

Des Moines Area Community College

**INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

June 30, 2004

CONTENTS

		<u>Page</u>
OFFICIALS		3
INDEPENDENT AUDITOR'S REPORT		4-5
MANAGEMENT'S DISCUSSION AND ANALYSIS		6-12
BASIC FINANCIAL STATEMENTS		
	<u>Exhibit</u>	
Statement of net assets	A	13-14
Statement of revenues, expenses, and changes in net assets	B	15
Statement of cash flows	C	16-17
Notes to financial statements		18-27
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary comparison schedule of expenditures--budget and actual		28
Note to required supplementary information--budgetary reporting		29
SCHEDULES		
	<u>Schedule</u>	
Assets, liabilities, and fund balances	1	30-31
Revenues, expenditures, and changes in fund balances	2	32
Revenues, expenditures, and changes in fund balances--unrestricted fund	3	33
Revenues, expenditures, and changes in fund balances (deficit)--auxiliary enterprises	4	34
Revenues, expenditures, and changes in fund balances (deficit)--restricted funds	5	35
Changes in deposits held in custody for others--agency funds	6	36
Credit and contact hours	7	37
Taxes and intergovernmental revenues	8	38
Current fund revenues by source and expenditures by function	9	39
Schedule of expenditures of federal awards	10	40
Notes to schedule of expenditures of federal awards		41
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS		42-43
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133		44-45
SCHEDULE OF FINDINGS		46

**Des Moines Area Community College
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Board of Directors (Before September 2003 Election)		
Joe Pugel	President	2003
Ben Norman	Vice President	2005
Lloyd Hill	Member	2004
Madelyn Tursi	Member	2005
Naomi Neu	Member	2003
Harold K. Belken	Member	2004
Kevin Halterman	Member	2003
Wayne Rouse	Member	2005
Steve Goodhue	Member	2004
Board of Directors (After September 2003 Election)		
Joe Pugel	President	2006
Ben Norman	Vice President	2005
Lloyd Hill	Member	2004
Madelyn Tursi	Member	2005
Naomi Neu	Member	2006
Harold K. Belken	Member	2004
Kevin Halterman	Member	2006
Wayne Rouse	Member	2005
Steve Goodhue	Member	2004
Community College		
Robert Denson	President	
Kim Linduska	Senior Vice President, Academic Affairs	
Dory Briles	Senior Vice President, Development	
Dave Palmer	Senior Vice President, Governmental Affairs	
Greg Martin	Board Treasurer and Vice President, Information Solutions	
Douglas Williams	Senior Vice President, Business Services	
Mary Chapman	Vice President, Community Outreach	
Joe Robbins	Controller	
Trudy Little	Board Secretary	

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Des Moines Area Community College
Ankeny, Iowa

We have audited the accompanying financial statements of Des Moines Area Community College (the College), and its aggregate discretely presented component unit as of and for the year ended June 30, 2004, which collectively comprise the College's basic financial statements listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Des Moines Area Community College and its aggregate discretely presented component unit as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, during the year ended June 30, 2004, the College adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. In addition, as discussed in Note 12 to the financial statements, certain errors resulting in the understatement of previously reported accumulated depreciation and deferred revenue, and the overstatement of previously reported fund balances at June 30, 2003, were discovered by management of the College during the year ended June 30, 2004. Accordingly, adjustments have been made to fund balances at July 1, 2003, to correct the errors.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 3, 2004 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 6 through 12 and budgetary comparison information on pages 28 and 29 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the College taken as a whole. The 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 accompanying schedule of expenditures of federal awards (Schedule 10) is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The supplementary information included in Schedules 8 and 9 related to the College's 2003, 2002, and 2001 financial statements was audited by other auditors whose report, dated December 4, 2003, expressed an unqualified opinion on such information in relation to the basic financial statements taken as a whole.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 3, 2004

Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

Management of Des Moines Area 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 is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ College operating revenues actually declined from the prior fiscal year. The decrease was approximately \$750,000 or 1.5%. The decrease was caused by a decline in operating revenues from the Iowa Industrial New Jobs Training Program. The decline of approximately \$3.2 million or 35.5% was the direct result of not issuing new Jobs Training Certificates during the current fiscal year. Certificates totaling \$7,545,000 were issued in July of 2004 (Fiscal 2005). Tuition revenue increased approximately \$1.9 million or 9.3%. The increase was the result of an enrollment (credit hours) increase of 8.2% and the tuition rate being charged per credit hour increasing 3.7%. Auxiliary sales and services increased slightly at approximately \$180,000 or 2.4%.
- ◆ College operating expenses increased approximately 2.0% for the second consecutive year, or approximately \$1,680,000 more in FY04 than in FY03. Operating expenses for liberal arts and sciences increased 17% and vocational technical expenses remained fairly constant. The operating expenses related to administration increased approximately 37%, but almost all of the increase (\$665,000) resulted from College activities that were no longer considered as auxiliary activities, and were accordingly recorded in the unrestricted fund. This shifting of cost centers between funds also resulted in 10% increase (\$900,000) in general institution expenses and a 14.4% decrease in the expenses of the auxiliary enterprises.
- ◆ The College's net assets increased 3.5%, or approximately \$2.3 million from FY03. Most of the increase is attributed to the restatement of the prior year's net assets (see Note 12). Had this restatement not been necessary, the College's net assets would have remained relatively unchanged. During the year, the College's Board of Directors elected to utilize approximately \$2.8 million of net assets to acquire and remodel property adjacent to the Des Moines campus. This decision eliminated the need for additional College borrowing and accordingly resulted in interest savings. General Fund unrestricted net assets increased to a total of \$6,117,686, which remains adequate to cover the College's cash flow requirements for at least one month.

USING THIS ANNUAL REPORT

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

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

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

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

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

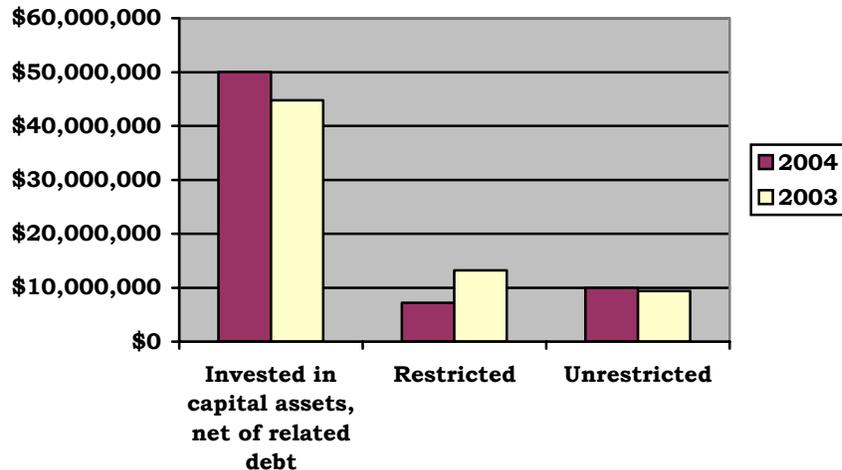
REPORTING THE COLLEGE AS A WHOLE

The Statement of Net Assets

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

	June 30	
	2004	2003
Current assets	\$ 90,097,273	\$ 87,347,199
Other assets	564,370	798,402
Capital assets, net of accumulated depreciation	53,453,923	51,248,415
Total assets	144,115,566	139,394,016
Current liabilities	43,897,692	31,134,206
Noncurrent liabilities	33,024,618	40,845,205
Total liabilities	76,922,310	71,979,411
Net assets:		
Invested in capital assets, net of related debt	50,058,923	44,773,415
Restricted	7,177,844	13,261,107
Unrestricted	9,956,489	9,380,083
Total net assets	\$ 67,193,256	\$ 67,414,605

Comparison of Net Assets



Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

The largest portion of the College's net assets (74.5%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (10.7%) includes resources that are subject to external restrictions. The remaining net assets (14.8%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

