

Des Moines Area Community College

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

June 30, 2006

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**Des Moines Area Community College
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Board of Directors (Before September 2005 Election)		
Joe Pugel	President	2006
Ben Norman	Vice President	2005
Jim Crawford	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
Board of Directors (After September 2005 Election)		
Joe Pugel	President	2006
Ben Norman	Vice President	2008
Jim Crawford	Member	2007
Madelyn Tursi	Member	2008
Naomi Neu	Member	2006
Harold K. Belken	Member	2007
Kevin Halterman	Member	2006
Wayne Rouse	Member	2008
Cheryl Langston	Member	2007
Community College		
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	
Carolyn Farlow	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, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, during the year ended June 30, 2006, the College adopted Governmental Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits*. As a result, an adjustment has been made to net assets at July 1, 2005, to reflect the accounting change.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 8, 2006 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 29 and 30 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 years ended June 30, 2005 and 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, is presented for purposes of additional analysis 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 financial statements was audited by other auditors whose report, dated December 4, 2003, expressed an unqualified opinion on such information in relation to the basic financial statements taken as a whole.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 8, 2006

Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

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, 2006. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ College operating revenues increased approximately \$5,205,000 or 8.9%. The increase was caused by several factors. Tuition revenue increased approximately \$2,020,000 (8.7%) as the result of a tuition increase of \$4.60 per credit hour (5.1%) and a 5.1% increase in the number of credit hours taught. The issuance of \$18,775,000 in Jobs Training Certificates resulted in an increase in revenue from the Iowa Industrial New Jobs Training Program of approximately \$3,180,000. Miscellaneous revenue decreased slightly (5.3%) or approximately \$161,000. Revenue from the Accelerated Career Education Program (ACE) accounted for an increase of approximately \$830,000, which offset a decrease in gifts and grants of approximately \$840,000. The decrease in gifts and grants resulted from the prior year contributions to the construction of the Story County Career Academy. Federal appropriations remained fairly constant and Auxiliary enterprises sales and revenue increased approximately \$270,000 or 3.2%.
- ◆ College operating expenses increased 13.4% or approximately \$11,700,000. The three major components of the increase were cooperative services increasing approximately \$5,400,000 as the result of the increased activity in the Iowa Industrial New Jobs Training Program, general institution costs increasing approximately \$1,850,000 principally caused by the additional equipment replacement dollars available as the result of the new property tax levy (which runs through 2015), and depreciation increasing approximately \$450,000. Operating expenses for liberal arts and sciences increased at a rate consistent with last year (10.5% vs. 9.9%) and vocational technical expenses increased 7.3% which reflects the added credit activity in vocational programs. These increases relate directly to negotiated salary increases and the 5.1% increase in credit hours taught. The operating expenses related to administration were down slightly (1.6%) as a result of reducing administrative staff and reorganization efforts. Physical plant expenses increased approximately \$418,000 or 4.3%. The increase was principally the result of negotiated pay increases.
- ◆ The College's net assets increased 9.0%, or approximately \$6,300,000 from FY05, as restated. Most of the increase is attributed to the increased activity in the Iowa Industrial New Jobs Training Program, additional Accelerated Career Education (ACE) programs, and the 5.1% enrollment increase. Net assets in the unexpended plant fund decreased approximately \$1,166,000 resulting from the completion of three major construction projects: an addition to the Boone Campus, remodeling of the Culinary Arts facility on the Ankeny Campus, and the partial construction of the Story County Career Academy in Ames. The decrease in the unexpended plant fund was net of \$3,800,000 being transferred in from the restricted fund to assist with the construction projects. General Fund unrestricted net assets (excluding Auxiliary Enterprises) increased to a total of \$6,443,419 (an increase of \$315,973), 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, 2006**

