

**Des Moines Area Community College**

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

**June 30, 2005**

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**Des Moines Area Community College  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
<b>Board of Directors (Before September 2004 Election)</b>		
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
<b>Board of Directors (After September 2004 Election)</b>		
Joe Pugel	President	2006
Ben Norman	Vice President	2005
Lloyd Hill	Member	2007
Madelyn Tursi	Member	2005
Naomi Neu	Member	2006
Harold K. Belken	Member	2007
Kevin Halterman	Member	2006
Wayne Rouse	Member	2005
Cheryl Langston	Member	2007
<b>Community College</b>		
Robert Denson	President/CEO	
Kim Linduska	Executive Vice President, Academic Affairs	
Greg Martin	Board Treasurer and Vice President, Information Solutions	
Douglas Williams	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, 2005, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 2, 2005 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the basic financial statements for the year ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. 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 and 2002 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*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
September 2, 2005

**Des Moines Area Community College**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2005**

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

**FINANCIAL HIGHLIGHTS**

- ◆ College operating revenues increased approximately \$7,900,000 or 15.5%. The increase was caused by several factors. Tuition revenue increased approximately \$1,700,000 as the result of a tuition increase of \$7.00 per credit hour (8.4%) and a 4.2% increase in the number of credit hours taught. The issuance of \$7,545,000 in Jobs Training Certificates resulted in an increase in revenue from the Iowa Industrial New Jobs Training Program of approximately \$5,000,000. Miscellaneous revenue increased 27.7% or approximately \$650,000. Revenue from the Accelerated Career Education Program (ACE) accounted for approximately \$225,000 of the increase. Contributions to the construction of the Story County Career Academy, which totaled \$845,000, created an increase in revenue from gifts and grants of \$425,000.
- ◆ College operating expenses increased 6.2% or approximately \$5,130,000. Operating expenses for liberal arts and sciences increased 9.9% and vocational technical expenses increased 5.2%. These increases relate directly to negotiated salary increases and the 4.2% increase in credit hours taught. The operating expenses related to administration increased approximately 7.8%, again related to the increases in salaries and enrollment. Physical plant expenses increased approximately \$1,200,000 or 13.7%. The increase was principally the result of activities and purchases surrounding the three major construction projects; an addition to the Boone Campus, remodeling of building 7 on the Ankeny Campus, and preliminary work on the Story County Career Academy.
- ◆ The College's net assets increased 10.6%, or approximately \$7 million from FY04. Most of the increase is attributed to the increased activity in the Iowa Industrial New Jobs Training Program and activities related to the financing of three major construction projects. Net assets in the unexpended plant fund increased approximately \$4,200,000 resulting from State appropriations, contributions, and transfers from other College funds for construction projects. The majority of these funds will not be spent until FY06. The other significant increase was in the Iowa Industrial New Jobs Training Program. Increased activity and an increase in interest earnings resulted in an increase of approximately \$3,400,000 in net assets. General Fund unrestricted net assets (excluding Auxiliary Enterprises) increased to a total of \$6,127,446, 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, 2005**

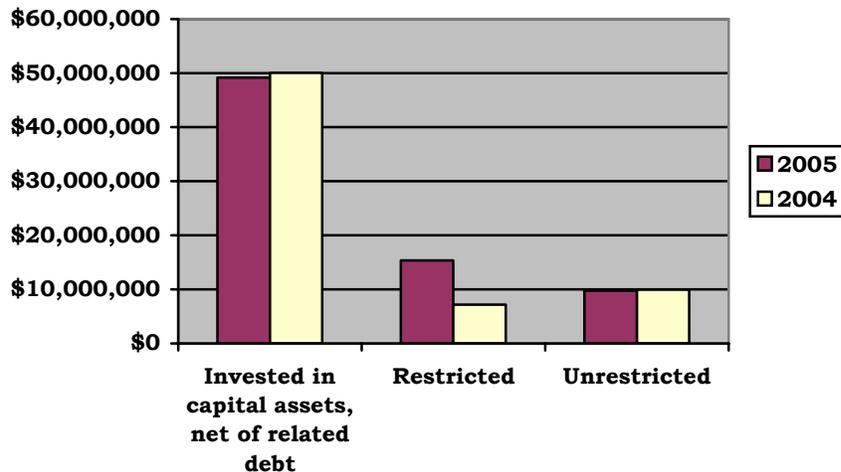
**REPORTING THE COLLEGE AS A WHOLE**

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	
	2005	2004
Current assets	\$ 93,795,746	\$ 90,097,273
Other assets	5,222,603	564,370
Capital assets, net of accumulated depreciation	60,272,764	53,453,923
Total assets	159,291,113	144,115,566
Current liabilities	43,735,915	43,897,692
Noncurrent liabilities	41,265,693	33,024,618
Total liabilities	85,001,608	76,922,310
Net assets:		
Invested in capital assets, net of related debt	49,167,764	50,058,923
Restricted	15,335,657	7,177,844
Unrestricted	9,786,084	9,956,489
Total net assets	\$ 74,289,505	\$ 67,193,256

**Comparison of Net Assets**



**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

The largest portion of the College's net assets (66.2%) 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 (property tax receipts) other than capital assets. The restricted portion of the net assets (20.6%) includes resources that are subject to external restrictions. The remaining net assets (13.2%) 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.

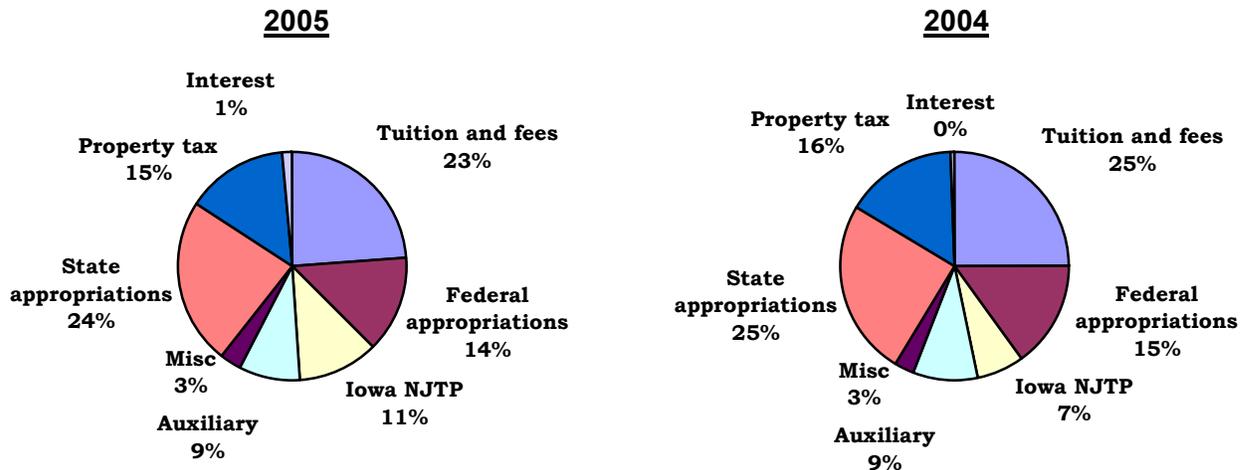
**Changes in Net Assets**

	Year ended June 30	
	2005	2004
Operating revenues:		
Tuition and fees	\$ 23,294,432	\$ 21,630,225
Federal appropriations	13,144,456	13,103,773
Iowa Industrial New Jobs Training Program	10,884,743	5,882,647
Auxiliary enterprises revenue	8,403,954	7,887,378
Miscellaneous	3,039,209	2,379,333
Total operating revenues	58,766,794	50,883,356
Total operating expenses	87,408,958	82,281,145
Operating loss	(28,642,164)	(31,397,789)
Nonoperating revenues, (expenses) and transfers		
State appropriations	22,826,135	21,891,866
Property tax	14,137,997	13,755,963
Interest and investment income	1,334,360	419,115
Loss on disposition of capital assets	(172,196)	(33,207)
Interest on indebtedness	(2,398,569)	(2,422,926)
Transfers from agency funds	10,686	81,134
Net nonoperating revenues and transfers	35,738,413	33,691,945
Increase in net assets	7,096,249	2,294,156
Net assets beginning of year	67,193,256	64,899,100
Net assets end of year	\$ 74,289,505	\$ 67,193,256