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

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

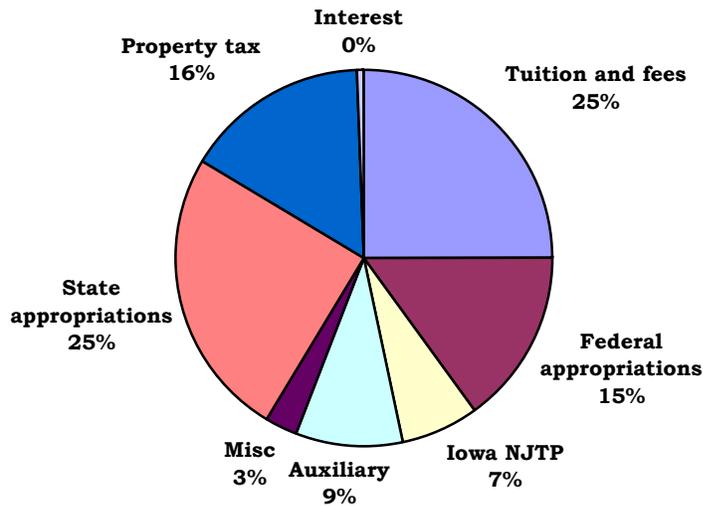
Changes in Net Assets

	Year ended June 30	
	2004	2003
Operating revenues:		
Tuition and fees	\$ 21,630,225	\$ 19,787,005
Federal appropriations	13,103,773	13,003,461
Iowa Industrial New Jobs Training Program	5,882,647	9,125,260
Auxiliary	7,887,378	7,702,916
Miscellaneous	2,379,333	2,028,067
Total operating revenues	50,883,356	51,646,709
Total operating expenses	82,281,145	80,651,351
Operating loss	(31,397,789)	(29,004,642)
Nonoperating revenues, (expenses) and transfers		
State appropriations	21,891,866	21,535,993
Property tax	13,755,963	13,196,248
Interest and investment income	419,115	644,907
Loss on disposition of capital assets	(33,207)	(12,565)
Interest on indebtedness	(2,422,926)	(2,879,719)
Transfers from Agency Funds	81,134	1,625,284
Net nonoperating revenues and transfers	33,691,945	34,110,148
Increase in net assets	2,294,156	5,105,506
Net assets beginning of year, as restated	64,899,100	59,793,594
Net assets end of year	\$ 67,193,256	\$ 64,899,100

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year, with an increase in the net assets at the end of the fiscal year. This increase resulted primarily from a \$2.0 million increase in unrestricted funds, a \$2.7 million decrease in expendable plant funds, a \$3.5 million decrease in the expendable Iowa Industrial New Jobs Training Program, and an increase of \$6.4 million in capital assets, net of related debt.

Total Revenue by Source



In fiscal year 2004, operating revenues decreased by approximately \$750,000 (1.4%). The decrease was a result of the following changes:

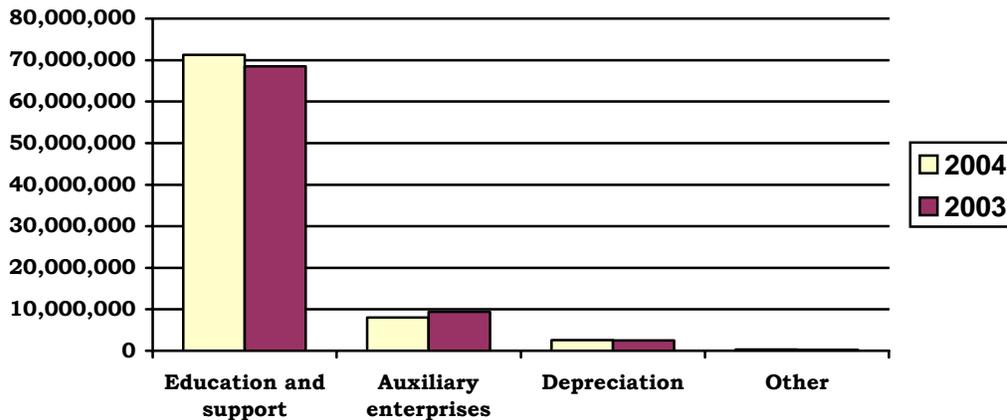
- ◆ Tuition and fees increased by approximately \$1.9 million (9.3%) due to an 8.2% increase in the number of credit hours and a 3.7% increase in the tuition rate charged per credit hour.
- ◆ The \$3.2 million decrease in revenue from the Iowa Industrial New Jobs Training Program was the direct result of not issuing new Jobs Training Certificates during the fiscal year. Certificates totaling \$7,545,000 were issued in July of 2004 (Fiscal 2005).
- ◆ Auxiliary enterprises revenue increased slightly at approximately \$180,000 due primarily to additional students purchasing books and supplies.

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

Operating Expenses

	Year ended June 30	
	2004	2003
Education and support:		
Liberal arts and sciences	\$ 13,434,762	\$ 11,484,690
Vocational technical	18,256,459	18,364,473
Adult education	7,473,959	7,080,431
Cooperative services	3,593,633	4,816,772
Administration	2,243,633	1,808,322
Student services	5,427,368	5,201,007
Learning resources	2,507,982	2,192,802
Physical plant	8,509,904	8,967,525
General institution	9,850,825	8,629,233
Auxiliary enterprises	8,029,329	9,378,164
Loan cancellations and bad debts	270,307	135,761
Administrative and collection costs	48,676	60,987
Depreciation	2,634,308	2,531,184
Total	<u>\$ 82,281,145</u>	<u>\$ 80,651,351</u>

Total Expenses



In fiscal year 2004, operating expenses increased by approximately \$1,530,000 (2.0%), excluding the addition for depreciation of \$2,600,000. The following factors explain some of the changes:

- ◆ Liberal arts and sciences, vocational technical and adult education, the three functions relating to student instruction, increased approximately \$2,320,000. This was due to the increase in the number of students and an increase in student services.
- ◆ Cooperative services although still totaling approximately \$3,600,000 decreased by approximately \$1,200,000 as a result of smaller payments made to the companies participating in the Iowa Industrial New Jobs Training Program. These expenses are dependent on the needs of the participating companies.
- ◆ Auxiliary enterprises expenses decreased by approximately \$1,300,000 due to the fact that several College activities were no longer classified as auxiliary enterprises since their principal customer was the College itself. These activities were moved to the unrestricted fund and resulted in an increase to Administrative costs of approximately \$665,000 and an increase of approximately \$900,000 in general institution expenses.

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

Statement of Cash Flows

A statement included in Des Moines Area Community College's basic financial statements is the Statement of Cash Flows. The Statement of Cash Flows is an important tool in helping users assess the College's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital financing and investing activities.

Cash Flows

	Year ended June 30	
	2004	2003
Cash provided by (used in):		
Operating activities	\$ (26,085,589)	\$ (25,359,488)
Noncapital financing activities	35,459,685	35,531,170
Capital and related financing activities	(17,969,785)	(7,986,058)
Investing activities	(1,341,910)	(1,056,066)
	(9,937,599)	1,129,558
Net increase (decrease) in cash		
Cash and short-term pooled investments, beginning of the year	56,642,411	55,512,853
Cash and short-term pooled investments, end of the year	\$ 46,704,812	\$ 56,642,411

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

CAPITAL ASSETS

At June 30, 2004, the College had approximately \$90.3 million invested in capital assets, net of accumulated depreciation of \$36.8 million. Depreciation charges totaled \$2,634,308 for FY2004. Details of capital assets are shown below.

Capital Assets, Net, at Year-End

	June 30	
	2004	2003
Land	\$ 4,881,465	\$ 4,635,465
Buildings	39,310,574	37,489,893
Construction in progress	2,983,433	575,170
Other structures and improvements	4,200,189	4,355,949
Equipment and vehicles	2,078,262	4,191,938
	\$ 53,453,923	\$ 51,248,415
Total		

Planned capital expenditures for the fiscal year ending June 30, 2005 and beyond includes the completion of remodeling of a new academic building and expanded parking facilities at the Des Moines Campus and completion of a \$5.7 million addition to the Boone Campus. The College appropriates approximately \$1.4 million for computer equipment and technology upgrades for the computer labs, wide area networks and classrooms. The College also plans to spend an estimated \$700,000 for maintenance on the buildings and grounds. The College has received approval from the voters in the district to continue the plant fund levy for

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

the fiscal years ending in 2006 through 2015. The \$.2025 per thousand levy generates approximately \$4.5 million per year for the College. In September of 2004 the district voters also approved a \$.06 per thousand levy for instructional equipment. This levy will result in the College receiving an additional \$1.5 million per year for instructional equipment for ten years beginning in the fiscal year ending in 2006. More detailed information about the College's capital assets is presented in Note 4 to the financial statements.

DEBT

At June 30, 2004, the College had \$39.2 million in debt outstanding, an decrease of \$9,675,000 from 2003. The table below summarizes these amounts by type.

