by Williams & Company, P.C., P.O. Box 908, Spencer, Iowa, for the fiscal year ended June 30, 2016.

The findings from the June 30, 2016 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Part I of the schedule, Summary of Independent Auditor's Results, does include a finding and is not addressed.

The audit disclosed an instance of non-compliance as identified in Part III of the accompanying Schedule of Findings and Questioned Costs.

**MATERIAL WEAKNESS:**

2016-001 Financial Reporting

Criteria - The College is responsible for the accuracy of the financial statements

Condition - During the audit, we identified material amounts of New Jobs Training Projects (NJTP) receivables and NJTP funds returned, and immaterial amounts of receivables and expenses recorded or not properly recorded in the College's financial statements.

Potential Effect – As a result of these misstatements, the financial statements were materially misstated related to NJTP receivables and funds return, and had the potential to be misstated related to the other areas identified above.

Recommendation – The College should continue to implement procedures to ensure all the identified areas above are properly identified, classified, and included in the College's financial statements.

Response – The return of NJTP funds was a first-time occurrence for the College. Appropriate accounting entries were determined during the audit fieldwork and similar entries will be made if the situation occurs in the future.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

2016-002 Earmarking Requirements – Senior Companion Program CFDA Number 94.016

Criteria – Compliance requirements require that an amount equal to 80% of the Federal share of the grant must be used for stipend and other direct benefits for Senior Companions.

Condition – During our review of compliance requirements of the Senior Companion Program, we identified that earmarking requirements were not met for the current year.

**HAWKEYE COMMUNITY COLLEGE**  
**CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS (Continued)**  
**JUNE 30, 2016**

Questioned Cost – In the year under audit, the College incurred \$206,311 related to stipends and other direct benefits for Senior Companions. The Federal share of the grant is equal to \$307,118, and 80% of this amount equals \$245,694. The difference of \$39,383 was received and did not meet the requirement, thus resulting in a questioned cost.

Potential Effect – The portion of the funds received that did not meet the earmarking requirement could be disallowed.

Recommendation – The College should review grant monitoring procedures to ensure the earmarking requirements are being met in the future.

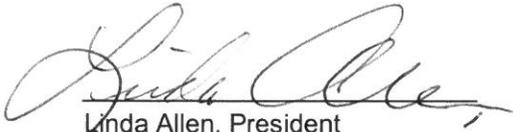
Response – The shortfall continues to be due to a shortage of volunteers. The new program manager has been researching new ways to market and recruit volunteers and is implementing findings. In addition, changes to the grant will be implemented in the next three-year term that will allow the program to require a fewer number of volunteers to meet the financial requirements. Orientation and training will also be more readily available so that new volunteers can start service as soon as possible.

Conclusion – Response accepted.

If the Corporation for National and Community Services has questions regarding this plan, please call Linda Allen at 319-296-4201.

Sincerely yours,

HAWKEYE COMMUNITY COLLEGE



Linda Allen, President



**Business Services**

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