**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year, with an increase in the net assets of \$7,096,249 at the end of the fiscal year. This increase resulted primarily from a \$4.2 million increase in unexpended plant fund, a \$3.4 million increase in the Iowa Industrial New Jobs Training Program, a \$1.2 million increase in early retirement funds, and a \$900,000 decrease in capital assets, net of related debt. Capital assets (net of accumulated depreciation) increased approximately \$6,800,000; however a related debt increase of approximately \$7,700,000 caused a decrease in the net assets invested in capital assets.

**Total Revenue by Source**



In fiscal year 2005, operating revenues increased by approximately \$7,900,000 (15.5%). The increase was a result of the following changes:

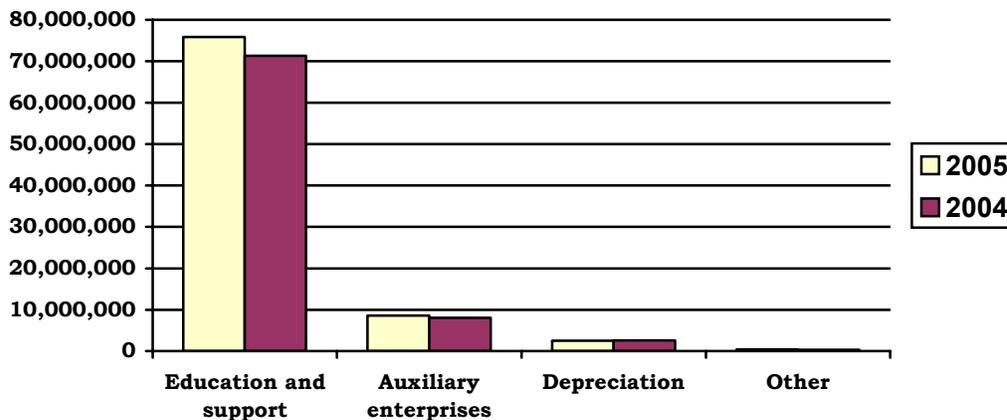
- ◆ Tuition and fees increased by approximately \$1.7 million (7.7%) due to a 4.2% increase in the number of credit hours taught and an 8.4% increase in the tuition rate charged per credit hour.
- ◆ The \$5.0 million increase in revenue from the Iowa Industrial New Jobs Training Program was the direct result of issuing New Jobs Training Certificates totaling \$7,545,000 during the fiscal year. Certificates totaling \$11,745,000 were issued in July of 2005 (Fiscal 2006).
- ◆ Miscellaneous revenue increased approximately \$650,000 (27.7%). Revenue from the Accelerated Career Education Program (ACE) accounted for \$225,000 of the increase and contributions to the Story County Career Academy, which totaled \$845,000, created an increase in revenue from gifts and grants of \$425,000.

**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

**Operating Expenses**

	Year ended June 30	
	2005	2004
Education and support:		
Liberal arts and sciences	\$ 14,769,460	\$ 13,434,762
Vocational technical	19,197,477	18,256,459
Adult education	7,630,465	7,473,959
Cooperative services	3,467,398	3,593,633
Administration	2,417,871	2,243,633
Student services	5,780,039	5,427,368
Learning resources	2,609,147	2,507,982
Physical plant	9,674,587	8,509,904
General institution	10,334,242	9,850,825
Auxiliary enterprises	8,563,956	8,029,329
Loan cancellations and bad debts	353,328	270,307
Administrative and collection costs	57,426	48,676
Depreciation	2,553,562	2,634,308
Total	<u>\$ 87,408,958</u>	<u>\$ 82,281,145</u>

**Total Expenses**



In fiscal year 2005, operating expenses increased by approximately \$5,130,000 (6.2%). 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 \$2,430,000. This was due to the increase in the number of students and an increase in student services.
- ◆ The increased enrollment also increased sales, and accordingly, cost of sales in the Auxiliary enterprises. This increase totaled \$530,000 (6.7%). General institution expenses increased \$480,000 (4.9%), caused primarily by the negotiated salary increases.
- ◆ Physical plant expenses increased \$1,200,000 (13.7%) as a result of the activities associated with the remodeling of building 7 on the Ankeny Campus, an addition to the Boone Campus and the beginning phases of constructing the Story County Career Academy.

**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

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	
	2005	2004
Cash provided by (used in):		
Operating activities	\$ (28,663,094)	\$ (26,085,589)
Noncapital financing activities	36,931,277	35,459,685
Capital and related financing activities	(8,793,400)	(17,969,785)
Investing activities	(18,152,991)	(1,341,910)
Net (decrease) in cash	(18,678,208)	(9,937,599)
Cash and short-term pooled investments, beginning of the year	46,704,812	56,642,411
Cash and short-term pooled investments, end of the year	\$ 28,026,604	\$ 46,704,812

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 used in investing activities includes investment income received and the purchase of investments.

**CAPITAL ASSETS**

At June 30, 2005, the College had approximately \$96.3 million invested in capital assets, net of accumulated depreciation of \$36.1 million. Depreciation charges totaled \$2,553,562 for FY2005. Details of capital assets are shown below.

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

	June 30	
	2005	2004
Land	\$ 5,548,465	\$ 4,881,465
Buildings	40,103,001	38,036,792
Construction in progress	6,687,781	2,983,433
Other structures and improvements	4,971,069	4,200,189
Equipment and vehicles	2,962,448	3,352,044
Total	\$ 60,272,764	\$ 53,453,923

Planned capital expenditures for the fiscal year ending June 30, 2006 and beyond includes the completion of a \$5.7 million addition to the Boone Campus and the construction of \$5.2 million dollar facility for the Story County Career Academy. 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 \$1,000,000 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 the fiscal years ending in 2006 through 2015. The \$.2025 per thousand levy generates approximately \$5.0 million per year for the College.

**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

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, 2005, the College had \$42.3 million in debt outstanding, an increase of \$3,095,000 from 2004. The table below summarizes these amounts by type.