Outstanding Debt

	June 30	
	2004	2003
Certificates payable	\$ 35,810,000	\$ 42,210,458
Notes payable and certificates of participation	3,395,000	6,438,795
Total	\$ 39,205,000	\$ 48,649,253

More detailed information about the College's outstanding debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

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

- ◆ State aid will remain virtually unchanged. State aid for fiscal year 2004 was approximately \$250,000 less than the amount received in fiscal year 2003. A budgeted increase of approximately \$600,000 (2.9%) was anticipated for fiscal year 2005.
- ◆ Expenses will continue to increase. As the number of students increases, the costs associated with serving them will also continue to increase.
- ◆ Facilities at the College require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

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

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, taxpayers in the community college district and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Des Moines Area Community College, 2006 South Ankeny Blvd., Ankeny, Iowa 50021.

BASIC FINANCIAL STATEMENTS

DES MOINES AREA COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2004

	<u>College</u>	<u>Foundation</u>
Assets		
Current assets:		
Cash and short-term pooled investments	\$ 46,704,812	\$ 976,233
Pooled investments	7,461,998	1,972,526
Receivables:		
Accounts, net of allowance of \$300,000	9,393,100	-
Current portion pledges receivable	-	214,723
Property tax:		
Delinquent	180,682	-
Succeeding year	14,355,541	-
Iowa Industrial New Jobs Training Program	8,375,459	-
Due from other governments	1,988,783	-
Inventories (Note 3)	1,484,165	-
Prepaid Expenses	152,733	-
	<u>90,097,273</u>	<u>3,163,482</u>
Total current assets		
Noncurrent assets:		
Pledges receivable	-	195,000
Prepaid expenses	302,086	-
Cash value of life insurance	262,284	-
Capital assets, net of accumulated depreciation (Note 4)	53,453,923	6,044,172
	<u>54,018,293</u>	<u>6,239,172</u>
Total noncurrent assets		
Total assets	\$ 144,115,566	\$ 9,402,654

DES MOINES AREA COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2004

	<u>College</u>	<u>Foundation</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,377,546	\$ 9,759
Current portion payable to Des Moines Area Community College	-	140,250
Salaries and benefits payable	2,193,249	-
Bond interest payable	175,606	-
Deferred revenue:		
Tuition	6,168,816	-
Succeeding year property tax	14,355,541	-
Iowa Industrial New Jobs Training Program and Other	8,446,841	133,302
Early retirement payable (Note 11)	1,552,869	-
Deposits held in custody for others	1,188,593	-
Certificates payable (Note 5)	6,904,770	-
Notes payable (Note 5)	1,533,861	219,120
	<u>43,897,692</u>	<u>502,431</u>
Total current liabilities		
Noncurrent liabilities (Note 5):		
Payable to Des Moines Area Community College	-	165,000
Compensated absences	974,000	-
Deferred revenue, Iowa Industrial New Jobs Training Program and Other	1,636,093	466,557
Certificates payable	28,573,783	-
Notes payable	1,840,742	447,304
	<u>33,024,618</u>	<u>1,078,861</u>
Total noncurrent liabilities		
	<u>76,922,310</u>	<u>1,581,292</u>
Total liabilities		
Net assets		
Invested in capital assets, net of related debt	50,058,923	-
Restricted:		
Nonexpendable:		
Cash reserve	755,088	-
Scholarships and fellowships	-	1,905,399
Expendable:		
Scholarships and fellowships	167,802	1,078,392
Loans	65,747	-
Plant fund	1,016,934	-
Iowa Industrial New Jobs Training Program	1,577,689	-
Early retirement	1,935,664	-
Other	1,658,920	-
Unrestricted	9,956,489	4,837,571
Commitments (Notes 6 and 13)		
	<u>\$ 67,193,256</u>	<u>\$ 7,821,362</u>
Total net assets		

Exhibit B

DES MOINES AREA COMMUNITY COLLEGE
 Statement of Revenues, Expenses, and Changes in Net Assets
 Year Ended June 30, 2004

	<u>College</u>	<u>Foundation</u>
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$9,220,794	\$ 21,630,225	\$ -
Federal appropriations	13,103,773	-
Iowa Industrial New Jobs Training Program	5,882,647	-
Auxiliary enterprises revenue	7,887,378	-
Contributions	-	1,041,953
Miscellaneous	2,379,333	402,022
Total operating revenues	<u>50,883,356</u>	<u>1,443,975</u>
Operating expenses:		
Education and support		
Liberal arts and sciences	13,434,762	-
Vocational technical	18,256,459	-
Adult education	7,473,959	-
Cooperative services	3,593,633	-
Administration	2,243,633	46,934
Student services	5,427,368	-
Learning resources	2,507,982	-
Physical plant	8,509,904	-
General institution	9,850,825	-
Auxiliary enterprises	8,029,329	-
Scholarships and grants	-	754,157
Fund raising	-	114,842
Loan cancellations and bad debts	270,307	-
Administrative and collection costs	48,676	-
Depreciation	2,634,308	200,169
Total operating expenses	<u>82,281,145</u>	<u>1,116,102</u>
Operating income (loss)	<u>(31,397,789)</u>	<u>327,873</u>
Nonoperating revenues (expenses):		
State appropriations	21,891,866	-
Property tax	13,755,963	-
Interest and investment income	419,115	237,782
Loss on disposition of capital assets	(33,207)	-
Interest on indebtedness	(2,422,926)	-
Net nonoperating revenues	<u>33,610,811</u>	<u>237,782</u>
Change in net assets	2,213,022	565,655
Transfers from agency fund	81,134	-
Total change in net assets	2,294,156	565,655
Net assets, beginning of year, as restated (Note 12)	64,899,100	7,255,707
Net assets, end of year	\$ <u>67,193,256</u>	\$ <u>7,821,362</u>

Exhibit C**DES MOINES AREA COMMUNITY COLLEGE**

Statement of Cash Flows

Year Ended June 30, 2004

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(31,397,789)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,634,308
Changes in assets and liabilities:	
Increase in accounts receivable	(2,190,742)
Increase in Iowa Industrial New Jobs Training Program receivables	(7,023,956)
Decrease in due from other governments	13,995
Decrease in prepaid expenses	18,151
Increase in inventories	(208,242)
Increase in accounts payable	746,574
Increase in salary and benefits payable	47,530
Increase in other deferred revenue	10,482,033
Increase in early retirement payable	821,049
Decrease in compensated absences	<u>(28,500)</u>
Total adjustments	<u>5,312,200</u>
Net cash used in operating activities	\$ <u><u>(26,085,589)</u></u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

Organization and Function

The Des Moines Area Community College (the College) is a publicly supported, post-secondary, two-year institution established and operated as an area community college by Merged Area XI, as provided in Chapter 260C of the Code of Iowa. The College offers programs of adult and continuing education, lifelong learning, community education, and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. It also offers up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. The College maintains campuses in Ankeny, Boone, Carroll, Des Moines, Newton, and West Des Moines and has its administrative offices in Ankeny. The College is governed by a Board of Directors whose members are elected from each director district within Merged Area XI.

In fulfilling the responsibilities assigned to it by law, the College offers a comprehensive educational program and support services to fulfill local and state needs. The College serves primarily students from the state of Iowa.

Reporting Entity

For financial reporting purposes, the College has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The 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 the College are such that exclusion would cause the College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) 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 (a) the ability of the College to impose its will on that organization, or (b) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the College.

The Des Moines Area Community College Foundation (the Foundation) qualifies as a component unit according to the Governmental Accounting Standards Board criteria. The Foundation is a nonprofit corporation controlled by a separate board of directors whose goal is to provide support to the College. Although the College does not control the timing or amount of the receipts from the Foundation, the majority of the resources that are held are used for the benefit of the College.

These financial statements present the College (the primary government) and the Foundation (its component unit). Certain disclosures about the Foundation are not included because the Foundation has been audited separately and a report has been issued under separate cover.

Financial Statement Presentation

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

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

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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

Financial Statement Presentation (continued)

Restricted Net Assets:

Nonexpendable – Net assets subject to externally-imposed stipulations that they be maintained permanently by the College.

Expendable – Net assets 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 Assets: Net assets that are not subject to externally-imposed situations. Examples include: Student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Unrestricted net assets are primarily used for academic and general programs of the College.

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

Supplementary Information

The supplementary information of the College is presented on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. For reporting purposes, funds that have similar characteristics have been combined into fund groups. The various fund groups and their designated purposes are as follows:

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

Unrestricted Fund – The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the College. All property tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this subgroup. From this subgroup are paid the general operating expenses, the fixed charges and the expenditures for plant assets that are not paid from other funds

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide non-instructional services for sales to students, staff and/or institutional departments, and which are supplemental to the educational and general objectives of the College. In addition, it accounts for activities which provide instructional and laboratory experiences for students and which incidentally create goods and services that may be sold to students, faculty, staff and the general public.

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.