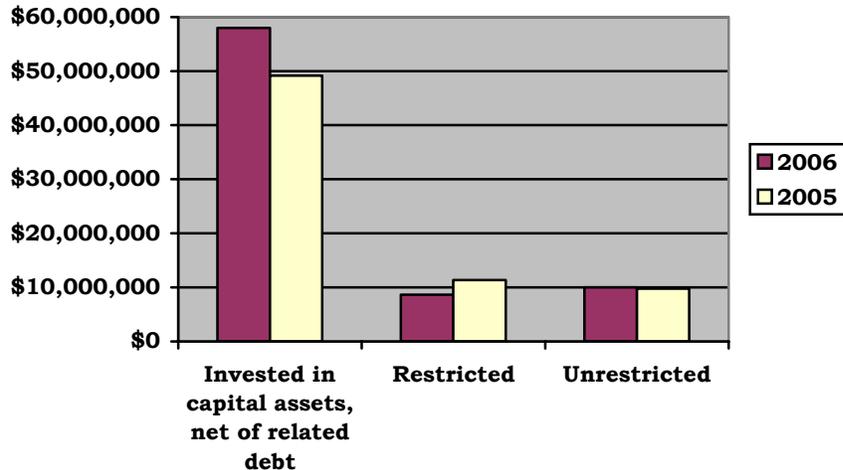
REPORTING THE COLLEGE AS A WHOLE

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	
	2006	2005
Current assets	\$ 101,858,996	\$ 93,795,746
Other assets	15,488,072	5,222,603
Capital assets, net of accumulated depreciation	68,098,796	60,272,764
Total assets	185,445,864	159,291,113
Current liabilities	50,498,377	44,385,915
Noncurrent liabilities	58,324,697	44,625,693
Total liabilities	108,823,074	89,011,608
Net assets:		
Invested in capital assets, net of related debt	58,008,796	49,167,764
Restricted	8,624,432	11,325,657
Unrestricted	9,989,562	9,786,084
Total net assets	\$ 76,622,790	\$ 70,279,505

Comparison of Net Assets



**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

The largest portion of the College's net assets (75.7%) 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 (11.3%) includes resources that are subject to external restrictions. The remaining net assets (13.0%) 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.