**Outstanding Debt**

	June 30	
	2005	2004
Certificates payable	\$ 31,195,000	\$ 35,810,000
Notes payable and certificates of participation	11,105,000	3,395,000
Total	\$ 42,300,000	\$ 39,205,000

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 increase slightly relieving some of the pressure on students caused by increasing tuition rates. State aid for fiscal year 2005 was approximately \$450,000 more than the amount received in fiscal year 2004. A budgeted increase of approximately \$1,525,000 (7.4%) is anticipated for fiscal year 2006.
- ◆ 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. As College programs continue to grow in enrollment, additional or expanded facilities will be required along with operating funds.
- ◆ 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, 2005

	<u>College</u>	<u>Foundation</u>
<b>Assets</b>		
Current assets:		
Cash and short-term pooled investments (Note 2)	\$ 28,026,604	\$ 1,187,553
Pooled investments (Note 2)	26,949,349	2,270,005
Receivables:		
Accounts, net of allowance of \$300,000	9,421,303	-
Current portion pledges receivable	-	292,833
Succeeding year property tax	16,934,296	-
Iowa Industrial New Jobs Training Program	8,100,000	-
Due from other governments	2,087,108	-
Inventories (Note 3)	1,571,239	-
Prepaid expenses	705,847	-
Total current assets	<u>93,795,746</u>	<u>3,750,391</u>
Noncurrent assets:		
Receivables		
Pledges	-	271,100
Iowa Industrial New Jobs Training Program	4,723,346	-
Prepaid expenses	236,973	-
Cash value of life insurance	262,284	-
Capital assets, net of accumulated depreciation (Note 4)	<u>60,272,764</u>	<u>5,844,003</u>
Total noncurrent assets	<u>65,495,367</u>	<u>6,115,103</u>
<b>Total assets</b>	<u>\$ 159,291,113</u>	<u>\$ 9,865,494</u>

## DES MOINES AREA COMMUNITY COLLEGE

## Statement of Net Assets

June 30, 2005

	<u>College</u>	<u>Foundation</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 1,927,706	\$ 18,363
Current portion payable to Des Moines Area Community College	-	282,833
Salaries and benefits payable	2,376,541	-
Bond interest payable	161,285	-
Deferred revenue:		
Tuition	6,119,894	-
Succeeding year property tax	16,934,296	-
Iowa Industrial New Jobs Training Program and other	7,951,979	133,302
Early retirement payable (Note 10)	1,205,055	-
Deposits held in custody for others	1,296,996	-
Certificates payable (Note 5)	4,746,672	-
Notes payable and certificates of participation (Note 5)	1,015,491	163,043
	<u>43,735,915</u>	<u>597,541</u>
Total current liabilities		
Noncurrent liabilities (Note 5):		
Payable to Des Moines Area Community College	-	241,100
Compensated absences	974,000	-
Deferred revenue, Iowa Industrial New Jobs Training Program and other	4,036,611	333,255
Certificates payable	26,158,237	-
Notes payable and certificates of participation	10,096,845	284,261
	<u>41,265,693</u>	<u>858,616</u>
Total noncurrent liabilities		
	<u>85,001,608</u>	<u>1,456,157</u>
<b>Total liabilities</b>		
<b>Net assets</b>		
Invested in capital assets, net of related debt	49,167,764	-
Restricted:		
Nonexpendable:		
Cash reserve	755,088	-
Scholarships and fellowships	-	2,145,727
Expendable:		
Scholarships and fellowships	208,320	1,185,036
Loans	54,863	-
Plant fund	5,237,484	-
Iowa Industrial New Jobs Training Program	4,964,842	-
Early retirement	3,171,808	-
Other	943,252	-
Unrestricted	9,786,084	5,078,574
Commitments (Notes 6 and 11)		
	<u>\$ 74,289,505</u>	<u>\$ 8,409,337</u>
<b>Total net assets</b>		

**DES MOINES AREA COMMUNITY COLLEGE**  
Statement of Revenues, Expenses, and Changes in Net Assets  
Year Ended June 30, 2005

	<u>College</u>	<u>Foundation</u>
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$9,574,679	\$ 23,294,432	\$ -
Federal appropriations	13,144,456	-
Iowa Industrial New Jobs Training Program	10,884,743	-
Auxiliary enterprises revenue	8,403,954	-
Contributions	-	1,019,941
Miscellaneous	3,039,209	408,930
Total operating revenues	<u>58,766,794</u>	<u>1,428,871</u>
Operating expenses:		
Education and support		
Liberal arts and sciences	14,769,460	-
Vocational technical	19,197,477	-
Adult education	7,630,465	-
Cooperative services	3,467,398	-
Administration	2,417,871	96,759
Student services	5,780,039	-
Learning resources	2,609,147	-
Physical plant	9,674,587	-
General institution	10,334,242	-
Auxiliary enterprises	8,563,956	-
Scholarships and grants	-	634,128
Fund raising	-	61,717
Loan cancellations and bad debts	353,328	-
Administrative and collection costs	57,426	-
Depreciation	2,553,562	200,169
Total operating expenses	<u>87,408,958</u>	<u>992,773</u>
Operating income (loss)	<u>(28,642,164)</u>	<u>436,098</u>
Nonoperating revenues (expenses):		
State appropriations	22,826,135	-
Property tax	14,137,997	-
Interest and investment income	1,334,360	179,053
Loss on disposition of capital assets	(172,196)	-
Interest on indebtedness	(2,398,569)	(27,176)
Net nonoperating revenues	<u>35,727,727</u>	<u>151,877</u>
Change in net assets	7,085,563	587,975
Transfers from agency fund	10,686	-
Total change in net assets	7,096,249	587,975
Net assets, beginning of year	<u>67,193,256</u>	<u>7,821,362</u>
Net assets, end of year	<u>\$ 74,289,505</u>	<u>\$ 8,409,337</u>

## DES MOINES AREA COMMUNITY COLLEGE

Statement of Cash Flows  
Year Ended June 30, 2005

Cash flows from operating activities:	
Tuition and fees	\$ 23,217,307
Federal appropriations	13,395,317
Iowa Industrial New Jobs Training Program	8,342,512
Payments to employees for salaries and benefits	(56,439,508)
Payments to suppliers for goods and services	(28,605,325)
Auxiliary enterprise receipts	8,403,954
Other receipts	3,022,649
Net cash used in operating activities	<u>(28,663,094)</u>
Cash flows from noncapital financing activities:	
State appropriations	22,476,949
Property tax	14,318,679
Net agency fund activity	135,649
Net cash provided by noncapital financing activities	<u>36,931,277</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(9,544,599)
Bond proceeds	16,727,707
Principal paid on debt	(13,700,000)
Interest paid	(2,276,508)
Net cash used in capital and related financing activities	<u>(8,793,400)</u>
Cash flows from investing activities:	
Interest on investments	1,334,360
Net change in pooled investments	(19,487,351)
Net cash used in investing activities	<u>(18,152,991)</u>
Net decrease in cash and short-term pooled investments	(18,678,208)
Cash and short-term pooled investments at beginning of year	<u>46,704,812</u>
Cash and short-term pooled investments at end of year	<u>\$ 28,026,604</u>

**Exhibit C****DES MOINES AREA COMMUNITY COLLEGE**

## Statement of Cash Flows

Year Ended June 30, 2005

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(28,642,164)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,553,562
Changes in assets and liabilities:	
Increase in accounts receivable	(28,203)
Increase in Iowa Industrial New Jobs Training Program receivables	(4,447,887)
Decrease in due from other governments	250,861
Increase in prepaid expenses	(488,001)
Increase in inventories	(87,074)
Increase in accounts payable	550,160
Increase in salary and benefits payable	183,292
Increase in other deferred revenue	1,856,734
Decrease in early retirement payable	(347,814)
Decrease in deposits held in custody for others	<u>(16,560)</u>
Total adjustments	<u>(20,930)</u>
Net cash used in operating activities	\$ <u><u>(28,663,094)</u></u>

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**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, 2005**

**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 Education 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, 2005**

**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, 2005**

**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, 2005 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. Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those 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:

<b><u>Assets</u></b>	<b><u>Years</u></b>
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, 2005**

**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, 2005.

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

**Auxiliary Enterprises Revenues** – Auxiliary enterprises 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.

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2 CASH AND POOLED INVESTMENTS**

The College's cash and deposits (money market accounts and certificates of deposit) at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The College is authorized by statute to invest public funds in obligations of the United States government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the board of 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, 2005 in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$11,768,390 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

*Credit risk.* The College's investments in the Iowa Schools Joint Investment Trust at June 30, 2005 were rated Aaa by Moody's Investors Service.