Loan Funds – The Loan Funds are used to account for loans to students, and are financed primarily by the student government.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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

Supplementary Information (continued)

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

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

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

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

Agency Funds – The Agency Funds are used to account for assets held by the College in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities. Transactions of the Agency Funds represent charges or credits to the individual asset and liability accounts and do not involve measurement of revenues or expenditures.

Measurement Focus and Basis of Accounting

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

Schedules presented in the supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting, except for depreciation. The schedule of revenues, expenditures and changes in fund balance 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.

Assets, Liabilities and Net Assets

Cash and Pooled Investments – Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash 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.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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

Assets, Liabilities and Net Assets (continued)

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 Directors to the appropriate County Auditors. Delinquent property tax receivable represents unpaid taxes from the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Directors 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 Directors is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

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, 2004 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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.

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	40
Equipment and vehicles	4-10

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.

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

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, advanced student tuition, and deferred administrative and training revenue for NJTP projects.

Compensated Absences – College employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2004.

Tuition and Fees – Tuition and fees revenues are reported net of scholarship allowances.

Auxiliary Enterprise Revenues – Auxiliary Enterprise revenues primarily represent revenues generated by the bookstore, food service, career education, central stores and athletics.

Summer Session – The 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.

Income Taxes – The College is exempt from federal income taxes under the provisions of Section 115 of the Internal Revenue Code as a political subdivision of the State of Iowa. As such, the College is subject to federal income taxes only on any net unrelated business income under the provisions of Section 511 of the Internal Revenue Code.

Insurance Coverage – The College does not participate in a public entity risk pool. The College does carry commercial insurance coverage associated with all applicable risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

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

NOTE 2 CASH AND POOLED INVESTMENTS

The College's cash and deposits (money market accounts and certificates of deposit) at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 CASH AND POOLED INVESTMENTS (continued)

The College is authorized by statute to invest public funds in obligations of the United States government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the board of directors; 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 had investments at June 30, 2004 in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,711,998 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

NOTE 3 INVENTORIES

The College's inventories at June 30, 2004 are as follows:

Type	Amount
Supplies and materials	\$ 204,411
Merchandise held for resale	<u>1,279,754</u>
 Total	 <u>\$1,484,165</u>

NOTE 4 CAPITAL ASSETS

A summary of the change in capital assets for the year ended June 30, 2004 is as follows:

	Balance beginning of the year as restated (Note 12)	Additions	Transfers	Deletions	Balance end of year
Capital assets not being depreciated					
Land	\$ 4,635,465	\$ 246,000	\$ —	\$ —	\$ 4,881,465
Construction in progress	<u>575,170</u>	<u>2,885,632</u>	<u>(477,369)</u>	<u>—</u>	<u>2,983,433</u>
Total capital assets not being depreciated	<u>5,210,635</u>	<u>3,131,632</u>	<u>(477,369)</u>	<u>—</u>	<u>7,864,898</u>
Capital assets being depreciated					
Buildings	57,680,038	1,538,631	477,369	—	59,696,038
Improvements other than buildings	10,677,700	152,000	—	—	10,829,700
Equipment and vehicles	<u>11,483,770</u>	<u>1,121,857</u>	<u>—</u>	<u>695,335</u>	<u>11,910,292</u>
Total capital assets being depreciated	<u>79,841,508</u>	<u>2,812,488</u>	<u>477,369</u>	<u>695,335</u>	<u>82,436,030</u>
Less accumulated depreciation for					
Buildings	20,190,145	1,469,101	—	—	21,659,246
Improvements other than buildings	6,321,751	307,760	—	—	6,629,511
Equipment and vehicles	<u>8,362,929</u>	<u>857,447</u>	<u>—</u>	<u>662,128</u>	<u>8,558,248</u>
Total accumulated depreciation	<u>34,874,825</u>	<u>2,634,308</u>	<u>—</u>	<u>662,128</u>	<u>36,847,005</u>
Total capital assets being depreciated, net	<u>44,966,683</u>	<u>178,180</u>	<u>477,369</u>	<u>33,207</u>	<u>45,589,025</u>
Capital assets, net	<u>\$50,177,318</u>	<u>\$3,309,812</u>	<u>\$ —</u>	<u>\$ 33,207</u>	<u>\$53,453,923</u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 5 CHANGES IN NONCURRENT LIABILITIES

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

	<u>Compensated absences</u>	<u>Deferred revenue, NJTP and other</u>	<u>Certificates payable</u>	<u>Notes payable and certificates of participation</u>	<u>Total</u>
Balance, beginning of year	\$1,002,500	\$ 415,484	\$42,425,000	\$6,475,000	\$50,317,984
Additions	-	9,667,450	-	-	9,667,450
Reductions	<u>28,500</u>	<u>-</u>	<u>6,615,000</u>	<u>3,080,000</u>	<u>9,723,500</u>
	974,000	10,082,934	35,810,000	3,395,000	50,261,934
Less unamortized discount and deferred financing costs	<u>-</u>	<u>-</u>	<u>331,447</u>	<u>20,397</u>	<u>351,844</u>
Balance, end of year	974,000	10,082,934	35,478,553	3,374,603	49,910,090
Less current portion	<u>-</u>	<u>8,446,841</u>	<u>6,904,770</u>	<u>1,533,861</u>	<u>16,885,472</u>
Total noncurrent liabilities	<u>\$ 974,000</u>	<u>\$ 1,636,093</u>	<u>\$28,573,783</u>	<u>\$1,840,742</u>	<u>\$33,024,618</u>

The activity for compensated absences and deferred revenue represents the net change during the year, as the College does not provide detail for additions and reductions during the year.

Notes Payable and Certificates of Participation

The College has issued notes and certificates of participation for the purchase and construction of College properties as allowed by Section 260C.19 of the Code of Iowa. Details of the scheduled maturities for the College's June 30, 2004 notes payable and certificates of participation are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$1,540,000	\$ 148,557	\$1,688,557
2006	210,000	53,768	263,768
2007	215,000	49,778	264,778
2008	220,000	44,940	264,940
2009	225,000	39,330	264,330
2010-2013	<u>985,000</u>	<u>85,025</u>	<u>1,070,025</u>
Total	<u>\$3,395,000</u>	<u>\$ 421,398</u>	<u>\$3,816,398</u>

Notes payable and certificates of participation consisted of the following at June 30, 2004:

	<u>2004</u>
Tax-exempt notes payable dated July 1, 1998, with interest rates between 4.10% and 4.125%	\$ 480,000
Tax-exempt notes payable dated April 1, 2001, with interest rates between 3.45% and 3.65%	850,000
Tax-exempt certificates of participation dated April 14, 2003 with interest rates between 1.2% and 3.5%	<u>2,065,000</u>
	<u>\$3,395,000</u>

Interest on the notes and certificates of participation is payable semiannually, while principal payments are due annually. Changes in the notes payable and certificates of participation during the year ended June 30, 2003 included payments of \$3,080,000.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

Certificates – Payable

Pursuant to agreements dated from 1994 to 2004, the College issued certificates totaling \$35,810,000 at June 30, 2004 with interest rates ranging from 2.5% to 7.75% per annum. The debt was issued to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa. Iowa Industrial New Jobs Transfer Program (NJTP's) purpose is to provide tax-aided training for employees of industries which are new or are expanding their operations within the state of Iowa. Interest is payable semiannually, while principal payments are due annually. Amounts due will be paid from anticipated job credits from withholding taxes, and, in the case of default, standby property taxes collected pursuant to Chapter 260E.

The certificates will mature as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 7,005,000	\$1,847,406	\$ 8,852,406
2006	7,390,000	1,485,851	8,875,851
2007	6,650,000	1,098,879	7,748,879
2008	5,235,000	752,347	5,987,347
2009	3,900,000	478,483	4,378,483
2010 - 2014	<u>5,630,000</u>	<u>437,098</u>	<u>6,067,098</u>
Total	<u>\$35,810,000</u>	<u>\$6,100,064</u>	<u>\$41,910,064</u>

Since inception, the College has administered 341 projects, with 30 currently receiving project funding. Of the remaining projects, 230 have been completed and closed and 81 have been completed with only repayment of the certificates left. In cases where projects exceed the budgeted amounts, the College intends to obtain additional withholding revenue from the companies.

On July 7, 2004 the College issued certificates totaling \$7,545,000. The debt was incurred as allowed by Chapter 260E of the Code of Iowa and will mature starting on June 1, 2005.