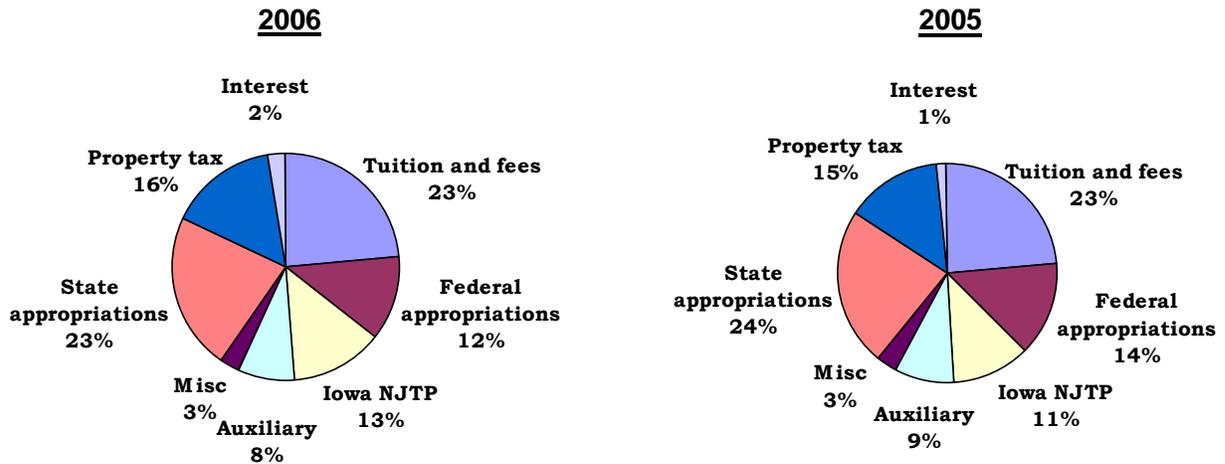
Changes in Net Assets

	Year ended June 30	
	2006	2005
Operating revenues:		
Tuition and fees	\$ 25,314,020	\$ 23,294,432
Federal appropriations	13,037,134	13,144,456
Iowa Industrial New Jobs Training Program	14,068,915	10,884,743
Auxiliary enterprises revenue	8,673,870	8,403,954
Miscellaneous	2,878,074	3,039,209
Total operating revenues	63,972,013	58,766,794
Total operating expenses	99,106,584	87,408,958
Operating loss	(35,134,571)	(28,642,164)
Nonoperating revenues, (expenses) and transfers		
State appropriations	24,341,715	22,826,135
Property tax	16,880,081	14,137,997
Interest and investment income	2,625,320	1,334,360
Loss on disposition of capital assets	-	(172,196)
Interest on indebtedness	(2,393,619)	(2,398,569)
Transfers from agency funds	24,359	10,686
Net nonoperating revenues and transfers	41,477,856	35,738,413
Increase in net assets	6,343,285	7,096,249
Net assets beginning of year, as restated	70,279,505	63,183,256
Net assets end of year	\$ 76,622,790	\$ 70,279,505

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year, with an increase in net assets of \$6,343,285 at the end of the fiscal year. This increase is the net result of a \$1.2 million decrease in the unexpended plant fund, a \$2.2 million decrease in the general restricted funds, a \$203,478 increase in the general unrestricted funds, and an \$8.8 million increase in capital assets, net of related debt. The increase in capital assets was the result of the three major construction projects mentioned earlier and the purchase of land and a building adjacent to the Urban (Des Moines) Campus.

Total Revenue by Source



In fiscal year 2006, operating revenues increased by approximately \$5,205,000 (8.9%). The increase was a result of the following changes:

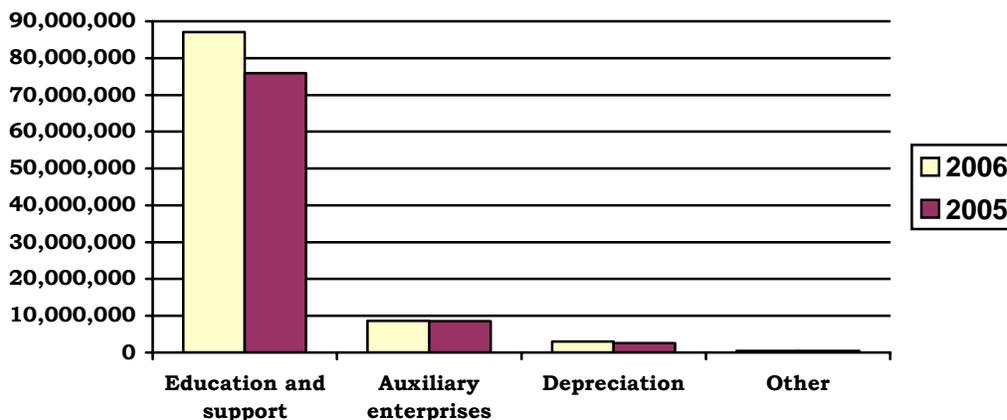
- ◆ Tuition and fees increased by approximately \$2.0 million (8.7%) due to a 5.12% increase in the number of credit hours taught and a 5.14% increase in the tuition rate charged per credit hour.
- ◆ The \$3.2 million increase (29.3%) in revenue from the Iowa Industrial New Jobs Training Program was the direct result of issuing New Jobs Training Certificates totaling \$18,775,000 during the fiscal year.
- ◆ Miscellaneous revenue decreased \$161,000 (5.3%). Revenue from the Accelerated Career Education Program (ACE) increased by \$827,544, but gifts and grants revenue decreased by \$842,409. This decrease resulted from the prior year's numbers including contributions to the Story County Career Academy totaling \$845,000. There was not a similar project in the current fiscal year.
- ◆ Federal appropriations remained fairly constant and Auxiliary sales and revenue increased approximately \$270,000 or 3.2%.