*Concentration of credit risk.* The College's investment policy limits the amount that may be invested in any one issuer to 5% of the College's investment portfolio at the time of purchase.

**NOTE 3 INVENTORIES**

The College's inventories at June 30, 2005 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 205,736
Merchandise held for resale	<u>1,365,503</u>
Total	<u>\$1,571,239</u>

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 4 CAPITAL ASSETS**

A summary of the change in capital assets for the year ended June 30, 2005 is as follows:

	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance end of year</u>
Capital assets not being depreciated					
Land	\$ 4,881,465	\$ 667,000	\$ —	\$ —	\$ 5,548,465
Construction in progress	<u>2,983,433</u>	<u>7,339,151</u>	<u>(3,634,803)</u>	<u>—</u>	<u>6,687,781</u>
Total capital assets not being depreciated	<u>7,864,898</u>	<u>8,006,151</u>	<u>(3,634,803)</u>	<u>—</u>	<u>12,236,246</u>
Capital assets being depreciated					
Buildings	59,696,038	—	3,634,803	—	63,330,841
Improvements other than buildings	10,829,700	802,187	—	—	11,631,887
Equipment and vehicles	<u>11,910,292</u>	<u>736,261</u>	<u>—</u>	<u>3,505,390</u>	<u>9,141,163</u>
Total capital assets being depreciated	<u>82,436,030</u>	<u>1,538,448</u>	<u>3,634,803</u>	<u>3,505,390</u>	<u>84,103,891</u>
Less accumulated depreciation for					
Buildings	21,659,246	1,568,594	—	—	23,227,840
Improvements other than buildings	6,629,511	31,307	—	—	6,660,818
Equipment and vehicles	<u>8,558,248</u>	<u>953,661</u>	<u>—</u>	<u>3,333,194</u>	<u>6,178,715</u>
Total accumulated depreciation	<u>36,847,005</u>	<u>2,553,562</u>	<u>—</u>	<u>3,333,194</u>	<u>36,067,373</u>
Total capital assets being depreciated, net	<u>45,589,025</u>	<u>(1,015,114)</u>	<u>3,634,803</u>	<u>172,196</u>	<u>48,036,518</u>
Capital assets, net	<u>\$53,453,923</u>	<u>\$6,991,037</u>	<u>\$ —</u>	<u>\$ 172,196</u>	<u>\$60,272,764</u>

**NOTE 5 CHANGES IN NONCURRENT LIABILITIES**

A summary of changes in noncurrent liabilities for the year ended June 30, 2005 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	\$ 974,000	\$10,082,934	\$35,810,000	\$3,395,000	\$50,261,934
Additions	—	7,823,068	7,545,000	9,250,000	24,618,068
Reductions	<u>—</u>	<u>5,917,412</u>	<u>12,160,000</u>	<u>1,540,000</u>	<u>19,617,412</u>
	974,000	11,988,590	31,195,000	11,105,000	55,262,590
Less net unamortized discount, premium, and deferred financing costs	<u>—</u>	<u>—</u>	<u>290,091</u>	<u>(7,336)</u>	<u>282,755</u>
Balance, end of year	974,000	11,988,590	30,904,909	11,112,336	54,979,835
Less current portion	<u>—</u>	<u>7,951,979</u>	<u>4,746,672</u>	<u>1,015,491</u>	<u>13,714,142</u>
Total noncurrent liabilities	<u>\$ 974,000</u>	<u>\$ 4,036,611</u>	<u>\$26,158,237</u>	<u>\$10,096,845</u>	<u>\$41,265,693</u>

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

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)**

**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, 2005 notes payable and certificates of participation are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$1,015,000	\$ 352,163	\$1,367,163
2007	1,045,000	324,023	1,369,023
2008	1,070,000	294,285	1,364,285
2009	1,105,000	263,175	1,368,175
2010	1,140,000	230,250	1,370,250
2011-2015	<u>5,730,000</u>	<u>581,404</u>	<u>6,311,404</u>
Total	<u>\$11,105,000</u>	<u>\$ 2,045,300</u>	<u>\$13,150,300</u>

Notes payable and certificates of participation consisted of the following at June 30, 2005:

	<u>2005</u>
Tax-exempt certificates of participation dated April 14, 2003 with interest rates between 1.9% and 3.5%	\$ 1,855,000
Tax-exempt notes payable dated December 1, 2004, with interest rates between 3% and 3.55%	<u>9,250,000</u>
	<u>\$11,105,000</u>

Interest on the notes and certificates of participation is payable semiannually, while principal payments are due annually.

**Certificates Payable**

Pursuant to agreements dated from 1998 to 2005, the College issued certificates totaling \$31,195,000 at June 30, 2005 with interest rates ranging from 2.75% 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 Training 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>
2006	\$ 4,825,000	\$1,588,898	\$ 6,413,898
2007	5,420,000	1,344,027	6,764,027
2008	5,915,000	1,064,687	6,979,687
2009	4,805,000	757,753	5,562,753
2010	4,110,000	507,219	4,617,219
2011 - 2013	<u>6,120,000</u>	<u>539,083</u>	<u>6,659,083</u>
Total	<u>\$31,195,000</u>	<u>\$5,801,667</u>	<u>\$36,996,667</u>

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)**

Since inception, the College has administered 352 projects, with 28 currently receiving project funding. Of the remaining projects, 277 have been completed and closed and 47 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 6, 2005, the College issued certificates totaling \$11,745,000. The debt was incurred as allowed by Chapter 260E of the Code of Iowa and will mature starting on June 1, 2006.

**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>
2006	\$ 389,541
2007	346,014
2008	218,103
2009	<u>6,706</u>
Total	<u>\$ 960,364</u>

Total rent expense for all operating leases was approximately \$430,000 for the year ended June 30, 2005.

**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>
2006	\$ 670,427
2007	634,653
2008	421,090
2009	92,754
2010	92,754
Thereafter	<u>218,483</u>
Total	<u>\$ 2,130,161</u>

Total rent income for all operating leases was approximately \$672,000 for the year ended June 30, 2005. The College has plant assets committed under these operating leases with a carrying value of approximately \$5,010,000.

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**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, 2005, 2004, and 2003 were \$943,735, \$950,883, and \$955,600, 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, 2005 were \$1,180,406 and \$759,566 respectively.

**NOTE 10 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, 2005 for those employees who have elected early retirement was \$1,205,055. 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, 2005, including insurance costs, was \$1,826,009.