NOTE 6 OPERATING LEASES

The College leases certain property under operating leases which expire at varying dates. Most of the operating leases provide the College with the option after the initial lease term either to renew the lease at the then fair rental value for one additional five-year period or to purchase the property at the then fair value. Generally, management expects that the leases will be renewed or replaced by other leases in the normal course of business. Minimum payments for operating leases having initial or remaining noncancelable terms in excess of one year are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2005	\$ 422,929
2006	355,588
2007	330,120
2008	182,865
2009	<u>6,706</u>
Total	<u>\$1,298,208</u>

Total rent expense for all operating leases was approximately \$416,218 for the year ended June 30, 2004.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 7 RENT INCOME

All leases are classified as operating leases.

The future revenue from the minimum rent required under the operating leases, in the aggregate, is as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2005	\$ 621,124
2006	549,631
2007	546,795
2008	383,090
2009	54,754
Thereafter	<u>273,237</u>
Total	<u>\$2,428,631</u>

Total rent income for all operating leases was approximately \$631,316 for the year ended June 30, 2004. The College has plant assets committed under these operating leases with a carrying value of approximately \$5,188,000.

NOTE 8 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)

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

Plan members are required to contribute 3.70% of their annual covered salary, and the College is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The College's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$950,883, \$955,600, and \$972,653, respectively, equal to the required contribution for each year.

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

The College also contributes to the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, each employee is to contribute 3.70% and the College is required to contribute 5.75%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2004 were \$1,063,250 and \$684,178, respectively.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 10 ACCOUNTING CHANGE

For the year ended June 30, 2004, the College implemented Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations Are Component Units. The significant change in the financial statements includes reporting the financial statements of Des Moines Area Community College Foundation as a discretely presented component unit. Since the Foundation is discretely presented, there is no change in the College's previously reported net assets as the result of implementing GASB 39.

NOTE 11 EARLY RETIREMENT

Full-time and certain part-time staff who are between the ages of 55 and 62 and who have at least 10 years of continuous service with the College are eligible for early retirement remuneration. A staff member who accepts early retirement, effective June 30 will receive cash benefits on July 1 and January 1 of the following fiscal year. An employee who accepts early retirement, effective December 31, will receive cash benefits on January 1 and July 1 of the following fiscal year. All employees who retire under the early retirement plan receive paid health insurance benefits to age 65.

The liability at June 30, 2004 for those employees who have elected early retirement was \$1,552,869. Early retirement is funded on a pay-as-you-go basis through property tax levies. The College's early retirement expense for the year ended June 30, 2004, including insurance costs, was \$2,386,003.

NOTE 12 ACCOUNTING RESTATEMENT

For the year ended June 30, 2004, the College restated the beginning value of net assets for two prior period adjustments. The changes in these financial statements include the correction of the calculation of depreciation on capital assets and the reporting of summer school revenues on a pro rata basis between fiscal years rather than in one fiscal year.

Basis Financial Statements

	<u>Total</u>
Net assets at June 30, 2003, as previously reported	\$67,414,605
Recalculation of accumulated depreciation	(1,071,097)
Summer session deferred revenue	<u>(1,444,408)</u>
Net assets July 1, 2003, as restated	<u>\$64,899,100</u>

NOTE 13 COMMITMENTS

The College has signed a construction contract for the remodeling of a building and other site improvements adjacent to the Des Moines Campus. The total cost of the project is approximately \$4,000,000. At June 30, 2004, the College has capitalized approximately \$2,750,000 for construction in progress, \$152,000 for improvements other than buildings, and \$246,000 for land. At June 30, 2004, the remaining commitment on the construction contract is approximately \$630,000.

The College has also signed a construction contract for approximately \$230,000 for the remodeling of the College's food service facility. This project was just beginning at June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

Des Moines Area Community College
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL
Required Supplementary Information
Year ended June 30, 2004

<u>Funds/Levy</u>	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance between actual and amended budget</u>
Unrestricted	\$ 53,717,547	\$ 53,717,547	\$60,746,955	\$ (7,029,408)
Restricted				
Unemployment	128,708	128,708	76,076	52,632
Insurance	728,406	728,406	707,338	21,068
Early retirement	2,621,975	2,621,975	2,386,003	235,972
Equipment replacement	711,197	711,197	855,207	(144,010)
Other	<u>32,818,442</u>	<u>32,818,442</u>	<u>15,184,016</u>	<u>17,634,426</u>
Total restricted	<u>37,008,728</u>	<u>37,008,728</u>	<u>19,208,640</u>	<u>17,800,088</u>
Total unrestricted/restricted	90,726,275	90,726,275	79,955,595	10,770,680
Plant	<u>9,382,708</u>	<u>12,182,708</u>	<u>12,040,314</u>	<u>142,394</u>
Total	<u>\$100,108,983</u>	<u>\$102,908,983</u>	<u>\$91,995,909</u>	<u>\$10,913,074</u>

See accompanying independent auditor's report.

Des Moines Area Community College
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2004

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the College on a basis consistent with generally accepting accounting principles. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Directors 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.

The variance between the original budget and the actual results for the unrestricted and restricted funds is the result of activities that are no longer considered restricted moving from the restricted to the unrestricted in the actual column.

The College's Board of Directors amended the plant fund budget at a public hearing held May 10, 2004. The amendment was required to allow the acquisition of property near the College's Des Moines campus.

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

OTHER SUPPLEMENTARY INFORMATION

DES MOINES AREA COMMUNITY COLLEGE

Assets, Liabilities and Fund Balances

June 30, 2004

Assets	Current funds		Nonoperating funds					Adjustments	Totals
	General unrestricted funds	General restricted funds	Loan funds	Plant Funds		Agency funds			
				Unexpended	Investment in plant				
Cash and short-term pooled investments	\$ 6,743,611	\$ 37,429,455	\$ 37,552	\$ 1,326,319	\$ -	\$ 1,167,875	\$ -	\$ 46,704,812	
Pooled investments	1,711,998	5,750,000	-	-	-	-	-	7,461,998	
Receivables:									
Accounts (less allowance of \$300,000)	7,795,905	1,183,029	28,195	384,922	-	1,049	-	9,393,100	
Property tax:									
Delinquent	-	180,682	-	-	-	-	-	180,682	
Succeeding year	4,857,550	4,640,441	-	4,857,550	-	-	-	14,355,541	
Iowa Industrial New Jobs Training Program	-	8,375,459	-	-	-	-	-	8,375,459	
Due from other governments	1,008,664	812,794	-	125,000	-	42,325	-	1,988,783	
Inventories	1,484,165	-	-	-	-	-	-	1,484,165	
Prepaid expenses	80,260	-	-	374,559	-	-	-	454,819	
Cash value of life insurance	262,284	-	-	-	-	-	-	262,284	
	<u>23,944,437</u>	<u>58,371,860</u>	<u>65,747</u>	<u>7,068,350</u>	<u>-</u>	<u>1,211,249</u>	<u>-</u>	<u>90,661,643</u>	
Capital assets:									
Land	-	-	-	-	4,881,465	-	-	4,881,465	
Buildings	-	-	-	-	59,696,038	-	-	59,696,038	
Improvements other than buildings	-	-	-	-	10,829,700	-	-	10,829,700	
Equipment and vehicles	-	-	-	-	11,910,292	-	-	11,910,292	
Construction in progress	-	-	-	-	2,983,433	-	-	2,983,433	
Accumulated depreciation	-	-	-	-	-	-	(36,847,005)	(36,847,005)	
Total assets	<u>\$ 23,944,437</u>	<u>\$ 58,371,860</u>	<u>\$ 65,747</u>	<u>\$ 7,068,350</u>	<u>\$ 90,300,928</u>	<u>\$ 1,211,249</u>	<u>\$ (36,847,005)</u>	<u>\$ 144,115,566</u>	