**NOTE 11 COMMITMENTS**

The College has signed a construction contract for a 20,000 square foot addition to the Boone Campus. The contract totals \$5,758,000. At June 30, 2005 the College has incurred contract costs totaling \$5,259,977 that has been capitalized as construction in progress.

The College has also signed a construction contract totaling \$1,925,000 for the remodeling of building 7 on the Ankeny Campus. As of June 30, 2005, \$1,030,530 has been recorded and capitalized as construction in progress.

On August 8, 2005, the College's Board of Directors approved contracts totaling \$5,200,000 for the construction of a 34,000 square foot facility in Ames. At June 30, 2005, the College has capitalized preliminary costs of \$393,713 as construction in progress and \$667,000 for the land on which the Career Academy building will be constructed.

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 12 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the College. The statements which will impact the College are as follows:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, issued November 2003, will be effective for the College beginning with its year ending June 30, 2006. This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.

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

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

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34, issued December 2004, will be effective for the College beginning with its year ending June 30, 2006. The purpose of Statement No. 46 is to help governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation.

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

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

The College adopted Statement No. 40, *Deposit and Investment Risk Disclosures*, during the current fiscal year. This Statement established and modified disclosure requirements related to deposit risks and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Des Moines Area Community College**  
**BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL**  
**Required Supplementary Information**  
**Year ended June 30, 2005**

<u>Funds/Levy</u>	<u>Original budget</u>	<u>Actual</u>	<u>Variance between actual and original budget</u>
Unrestricted	\$ <u>64,140,584</u>	<u>\$64,772,610</u>	\$ <u>(632,026)</u>
Restricted			
Unemployment	60,000	324,275	(264,275)
Insurance	684,000	581,267	102,733
Early retirement	2,552,967	1,826,009	726,958
Equipment replacement	719,637	950,044	(230,407)
Other	<u>20,858,973</u>	<u>19,170,473</u>	<u>1,688,500</u>
Total restricted	<u>24,875,577</u>	<u>22,852,068</u>	<u>2,023,509</u>
Total unrestricted/restricted	89,016,161	87,624,678	1,391,483
Plant	<u>18,459,176</u>	<u>15,001,446</u>	<u>3,457,730</u>
Total	<u>\$107,475,337</u>	<u>\$102,626,124</u>	<u>\$4,849,213</u>

See accompanying independent auditor's report.

**Des Moines Area Community College**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**Year ended June 30, 2005**

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.

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, 2005

Assets	Current funds		Nonoperating funds					Totals
	General unrestricted funds	General restricted funds	Loan funds	Plant Funds		Agency funds	Adjustments	
				Unexpended	Investment in plant			
Cash and short-term pooled investments	\$ 7,450,288	\$ 17,014,329	\$ 20,490	\$ 2,439,107	\$ -	\$ 1,102,390	\$ -	\$ 28,026,604
Pooled investments	-	24,325,949	-	2,623,400	-	-	-	26,949,349
Receivables:								
Accounts (less allowance of \$300,000)	8,239,109	180,292	34,373	967,529	-	-	-	9,421,303
Succeeding year property tax	5,013,477	6,907,342	-	5,013,477	-	-	-	16,934,296
Iowa Industrial New Jobs Training Program	-	12,823,346	-	-	-	-	-	12,823,346
Due from other governments	1,144,703	450,739	-	491,666	-	-	-	2,087,108
Inventories	1,571,239	-	-	-	-	-	-	1,571,239
Prepaid expenses	651,497	-	-	291,323	-	-	-	942,820
Cash value of life insurance	262,284	-	-	-	-	-	-	262,284
	<u>24,332,597</u>	<u>61,701,997</u>	<u>54,863</u>	<u>11,826,502</u>	<u>-</u>	<u>1,102,390</u>	<u>-</u>	<u>99,018,349</u>
Capital assets:								
Land	-	-	-	-	5,548,465	-	-	5,548,465
Buildings	-	-	-	-	63,330,841	-	-	63,330,841
Improvements other than buildings	-	-	-	-	11,631,887	-	-	11,631,887
Equipment and vehicles	-	-	-	-	9,141,163	-	-	9,141,163
Construction in progress	-	-	-	-	6,687,781	-	-	6,687,781
Accumulated depreciation	-	-	-	-	-	-	(36,067,373)	(36,067,373)
Total assets	<u>\$ 24,332,597</u>	<u>\$ 61,701,997</u>	<u>\$ 54,863</u>	<u>\$ 11,826,502</u>	<u>\$ 96,340,137</u>	<u>\$ 1,102,390</u>	<u>\$ (36,067,373)</u>	<u>\$ 159,291,113</u>

## DES MOINES AREA COMMUNITY COLLEGE

Assets, Liabilities and Fund Balances

June 30, 2005

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	\$ 280,511	\$ 160,618	\$ -	\$ 1,443,680	\$ -	\$ 42,897	\$ -	\$ 1,927,706
Salaries and benefits payable	2,211,143	165,398	-	-	-	-	-	2,376,541
Bond interest payable	-	132,408	-	28,877	-	-	-	161,285
Deferred revenue:								
Succeeding year property tax	5,013,477	6,907,342	-	5,013,477	-	-	-	16,934,296
Other	6,148,779	11,873,057	-	86,648	-	-	-	18,108,484
Early retirement payable	-	1,205,055	-	-	-	-	-	1,205,055
Deposits held in custody for others	2,603	234,900	-	-	-	1,059,493	-	1,296,996
Compensated absences	890,000	75,000	-	9,000	-	-	-	974,000
Certificates payable	-	30,904,909	-	-	-	-	-	30,904,909
Notes payable	-	-	-	7,336	11,105,000	-	-	11,112,336
Total liabilities	<u>14,546,513</u>	<u>51,658,687</u>	<u>-</u>	<u>6,589,018</u>	<u>11,105,000</u>	<u>1,102,390</u>	<u>-</u>	<u>85,001,608</u>
Fund balances:								
Invested in capital assets, net of related debt	-	-	-	-	85,235,137	-	(36,067,373)	49,167,764
Restricted:								
Nonexpendable:								
Cash reserve	-	755,088	-	-	-	-	-	755,088
Expendable:								
Scholarships and fellowships	-	208,320	-	-	-	-	-	208,320
Loans	-	-	54,863	-	-	-	-	54,863
Plant fund	-	-	-	5,237,484	-	-	-	5,237,484
Iowa Industrial New Jobs Training Program	-	4,964,842	-	-	-	-	-	4,964,842
Early retirement	-	3,171,808	-	-	-	-	-	3,171,808
Other	-	943,252	-	-	-	-	-	943,252
Unrestricted	<u>9,786,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,786,084</u>
Total fund balances	<u>9,786,084</u>	<u>10,043,310</u>	<u>54,863</u>	<u>5,237,484</u>	<u>85,235,137</u>	<u>-</u>	<u>(36,067,373)</u>	<u>74,289,505</u>
Total liabilities and fund balances	<u>\$ 24,332,597</u>	<u>\$ 61,701,997</u>	<u>\$ 54,863</u>	<u>\$ 11,826,502</u>	<u>\$ 96,340,137</u>	<u>\$ 1,102,390</u>	<u>\$ (36,067,373)</u>	<u>\$ 159,291,113</u>

**DES MOINES AREA COMMUNITY COLLEGE**  
 Revenues, Expenditures, and Changes in Fund Balances  
 Year ended June 30, 2005

	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	\$ 32,320,541	\$ 548,570	\$ 32,869,111	\$ -	\$ -	\$ -	\$ -	\$ (9,574,679)	\$ 23,294,432
Federal appropriations	1,460,524	11,683,932	13,144,456	-	-	-	-	-	13,144,456
Iowa Industrial New Jobs Training Program	-	10,884,743	10,884,743	-	-	-	-	-	10,884,743
State appropriations	20,579,901	1,512,902	22,092,803	-	733,332	-	-	-	22,826,135
Property tax	4,843,246	4,444,367	9,287,613	-	3,214,884	1,635,500	-	-	14,137,997
Auxiliary enterprises revenue	8,564,404	-	8,564,404	-	-	-	-	(160,450)	8,403,954
Interest income	371,013	889,439	1,260,452	-	73,908	-	-	-	1,334,360
Expended for plant assets (including \$569,154 in current operating fund expenditures)	-	-	-	-	-	-	9,544,599	(9,544,599)	-
Retirement of indebtedness	-	-	-	-	-	-	1,540,000	(1,540,000)	-
Proceeds from sale of bonds	-	-	-	-	9,250,000	-	-	(9,250,000)	-
Miscellaneous	2,379,675	130,414	2,510,089	58,288	1,110,646	-	-	(639,814)	3,039,209
<b>Total revenues and other additions</b>	<b>70,519,304</b>	<b>30,094,367</b>	<b>100,613,671</b>	<b>58,288</b>	<b>14,382,770</b>	<b>1,635,500</b>	<b>11,084,599</b>	<b>(30,709,542)</b>	<b>97,065,286</b>
Expenditures and other deductions:									
Education and support:									
Liberal arts and sciences	14,723,100	46,360	14,769,460	-	-	-	-	-	14,769,460
Vocational technical	18,460,066	737,411	19,197,477	-	-	-	-	-	19,197,477
Adult education	5,147,176	2,483,289	7,630,465	-	-	-	-	-	7,630,465
Cooperative services	339,878	3,127,520	3,467,398	-	-	-	-	-	3,467,398
Administration	2,417,871	-	2,417,871	-	-	-	-	-	2,417,871
Student services	4,937,051	842,988	5,780,039	-	-	-	-	-	5,780,039
Learning resources	2,477,733	131,414	2,609,147	-	-	-	-	-	2,609,147
Physical plant	4,987,678	648,908	5,636,586	-	4,038,001	-	-	-	9,674,587
General institution	7,878,613	3,166,242	11,044,855	55,627	-	-	-	(766,240)	10,334,242
Scholarships and grants	28,399	9,546,280	9,574,679	-	-	-	-	(9,574,679)	-
<b>Total education and support</b>	<b>61,397,565</b>	<b>20,730,412</b>	<b>82,127,977</b>	<b>55,627</b>	<b>4,038,001</b>	<b>-</b>	<b>-</b>	<b>(10,340,919)</b>	<b>75,880,686</b>
Auxiliary enterprises	8,597,980	-	8,597,980	-	-	-	-	(34,024)	8,563,956
Expended for plant assets	219,478	349,676	569,154	-	8,975,445	-	-	(9,544,599)	-
Administrative and collection costs	57,426	-	57,426	-	-	-	-	-	57,426
Retirement of indebtedness	-	-	-	-	-	1,540,000	-	(1,540,000)	-
Loan cancellation and bad debts	233,317	104,043	337,360	968	15,000	-	-	-	353,328
Interest on indebtedness	-	2,303,069	2,303,069	-	-	95,500	-	-	2,398,569
Proceeds from sale of bonds	-	-	-	-	-	-	9,250,000	(9,250,000)	-
Depreciation	-	-	-	-	-	-	-	2,553,562	2,553,562
Disposition of capital assets	-	-	-	-	-	-	3,505,390	(3,333,194)	172,196
<b>Total expenditures and other deductions</b>	<b>70,505,766</b>	<b>23,487,200</b>	<b>93,992,966</b>	<b>56,595</b>	<b>13,028,446</b>	<b>1,635,500</b>	<b>12,755,390</b>	<b>(31,489,174)</b>	<b>89,979,723</b>
Transfers among funds:									
Mandatory – matching funds	(103,422)	103,422	-	-	-	-	-	-	-
Non-mandatory transfers	(80,521)	(2,762,442)	(2,842,963)	(12,577)	2,866,226	-	-	-	10,686
<b>Net increase (decrease) for the year</b>	<b>(170,405)</b>	<b>3,948,147</b>	<b>3,777,742</b>	<b>(10,884)</b>	<b>4,220,550</b>	<b>-</b>	<b>(1,670,791)</b>	<b>779,632</b>	<b>7,096,249</b>
Fund balances at beginning 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
Fund balances at end of year	\$ 9,786,084	\$ 10,043,310	\$ 19,829,394	\$ 54,863	\$ 5,237,484	\$ -	\$ 85,235,137	\$ (36,067,373)	\$ 74,289,505

**DES MOINES AREA COMMUNITY COLLEGE**  
 Revenues, Expenditures, and Changes in Fund Balance - Unrestricted Fund  
 Year ended June 30, 2005

	Education				Support					Education and Support Total
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	Adminis- tration	Student Services	Learning Resources	Physical Plant	General Institution	
Revenues:										
Tuition and fees	\$ 17,337,785	\$ 10,621,593	\$ 3,811,605	\$ 143,530	\$ 3,650	\$ 20,422	\$ -	\$ 37	\$ 250,243	\$ 32,188,865
Federal appropriations	-	586,481	636,450	-	20,375	-	-	-	215,565	1,458,871
State appropriations	-	-	52,658	-	-	-	1,304	408	20,525,531	20,579,901
Property tax	-	-	-	-	-	-	-	-	4,843,246	4,843,246
Interest income	-	-	-	-	33,156	-	-	-	337,857	371,013
Miscellaneous	44,651	1,135,653	165,645	-	297,485	21,184	9,237	193,675	398,431	2,265,961
	17,382,436	12,343,727	4,666,358	143,530	354,666	41,606	10,541	194,120	26,570,873	61,707,857
Allocation of support services	15,654,971	6,459,386	3,667,677	1,389,772	(354,666)	(41,606)	(10,541)	(194,120)	(26,570,873)	-
Total revenues	33,037,407	18,803,113	8,334,035	1,533,302	-	-	-	-	-	61,707,857
Expenditures:										
Salaries and benefits	13,565,234	16,439,539	3,953,751	315,541	1,781,307	4,596,296	1,908,429	2,946,776	4,157,999	49,664,872
Services	525,577	620,401	727,382	2,333	417,232	126,113	128,466	1,280,499	2,256,005	6,084,008
Materials and supplies	483,926	1,183,524	395,423	21,715	123,628	177,291	419,740	750,349	1,261,409	4,817,005
Travel	146,018	206,457	56,239	289	45,031	37,351	21,098	10,054	66,728	589,265
Expended for plant assets	21,326	72,459	16,520	-	-	-	-	103,230	-	213,535
Scholarships	17,244	7,115	4,040	-	-	-	-	-	-	28,399
Miscellaneous	2,345	10,145	14,381	-	327,697	-	-	-	136,472	491,040
	14,761,670	18,539,640	5,167,736	339,878	2,694,895	4,937,051	2,477,733	5,090,908	7,878,613	61,888,124
Allocation of support services	13,297,026	5,486,476	3,115,253	1,180,445	(2,694,895)	(4,937,051)	(2,477,733)	(5,090,908)	(7,878,613)	-
Total expenditures	28,058,696	24,026,116	8,282,989	1,520,323	-	-	-	-	-	61,888,124
Excess (deficiency) of revenues over (under) expenditures	4,978,711	(5,223,003)	51,046	12,979	-	-	-	-	-	(180,267)
Transfers:										
Mandatory transfers	-	-	-	-	(103,422)	-	-	-	-	(103,422)
Non-mandatory transfers	(328,890)	(407,656)	47,203	-	(90)	23,400	-	(1,704,937)	2,664,419	293,449
Total transfers	(328,890)	(407,656)	47,203	-	(103,512)	23,400	-	(1,704,937)	2,664,419	190,027
Net increase (decrease) for the year	\$ 4,649,821	\$ (5,630,659)	\$ 98,249	\$ 12,979	\$ (103,512)	\$ 23,400	\$ -	\$ (1,704,937)	\$ 2,664,419	9,760
Fund balance at beginning of year										6,117,686
Fund balance at end of year										\$ 6,127,446