DES MOINES AREA COMMUNITY COLLEGE

Assets, Liabilities and Fund Balances

June 30, 2004

Liabilities and Fund Balances	Current funds		Nonoperating funds					Totals
	General unrestricted funds	General restricted funds	Loan funds	Plant Funds		Agency funds	Adjustments	
				Unexpended	Investment in plant			
Liabilities:								
Accounts payable	\$ 146,549	\$ 115,015	\$ -	\$ 1,087,775	\$ -	\$ 28,207	\$ -	\$ 1,377,546
Salaries and benefits payable	1,892,851	300,398	-	-	-	-	-	2,193,249
Bond interest payable	-	153,951	-	21,655	-	-	-	175,606
Deferred revenue:								
Succeeding year property tax	4,857,550	4,640,441	-	4,857,550	-	-	-	14,355,541
Other	6,192,285	9,957,934	-	95,833	-	5,698	-	16,251,750
Early retirement payable	-	1,552,869	-	-	-	-	-	1,552,869
Deposits held in custody for others	8,713	2,536	-	-	-	1,177,344	-	1,188,593
Compensated absences	890,000	75,000	-	9,000	-	-	-	974,000
Certificates payable	-	35,478,553	-	-	-	-	-	35,478,553
Notes payable	-	-	-	(20,397)	3,395,000	-	-	3,374,603
Total liabilities	<u>13,987,948</u>	<u>52,276,697</u>	<u>-</u>	<u>6,051,416</u>	<u>3,395,000</u>	<u>1,211,249</u>	<u>-</u>	<u>76,922,310</u>
Fund balances:								
Invested in capital assets, net of related debt	-	-	-	-	86,905,928	-	(36,847,005)	50,058,923
Restricted:								
Nonexpendable:								
Cash reserve	-	755,088	-	-	-	-	-	755,088
Expendable:								
Scholarships and fellowships	-	167,802	-	-	-	-	-	167,802
Loans	-	-	65,747	-	-	-	-	65,747
Plant fund	-	-	-	1,016,934	-	-	-	1,016,934
Iowa Industrial New Jobs Training Program	-	1,577,689	-	-	-	-	-	1,577,689
Early retirement	-	1,935,664	-	-	-	-	-	1,935,664
Other	-	1,658,920	-	-	-	-	-	1,658,920
Unrestricted	<u>9,956,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,956,489</u>
Total fund balances	<u>9,956,489</u>	<u>6,095,163</u>	<u>65,747</u>	<u>1,016,934</u>	<u>86,905,928</u>	<u>-</u>	<u>(36,847,005)</u>	<u>67,193,256</u>
Total liabilities and fund balances	<u>\$ 23,944,437</u>	<u>\$ 58,371,860</u>	<u>\$ 65,747</u>	<u>\$ 7,068,350</u>	<u>\$ 90,300,928</u>	<u>\$ 1,211,249</u>	<u>\$ (36,847,005)</u>	<u>\$ 144,115,566</u>

DES MOINES AREA COMMUNITY COLLEGE
 Revenues, Expenditures, and Changes in Fund Balances
 Year ended June 30, 2004

	Current operating funds			Nonoperating funds					Totals
	General unrestricted funds	General restricted funds	Total	Loan funds	Plant funds			Adjustments	
					Unexpended	Retirement of indebtedness	Investment in plant		
Revenues and other additions:									
Tuition and fees	\$ 30,148,278	\$ 702,741	\$ 30,851,019	\$ -	\$ -	\$ -	\$ -	\$ (9,220,794)	\$ 21,630,225
Federal appropriations	1,398,928	11,704,845	13,103,773	-	-	-	-	-	13,103,773
Iowa Industrial New Jobs Training Program	-	5,882,647	5,882,647	-	-	-	-	-	5,882,647
State appropriations	20,602,005	1,289,861	21,891,866	-	-	-	-	-	21,891,866
Property tax	4,804,984	4,139,240	8,944,224	-	1,473,756	3,337,983	-	-	13,755,963
Auxiliary enterprises revenue	8,284,464	-	8,284,464	-	-	-	-	(397,086)	7,887,378
Interest income	205,261	194,239	399,500	-	19,615	-	-	-	419,115
Expended for plant assets (including \$910,318 in current operating fund expenditures)	-	-	-	-	-	-	5,944,120	(5,944,120)	-
Retirement of indebtedness	-	-	-	-	-	-	3,080,000	(3,080,000)	-
Miscellaneous	1,650,651	304,188	1,954,839	29,384	451,283	-	-	(56,173)	2,379,333
Total revenues and other additions	67,094,571	24,217,761	91,312,332	29,384	1,944,654	3,337,983	9,024,120	(18,698,173)	86,950,300
Expenditures and other deductions:									
Education and support:									
Liberal arts and sciences	13,285,203	149,559	13,434,762	-	-	-	-	-	13,434,762
Vocational technical	17,445,216	811,243	18,256,459	-	-	-	-	-	18,256,459
Adult education	5,288,444	2,185,515	7,473,959	-	-	-	-	-	7,473,959
Cooperative programs	278,845	3,314,788	3,593,633	-	-	-	-	-	3,593,633
Administration	2,243,633	-	2,243,633	-	-	-	-	-	2,243,633
Student services	4,709,923	717,445	5,427,368	-	-	-	-	-	5,427,368
Learning resources	2,362,648	145,334	2,507,982	-	-	-	-	-	2,507,982
Physical plant	4,340,280	501,095	4,841,375	-	3,668,529	-	-	-	8,509,904
General institution	6,492,359	3,728,214	10,220,573	27,338	-	-	-	(397,086)	9,850,825
Scholarships and grants	-	9,220,794	9,220,794	-	-	-	-	(9,220,794)	-
Total education and support	56,446,551	20,773,987	77,220,538	27,338	3,668,529	-	-	(9,617,880)	71,298,525
Auxiliary enterprises	8,085,502	-	8,085,502	-	-	-	-	(56,173)	8,029,329
Expended for plant assets	491,737	418,581	910,318	-	5,033,802	-	-	(5,944,120)	-
Administrative and collection	48,676	-	48,676	-	-	-	-	-	48,676
Retirement of indebtedness	-	-	-	-	-	3,080,000	-	(3,080,000)	-
Loan cancellation and bad debts	270,307	-	270,307	-	-	-	-	-	270,307
Interest on indebtedness	-	2,164,943	2,164,943	-	-	257,983	-	-	2,422,926
Depreciation	-	-	-	-	-	-	-	2,634,308	2,634,308
Disposition of capital assets	-	-	-	-	-	-	695,335	(662,128)	33,207
Total expenditures and other deductions	65,342,773	23,357,511	88,700,284	27,338	8,702,331	3,337,983	695,335	(16,725,993)	84,737,278
Transfers among funds:									
Mandatory – matching funds	(68,905)	68,905	-	-	-	-	-	-	-
Non-mandatory transfers	337,921	(4,318,444)	(3,980,523)	20,000	4,041,657	-	-	-	81,134
Net increase (decrease) for the year	2,020,814	(3,389,289)	(1,368,475)	22,046	(2,716,020)	-	8,328,785	(1,972,180)	2,294,156
Fund balances at beginning of year, as restated (Note 12)	7,935,675	9,484,452	17,420,127	43,701	3,732,954	-	78,577,143	(34,874,825)	64,899,100
Fund balances at end of year	\$ 9,956,489	\$ 6,095,163	\$ 16,051,652	\$ 65,747	\$ 1,016,934	\$ -	\$ 86,905,928	\$ (36,847,005)	\$ 67,193,256

DES MOINES AREA COMMUNITY COLLEGE
 Revenues, Expenditures, and Changes in Fund Balance - Unrestricted Fund
 Year ended June 30, 2004

	Education				Support					Education and Support
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	Adminis- tration	Student Services	Learning Resources	Physical Plant	General Institution	Total
Revenues:										
Tuition and fees	\$ 12,890,811	\$ 9,006,039	\$ 7,937,104	\$ 143,530	\$ 5,695	\$ 21,687	\$ -	\$ -	\$ (27,493)	\$ 29,977,373
Federal appropriations	107,846	628,191	595,100	-	22,944	31,589	5,713	2,718	2,145	1,396,246
State appropriations	-	-	526,469	-	-	-	-	-	20,075,536	20,602,005
Property tax	-	-	-	-	-	-	-	-	4,804,984	4,804,984
Interest income	-	-	-	-	53,770	-	-	-	151,491	205,261
Miscellaneous	26,011	779,840	91,541	-	294,716	6,740	8,027	137,255	179,375	1,523,505
	13,024,668	10,414,070	9,150,214	143,530	377,125	60,016	13,740	139,973	25,186,038	58,509,374
Allocation of support services	14,825,243	6,228,457	4,475,258	247,934	(377,125)	(60,016)	(13,740)	(139,973)	(25,186,038)	-
Total revenues	27,849,911	16,642,527	13,625,472	391,464	-	-	-	-	-	58,509,374
Expenditures:										
Salaries and benefits	12,335,619	15,585,266	3,818,733	221,848	1,612,689	4,359,784	1,821,675	2,641,382	3,552,970	45,949,966
Services	389,803	613,878	1,033,187	380	366,373	155,249	129,339	1,077,754	1,764,311	5,530,274
Materials and supplies	439,546	1,062,740	379,993	53,954	208,444	149,961	401,412	615,900	1,031,186	4,343,136
Travel	120,235	167,256	52,788	2,663	14,762	44,929	10,222	5,244	8,445	426,544
Expended for plant assets	31,770	184,531	-	-	6,840	-	-	185,231	83,365	491,737
Miscellaneous	3,137	100,076	5,556	-	271,398	-	-	-	135,447	515,614
	13,320,110	17,713,747	5,290,257	278,845	2,480,506	4,709,923	2,362,648	4,525,511	6,575,724	57,257,271
Allocation of support services	11,879,057	4,990,691	3,585,901	198,663	(2,480,506)	(4,709,923)	(2,362,648)	(4,525,511)	(6,575,724)	-
Total expenditures	25,199,167	22,704,438	8,876,158	477,508	-	-	-	-	-	57,257,271
Excess (deficiency) of revenues over (under) expenditures	2,650,744	(6,061,911)	4,749,314	(86,044)	-	-	-	-	-	1,252,103
Transfers:										
Mandatory transfers	-	-	-	-	(68,905)	-	-	-	-	(68,905)
Non-mandatory transfers	58,214	(696,957)	335,793	-	98,934	96,535	-	(1,028,473)	1,991,715	855,761
Total transfers	58,214	(696,957)	335,793	-	30,029	96,535	-	(1,028,473)	1,991,715	786,856
Net increase (decrease) for the year	\$ 2,708,958	\$ (6,758,868)	\$ 5,085,107	\$ (86,044)	\$ 30,029	\$ 96,535	\$ -	\$ (1,028,473)	\$ 1,991,715	2,038,959
Fund balance at beginning of year, as restated (Note 12)										4,078,727
Fund balance at end of year										\$ 6,117,686

Note: The support services allocations are based on the percentage of contact hours reported.

DES MOINES AREA COMMUNITY COLLEGE

Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Auxiliary Enterprises

Year ended June 30, 2004

	<u>Bookstore</u>	<u>Career education</u>	<u>Duplicating services</u>	<u>Data processing</u>	<u>Cafeteria/ vending</u>	<u>Athletics</u>	<u>Facilities rental</u>	<u>Other</u>	<u>Total</u>
Revenues and other additions:									
Sales and services	\$ 6,437,869	\$ 477,890	\$ -	\$ -	\$ 611,838	\$ 10,130	\$ 520,111	\$ 226,626	\$ 8,284,464
Student fee allocations	-	15,728	-	-	-	937	-	154,240	170,905
Federal appropriations	-	-	-	-	2,682	-	-	-	2,682
Miscellaneous	<u>16,199</u>	<u>33,127</u>	<u>-</u>	<u>-</u>	<u>1,210</u>	<u>15,167</u>	<u>44,538</u>	<u>16,905</u>	<u>127,146</u>
Total revenues and other additions	<u>6,454,068</u>	<u>526,745</u>	<u>-</u>	<u>-</u>	<u>615,730</u>	<u>26,234</u>	<u>564,649</u>	<u>397,771</u>	<u>8,585,197</u>
Expenditures and other deductions:									
Salaries and benefits	756,786	205,821	-	-	371,359	21,139	141,674	20,839	1,517,618
Services	208,125	9,379	-	-	21,759	26,868	392,109	103,818	762,058
Materials and supplies	127,190	36,648	-	-	21,817	45,998	3,946	148,142	383,741
Travel	5,807	130	-	-	96	15,434	208	3,846	25,521
Purchases for resale	4,614,049	461,156	-	-	260,876	213	-	60,171	5,396,465
Miscellaneous	<u>(4,192)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,291</u>	<u>99</u>
Total expenditures and other deductions	<u>5,707,765</u>	<u>713,134</u>	<u>-</u>	<u>-</u>	<u>675,907</u>	<u>109,652</u>	<u>537,937</u>	<u>341,107</u>	<u>8,085,502</u>
Transfers among funds (non-mandatory)	<u>(316,024)</u>	<u>18,208</u>	<u>(98,934)</u>	<u>(201,264)</u>	<u>63,452</u>	<u>93,455</u>	<u>(27,798)</u>	<u>(48,935)</u>	<u>(517,840)</u>
Net increase (decrease) for the year	430,279	(168,181)	(98,934)	(201,264)	3,275	10,037	(1,086)	7,729	(18,145)
Fund balances (deficit) at beginning of year	<u>2,338,368</u>	<u>81,509</u>	<u>98,934</u>	<u>201,264</u>	<u>237,269</u>	<u>(1,433)</u>	<u>286,855</u>	<u>614,182</u>	<u>3,856,948</u>
Fund balances (deficit) at end of year	<u>\$ 2,768,647</u>	<u>\$ (86,672)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,544</u>	<u>\$ 8,604</u>	<u>\$ 285,769</u>	<u>\$ 621,911</u>	<u>\$ 3,838,803</u>

DES MOINES AREA COMMUNITY COLLEGE
 Revenues, Expenditures, and Changes in Fund Balances - Restricted Funds
 Year ended June 30, 2004

	<u>Scholarship</u>	<u>Equipment replacement</u>	<u>Insurance</u>	<u>Tort</u>	<u>Early retirement</u>	<u>Unemployment compensation</u>	<u>Cash reserve</u>	<u>Grants and contracts</u>	<u>Iowa Industrial New Jobs Training Program</u>	<u>Other</u>	<u>Total</u>
Revenues and other additions:											
Tuition and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 271,398	\$ 8,180	\$ 423,163	\$ 702,741
Federal appropriations	8,850,063	-	-	-	-	-	-	2,844,141	1,681	8,960	11,704,845
Iowa Industrial New Jobs Training Program	-	-	-	-	-	-	-	-	5,882,647	-	5,882,647
State appropriations	-	-	-	-	-	-	-	581,707	135,801	572,353	1,289,861
Property tax	-	713,032	539,781	181,245	2,619,898	85,284	-	-	-	-	4,139,240
Interest income	-	-	-	-	-	-	-	-	194,239	-	194,239
Miscellaneous	863	36,644	-	-	-	-	-	117,925	148,756	-	304,188
Total revenues and other additions	<u>8,850,926</u>	<u>749,676</u>	<u>539,781</u>	<u>181,245</u>	<u>2,619,898</u>	<u>85,284</u>	<u>-</u>	<u>3,815,171</u>	<u>6,371,304</u>	<u>1,004,476</u>	<u>24,217,761</u>
Expenditures and other deductions:											
Salaries and benefits	4,345	-	197,430	-	2,386,003	76,076	-	1,960,447	485,836	174,834	5,284,971
Services	-	4,689	318,564	191,344	-	-	-	806,464	3,141,038	386,454	4,848,553
Materials and supplies	243	606,465	-	-	-	-	-	584,898	28,485	118,528	1,338,619
Travel	-	1,477	-	-	-	-	-	49,106	17,121	13,346	81,050
Expended for plant assets	-	242,576	-	-	-	-	-	40,203	135,802	-	418,581
Interest on indebtedness	-	-	-	-	-	-	-	-	2,164,943	-	2,164,943
Scholarships and grants	9,171,236	-	-	-	-	-	-	-	-	-	9,171,236
Private scholarships	-	-	-	-	-	-	-	49,558	-	-	49,558
Total expenditures and other deductions	<u>9,175,824</u>	<u>855,207</u>	<u>515,994</u>	<u>191,344</u>	<u>2,386,003</u>	<u>76,076</u>	<u>-</u>	<u>3,490,676</u>	<u>5,973,225</u>	<u>693,162</u>	<u>23,357,511</u>
Excess (deficiency) of revenues over (under) expenditures for the year	(324,898)	(105,531)	23,787	(10,099)	233,895	9,208	-	324,495	398,079	311,314	860,250
Transfers among funds:											
Mandatory transfers	68,905	-	-	-	-	-	-	-	-	-	68,905
Non-mandatory transfers	191,747	865	-	-	-	-	-	(675,092)	(3,876,002)	40,038	(4,318,444)
Net increase (decrease) for the year	(64,246)	(104,666)	23,787	(10,099)	233,895	9,208	-	(350,597)	(3,477,923)	351,352	(3,389,289)
Fund balances at beginning of year	232,048	362,550	-	-	1,701,769	-	755,088	344,484	5,055,612	1,032,901	9,484,452
Fund balances (deficit) at end of year	<u>\$ 167,802</u>	<u>\$ 257,884</u>	<u>\$ 23,787</u>	<u>\$ (10,099)</u>	<u>\$ 1,935,664</u>	<u>\$ 9,208</u>	<u>\$ 755,088</u>	<u>\$ (6,113)</u>	<u>\$ 1,577,689</u>	<u>\$ 1,384,253</u>	<u>\$ 6,095,163</u>