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, 2005

	<u>Bookstore</u>	<u>Career education</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	\$ 6,770,642	\$ 686,944	\$ 515,581	\$ 12,501	\$ 561,171	\$ 17,565	\$ 8,564,404
Student fee allocations	-	131,498	-	-	178	-	131,676
Federal appropriations	-	-	1,653	-	-	-	1,653
Miscellaneous	15,289	31,028	92	15,254	42,735	9,316	113,714
Total revenues and other additions	<u>6,785,931</u>	<u>849,470</u>	<u>517,326</u>	<u>27,755</u>	<u>604,084</u>	<u>26,881</u>	<u>8,811,447</u>
Expenditures and other deductions:							
Salaries and benefits	781,441	254,484	361,404	64,109	147,921	37,253	1,646,612
Services	212,477	59,649	23,584	27,211	440,495	667	764,083
Materials and supplies	79,363	155,270	52,529	58,527	17,577	14,232	377,498
Travel	9,935	3,860	76	20,725	35	1,045	35,676
Purchases for resale	5,166,439	371,067	231,977	-	-	-	5,769,483
Expended for plant assets	-	-	5,943	-	-	-	5,943
Bad debts	3,803	9,916	-	-	-	-	13,719
Miscellaneous	-	-	-	4,628	-	-	4,628
Total expenditures and other deductions	<u>6,253,458</u>	<u>854,246</u>	<u>675,513</u>	<u>175,200</u>	<u>606,028</u>	<u>53,197</u>	<u>8,617,642</u>
Transfers among funds (non-mandatory)	<u>(724,835)</u>	<u>70,397</u>	<u>143,780</u>	<u>138,841</u>	<u>(30,000)</u>	<u>27,847</u>	<u>(373,970)</u>
Net increase (decrease) for the year	(192,362)	65,621	(14,407)	(8,604)	(31,944)	1,531	(180,165)
Fund balances (deficit) at beginning of year	<u>2,768,647</u>	<u>(86,672)</u>	<u>240,544</u>	<u>8,604</u>	<u>285,769</u>	<u>621,911</u>	<u>3,838,803</u>
Fund balances (deficit) at end of year	<u>\$ 2,576,285</u>	<u>\$ (21,051)</u>	<u>\$ 226,137</u>	<u>\$ -</u>	<u>\$ 253,825</u>	<u>\$ 623,442</u>	<u>\$ 3,658,638</u>

**DES MOINES AREA COMMUNITY COLLEGE**  
 Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Restricted Funds  
 Year ended June 30, 2005

	<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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,926	\$ 141,763	\$ 403,881	\$ 548,570
Federal appropriations	9,154,810	-	-	-	-	-	-	2,458,758	1,749	68,615	11,683,932
Iowa Industrial New Jobs Training Program	-	-	-	-	-	-	-	-	10,884,743	-	10,884,743
State appropriations	-	-	-	-	-	-	-	548,060	-	964,842	1,512,902
Property tax	-	717,509	335,182	209,725	3,062,153	119,798	-	-	-	-	4,444,367
Interest income	-	-	-	-	-	-	-	-	889,439	-	889,439
Miscellaneous	3,188	-	-	-	-	-	-	43,563	150	83,513	130,414
Total revenues and other additions	<u>9,157,998</u>	<u>717,509</u>	<u>335,182</u>	<u>209,725</u>	<u>3,062,153</u>	<u>119,798</u>	<u>-</u>	<u>3,053,307</u>	<u>11,917,844</u>	<u>1,520,851</u>	<u>30,094,367</u>
Expenditures and other deductions:											
Salaries and benefits	7,690	-	-	-	1,826,009	324,275	-	1,939,306	505,325	295,419	4,898,024
Services	-	97,216	358,969	222,298	-	-	-	304,942	3,127,843	903,076	5,014,344
Materials and supplies	251	620,035	-	-	-	-	-	414,565	18,700	94,745	1,148,296
Travel	-	-	-	-	-	-	-	74,709	20,681	11,413	106,803
Expended for plant assets	-	232,793	-	-	-	-	-	55,822	-	61,061	349,676
Interest on indebtedness	-	-	-	-	-	-	-	-	2,303,069	-	2,303,069
Scholarships and grants	9,487,958	-	-	-	-	-	-	-	-	-	9,487,958
Private scholarships	-	-	-	-	-	-	-	58,322	-	-	58,322
Miscellaneous	-	-	-	-	-	-	-	16,883	103,825	-	120,708
Total expenditures and other deductions	<u>9,495,899</u>	<u>950,044</u>	<u>358,969</u>	<u>222,298</u>	<u>1,826,009</u>	<u>324,275</u>	<u>-</u>	<u>2,864,549</u>	<u>6,079,443</u>	<u>1,365,714</u>	<u>23,487,200</u>
Excess (deficiency) of revenues over (under) expenditures for the year	(337,901)	(232,535)	(23,787)	(12,573)	1,236,144	(204,477)	-	188,758	5,838,401	155,137	6,607,167
Transfers among funds:											
Mandatory transfers	103,422	-	-	-	-	-	-	-	-	-	103,422
Non-mandatory transfers	274,997	(21,000)	-	-	-	-	-	(179,229)	(2,451,248)	(385,962)	(2,762,442)
Net increase (decrease) for the year	40,518	(253,535)	(23,787)	(12,573)	1,236,144	(204,477)	-	9,529	3,387,153	(230,825)	3,948,147
Fund balances (deficit) at beginning of year	167,802	257,884	23,787	(10,099)	1,935,664	9,208	755,088	(6,113)	1,577,689	1,384,253	6,095,163
Fund balances (deficit) at end of year	<u>\$ 208,320</u>	<u>\$ 4,349</u>	<u>\$ -</u>	<u>\$ (22,672)</u>	<u>\$ 3,171,808</u>	<u>\$ (195,269)</u>	<u>\$ 755,088</u>	<u>\$ 3,416</u>	<u>\$ 4,964,842</u>	<u>\$ 1,153,428</u>	<u>\$ 10,043,310</u>