DES MOINES AREA COMMUNITY COLLEGE

Changes in Deposits Held in Custody for Others - Agency Funds

Year ended June 30, 2004

	<u>Student activities</u>	<u>Specially funded activities</u>	<u>Student clubs and organizations</u>	<u>One-Source training</u>	<u>Other</u>	<u>Total</u>
Balances, beginning of year	\$ 292,023	\$ 101,303	\$ 196,751	\$ -	\$ 115,808	\$ 705,885
Additions:						
Tuition and fees	300,047	-	-	405,582	-	705,629
Federal appropriations	-	-	-	-	16,040	16,040
State appropriations	-	416,335	-	-	-	416,335
Sales and services	70,577	-	64,338	-	-	134,915
Interest on investments	-	-	3,202	-	-	3,202
Other	32,335	1,051	199,402	-	20,029	252,817
Transfers in	147,806	38,664	57,847	-	-	244,317
Total additions	<u>550,765</u>	<u>456,050</u>	<u>324,789</u>	<u>405,582</u>	<u>36,069</u>	<u>1,773,255</u>
Deductions:						
Salaries and benefits	5,215	13,354	-	-	5,600	24,169
Services	89,488	322,357	46,083	-	-	457,928
Materials and supplies	99,945	53,366	175,361	-	-	328,672
Travel	11,858	1,379	7,918	-	-	21,155
Cost of goods sold	69,657	-	50,389	-	-	120,046
Scholarships	-	-	15,900	-	-	15,900
Expended for plant assets	-	6,533	-	-	-	6,533
Other	-	-	1,942	-	-	1,942
Transfers out	250,474	900	9,285	-	64,792	325,451
Total deductions	<u>526,637</u>	<u>397,889</u>	<u>306,878</u>	<u>-</u>	<u>70,392</u>	<u>1,301,796</u>
Net additions and deductions	<u>24,128</u>	<u>58,161</u>	<u>17,911</u>	<u>405,582</u>	<u>(34,323)</u>	<u>471,459</u>
Balances, end of year	<u>\$ 316,151</u>	<u>\$ 159,464</u>	<u>\$ 214,662</u>	<u>\$ 405,582</u>	<u>\$ 81,485</u>	<u>\$ 1,177,344</u>

DES MOINES AREA COMMUNITY COLLEGE

Credit and Contact Hours

Year ended June 30, 2004

Category	Credit hours eligible for aid	Contact hours		Total
		Eligible for aid	Not eligible for aid	
Arts and sciences	222,916	4,487,625	-	4,487,625
Vocational education	74,403	1,885,364	-	1,885,364
Adult education/continuing education	-	1,242,278	187,440	1,429,718
Total	297,319	7,615,267	187,440	7,802,707

DES MOINES AREA COMMUNITY COLLEGE

Taxes and Intergovernmental Revenues
(Excluding the Agency Funds)

For the Last Four Years

	<u>2004</u>		<u>2003</u>		<u>2002</u>		<u>2001</u>
Local (property tax)	\$ 13,755,963	\$	13,196,248	\$	11,455,621	\$	11,265,430
State	21,891,866		21,535,993		22,182,591		25,402,389
Federal	13,103,773		13,003,461		10,638,730		7,590,395
	<u>\$ 48,751,602</u>	\$	<u>47,735,702</u>	\$	<u>44,276,942</u>	\$	<u>44,258,214</u>

DES MOINES AREA COMMUNITY COLLEGE

Schedule of Current Fund Revenues by Source
and Expenditures by Function

For the Last Four Years

	Years ended June 30			
	2004	2003	2002	2001
Revenues:				
Tuition and fees	\$ 30,851,019	\$ 27,874,845	\$ 23,284,486	\$ 20,954,121
Property tax	8,944,224	8,579,477	7,001,870	7,036,860
Federal appropriations	13,103,773	13,003,461	10,638,730	7,590,395
State appropriations	21,891,866	21,535,993	22,057,591	23,549,056
Interest income from investments	399,500	620,194	1,561,151	3,073,032
Iowa Industrial New Jobs Training Program	5,882,647	9,125,260	9,813,587	10,977,385
Auxiliary enterprises revenue	8,284,464	9,803,018	8,814,064	8,096,936
Miscellaneous	1,954,839	1,867,121	4,185,192	3,455,477
Total	\$ 91,312,332	\$ 92,409,369	\$ 87,356,671	\$ 84,733,262
Expenditures:				
Liberal arts and sciences	\$ 13,469,669	\$ 11,981,718	\$ 11,206,035	\$ 10,890,304
Vocational technical	18,544,343	19,227,003	18,235,051	15,354,309
Adult education	7,496,622	7,275,551	8,019,921	8,141,536
Cooperative services	3,593,633	4,823,941	5,334,382	7,659,647
Administration	2,480,506	1,895,235	2,223,936	2,358,463
Student services	5,427,368	5,384,477	5,235,929	4,754,107
Learning resources	2,507,982	2,331,049	2,289,308	2,239,458
Physical plant	5,162,407	4,616,757	4,134,606	3,672,109
General institution	10,546,515	9,041,339	8,274,555	8,421,214
Auxiliary enterprises	8,085,502	9,536,603	8,617,997	7,952,160
Scholarships and grants	9,220,794	8,379,677	6,473,483	5,160,201
Interest on indebtedness	2,164,943	2,588,537	2,399,377	2,321,370
Total	\$ 88,700,284	\$ 87,081,887	\$ 82,444,580	\$ 78,924,878

DES MOINES AREA COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Student financial assistance cluster (major program) (Note 2):		
United States Department of Education:		
Federal Pell Grant	84.063	\$ 8,646,784
Federal Supplemental Educational Opportunity Grant	84.007	220,494
Federal Work-Study	84.033	256,637
Federal Direct Student Loans	84.268	<u>15,784,968</u>
Total student financial assistance cluster		<u>24,908,883</u>
Other federal assistance:		
United States Department of Education:		
TRIO cluster:		
Upward Bound	84.047	182,234
Student Support Services	84.042	<u>278,381</u>
Total TRIO cluster		<u>460,615</u>
Iowa New Choices	84.335	16,211
Strengthening Institutions	84.031	81,150
No Child Left Behind	84.357	10,000
Life Skills for State and Local Prisoners	84.255	239,485
Passed through Iowa Department of Education:		
Tech – Prep Education	84.243	125,006
Adult Education – Basic Grant Program	84.002	565,018
Civics Grant	84.002	81,718
Vocational Education	84.048	582,055
Mine Health and Safety	17.600	4,683
Passed through Iowa Public Television:		
IPT Literacy Link	84.203	5,435
Passed through Iowa Division of Vocational Rehabilitation Services		
Iowa Paths Project	84.235	<u>18,671</u>
Total United States Department of Education		<u>27,098,930</u>
United States Department of Housing and Urban Development:		
Youth Build	14.243	<u>138,123</u>
United States Department of Labor:		
Carroll Campus Technology Resource Center	17.261	279,830
Integrated Manufacturing Technology	17.249	<u>180,338</u>
Total United States Department of Labor		<u>460,168</u>
Total expenditures of federal awards		<u>\$ 27,697,221</u>

Des Moines Area Community College
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2004

NOTE 1 BASIS OF PRESENTATION

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of Des Moines Area Community College (the College) for the year ended June 30, 2004, which have been financed by the United States government (federal awards). For purposes of the Schedule, federal awards include all federal assistance entered into directly between the College and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. Because the Schedule presents only a selected portion of the activities of the College, it is not intended to, and does not, present the financial position and support, revenue, expenses, and changes in net assets of the College.

Deductions or expenditures for direct costs are recognized as incurred, using the accrual method of accounting and the cost accounting principles contained in the United States Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 STUDENT FINANCIAL ASSISTANCE

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and, accordingly, these loans are not included in its financial statements. It is not practical to determine the balance of the loans outstanding to students and former students of the College under this program at June 30, 2004.

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

To the Board of Directors
Des Moines Area Community College
Ankeny, Iowa

We have audited the financial statements of Des Moines Area Community College (the College) as of and for the year ended June 30, 2004, and have issued our report thereon dated September 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

We noted certain matters related to internal control that we reported to management of the College in a separate letter dated September 3, 2004.

Compliance and Other Matters

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

We noted certain matters related to compliance that we reported to management of the College in a separate letter dated September 3, 2004.

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

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 3, 2004

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors
Des Moines Area Community College
Ankeny, Iowa

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

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

Internal Control Over Compliance

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

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

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 3, 2004

**Des Moines Area Community College
SCHEDULE OF FINDINGS
Year ended June 30, 2004**

Part I—Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) Major program was as follows:
 - CFDA Number 84.007, 84.033, 84,063, 84.268 – Student Financial Assistance Cluster
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$357,368.
- (i) Des Moines Area Community College qualified as a low-risk auditee.

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

NONE

Part III—Findings and Questioned Costs for Federal Awards

NONE