Schedule 6

DES MOINES AREA COMMUNITY COLLEGE

Changes in Deposits Held in Custody for Others - Agency Funds

Year ended June 30, 2005

	<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	\$ 316,151	\$ 159,464	\$ 214,662	\$ 405,582	\$ 81,485	\$ 1,177,344
Additions:						
Tuition and fees	310,602	-	3,556	99,861	-	414,019
Federal appropriations	129	-	-	-	12,287	12,416
State appropriations	-	398,501	-	-	-	398,501
Sales and services	72,440	-	59,474	-	-	131,914
Interest on investments	-	-	3,498	2,805	-	6,303
Other	16,649	2,700	195,937	-	4,291	219,577
Transfers in	161,743	35,803	56,231	-	-	253,777
Total additions	<u>561,563</u>	<u>437,004</u>	<u>318,696</u>	<u>102,666</u>	<u>16,578</u>	<u>1,436,507</u>
Deductions:						
Salaries and benefits	22,731	14,107	-	-	27,349	64,187
Services	92,814	287,724	57,765	199,722	-	638,025
Materials and supplies	146,468	123,488	163,722	-	-	433,678
Travel	6,481	272	8,832	-	-	15,585
Cost of goods sold	67,669	-	53,615	-	-	121,284
Scholarships	-	-	16,650	-	-	16,650
Other	7,175	423	-	-	-	7,598
Transfers out	248,164	3	5,141	-	11,155	264,463
Total deductions	<u>591,502</u>	<u>426,017</u>	<u>305,725</u>	<u>199,722</u>	<u>38,504</u>	<u>1,561,470</u>
Net additions and deductions	<u>(29,939)</u>	<u>10,987</u>	<u>12,971</u>	<u>(97,056)</u>	<u>(21,926)</u>	<u>(124,963)</u>
Balances, end of year	<u>\$ 286,212</u>	<u>\$ 170,451</u>	<u>\$ 227,633</u>	<u>\$ 308,526</u>	<u>\$ 59,559</u>	<u>\$ 1,052,381</u>

## DES MOINES AREA COMMUNITY COLLEGE

Credit and Contact Hours

Year ended June 30, 2005

<b>Category</b>	<b>Credit hours eligible for aid</b>	<b>Contact hours</b>		<b>Total</b>
		<b>Eligible for aid</b>	<b>Not eligible for aid</b>	
Arts and sciences	233,415	4,681,616	-	4,681,616
Vocational education	76,303	1,931,678	-	1,931,678
Adult education/continuing education	-	1,271,037	241,392	1,512,429
Total	309,718	7,884,331	241,392	8,125,723

**DES MOINES AREA COMMUNITY COLLEGE**Taxes and Intergovernmental Revenues  
(Excluding the Agency Funds)

For the Last Four Years

	<b>Years ended June 30</b>			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Local (property tax)	\$ 14,137,997	\$ 13,755,963	\$ 13,196,248	\$ 11,455,621
State	22,826,135	21,891,866	21,535,993	22,182,591
Federal	13,144,456	13,103,773	13,003,461	10,638,730
	<u>\$ 50,108,588</u>	<u>\$ 48,751,602</u>	<u>\$ 47,735,702</u>	<u>\$ 44,276,942</u>

## DES MOINES AREA COMMUNITY COLLEGE

Current Fund Revenues by Source  
and Expenditures by Function

For the Last Four Years

	Years ended June 30			
	2005	2004	2003	2002
<b>Revenues:</b>				
Tuition and fees	\$ 32,869,111	\$ 30,851,019	\$ 27,874,845	\$ 23,284,486
Property tax	9,287,613	8,944,224	8,579,477	7,001,870
Federal appropriations	13,144,456	13,103,773	13,003,461	10,638,730
State appropriations	22,092,803	21,891,866	21,535,993	22,057,591
Interest income from investments	1,260,452	399,500	620,194	1,561,151
Iowa Industrial New Jobs Training Program	10,884,743	5,882,647	9,125,260	9,813,587
Auxiliary enterprises revenue	8,564,404	8,284,464	9,803,018	8,814,064
Miscellaneous	2,510,089	1,954,839	1,867,121	4,185,192
<b>Total</b>	<b>\$ 100,613,671</b>	<b>\$ 91,312,332</b>	<b>\$ 92,409,369</b>	<b>\$ 87,356,671</b>
<b>Expenditures:</b>				
Liberal arts and sciences	\$ 14,790,786	\$ 13,469,669	\$ 11,981,718	\$ 11,206,035
Vocational technical	19,269,936	18,544,343	19,227,003	18,235,051
Adult education	7,751,028	7,496,622	7,275,551	8,019,921
Cooperative services	3,467,398	3,593,633	4,823,941	5,334,382
Administration	2,694,895	2,480,506	1,895,235	2,223,936
Student services	5,780,039	5,427,368	5,384,477	5,235,929
Learning resources	2,609,147	2,507,982	2,331,049	2,289,308
Physical plant	5,856,699	5,162,407	4,616,757	4,134,606
General institution	11,277,648	10,546,515	9,041,339	8,274,555
Auxiliary enterprises	8,617,642	8,085,502	9,536,603	8,617,997
Scholarships and grants	9,574,679	9,220,794	8,379,677	6,473,483
Interest on indebtedness	2,303,069	2,164,943	2,588,537	2,399,377
<b>Total</b>	<b>\$ 93,992,966</b>	<b>\$ 88,700,284</b>	<b>\$ 87,081,887</b>	<b>\$ 82,444,580</b>

## DES MOINES AREA COMMUNITY COLLEGE

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Student financial assistance cluster (Note 2):		
United States Department of Education:		
Federal Pell Grant	84.063	\$ 8,826,725
Federal Supplemental Educational Opportunity Grant	84.007	221,311
Federal Work-Study	84.033	303,089
Federal Direct Student Loans	84.268	17,674,462
Total student financial assistance cluster		<u>27,025,587</u>
Other federal assistance:		
United States Department of Education:		
TRIO cluster:		
Upward Bound	84.047	235,548
Student Support Services	84.042	283,842
Total TRIO cluster		<u>519,390</u>
Strengthening Institutions	84.031	409,258
Life Skills for State and Local Prisoners	84.255	529,797
Passed through Iowa Department of Education:		
Tech – Prep Education	84.243	110,241
Adult Education – Basic Grant Program	84.002	646,198
Civics Grant	84.002	79,217
Vocational Education	84.048	586,481
Mine Health and Safety	17.600	7,400
Perkins Correction Program	84.013A	10,000
Total United States Department of Education		<u>29,923,569</u>
United States Department of Housing and Urban Development:		
Youth Build	14.243	364
United States Department of Labor:		
Carroll Campus Technology Resource Center	17.261	36,047
Career Tech Academy	17.261	161,447
Integrated Manufacturing Technology	17.249	92,685
Total United States Department of Labor		<u>290,179</u>
Total expenditures of federal awards		<u>\$ 30,214,112</u>

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

**Des Moines Area Community College**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2005**

**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, 2005, 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, 2005.

**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, 2005, and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 2, 2005.

**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 2, 2005.

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 2, 2005

**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 each of its major federal programs for the year ended June 30, 2005. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we 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 each of its major federal programs for the year ended June 30, 2005.

**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*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
September 2, 2005

**Des Moines Area Community College  
SCHEDULE OF FINDINGS  
Year ended June 30, 2005**

**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 programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.007, 84.033, 84.063, 84.268 — Student Financial Assistance Cluster
  - CFDA Number 84.031 — Strengthening Institutions
  - CFDA Number 84.255 — Life Skills for State and Local Prisoners
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$376,190.
- (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**