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

Operating Expenses

	Year ended June 30	
	2006	2005
Education and support:		
Liberal arts and sciences	\$ 16,319,487	\$ 14,769,460
Vocational technical	20,591,176	19,197,477
Adult education	7,941,971	7,630,465
Cooperative services	8,890,197	3,467,398
Administration	2,379,263	2,417,871
Student services	6,025,128	5,780,039
Learning resources	2,653,133	2,609,147
Physical plant	10,092,828	9,674,587
General institution	12,193,143	10,334,242
Auxiliary enterprises	8,609,995	8,563,956
Loan cancellations and bad debts	338,123	353,328
Administrative and collection costs	71,196	57,426
Depreciation	3,000,944	2,553,562
Total	<u>\$ 99,106,584</u>	<u>\$ 87,408,958</u>

Total Expenses



In fiscal year 2006, operating expenses increased by approximately \$11,700,000 (13.4%). 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 \$3,250,000 or 7.8%. This was due to the increase in the number of students (5.1% increase in credit hours) and negotiated pay increases approximating 4.0%.
- ◆ The cost of providing cooperative programs increased significantly (\$5,400,000). The principal cause of the increase was the cost related to the increased training activity in the Iowa Industrial New Jobs Training Program. Certificates totaling \$18,775,000 were sold during the current year, compared to \$7,545,000 in 2005.
- ◆ General institution expenses increased approximately \$1,860,000 caused primarily by the negotiated salary increases and the additional property tax dollars available for equipment replacement. Voters of the district approved an additional 6 cent per thousand dollars of valuation levy that started in 2006 and runs through 2015.

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

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 and related financing, and investing activities.

Cash Flows

	Year ended June 30	
	2006	2005
Cash provided by (used in):		
Operating activities	\$ (37,339,302)	\$ (28,663,094)
Noncapital financing activities	53,248,312	30,033,021
Capital and related financing activities	(11,971,878)	(1,895,144)
Investing activities	18,495,530	(18,152,991)
Net increase (decrease) in cash	22,432,662	(18,678,208)
Cash and short-term pooled investments, beginning of the year	28,026,604	46,704,812
Cash and short-term pooled investments, end of the year	\$ 50,459,266	\$ 28,026,604

Cash used in 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 receipts, the proceeds from New Jobs Training Programs debt, and the principal and interest payments on New Jobs Training Programs debt. Cash used in capital and related financing activities represents the proceeds from plant fund debt, the principal and interest payments on plant fund debt and the purchase of capital assets. Cash provided by (used in) investing activities includes investment income received and the purchase and sale of investments.

Cash provided by noncapital financing activities increased significantly as a result of the proceeds from New Jobs Training Certificates in excess of \$18 million. The cash provided by investing activities in the current year and cash used in investing activities in the prior year results from pooled investments increasing by \$19 million in 2005 and decreasing by \$16 million in 2006.

CAPITAL ASSETS

At June 30, 2006, the College had approximately \$107.1 million invested in capital assets, net of accumulated depreciation of \$39.0 million. Depreciation charges totaled \$3,000,944 for FY2006. Details of capital assets are shown below.

Capital Assets, Net, at Year-End

	June 30	
	2006	2005
Land	\$ 6,417,429	\$ 5,548,465
Buildings	47,559,880	40,103,001
Construction in progress	5,364,131	6,687,781
Other structures and improvements	5,471,331	4,971,069
Equipment and vehicles	3,286,025	2,962,448
Total	\$ 68,098,796	\$ 60,272,764

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006**

Planned capital expenditures for the fiscal year ending June 30, 2007 and beyond includes the completion of a \$5.2 million dollar facility for the Story County Career Academy (\$5.0 million included in construction in progress) and remodeling chemistry labs in Newton and Ankeny for approximately \$300,000. The College appropriates approximately \$1.4 million annually 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 annually 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 \$5.3 million per year for the College.

In September of 2004 the district voters also approved a \$.06 per thousand levy for instructional equipment. This levy will result in the College receiving an additional \$1.6 million per year for instructional equipment for ten years which began 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, 2006, the College had \$54.9 million in debt outstanding, an increase of \$12,585,000 from 2005. The table below summarizes these amounts by type.

Outstanding Debt

	June 30	
	2006	2005
Certificates payable	\$ 44,795,000	\$ 31,195,000
Notes payable and certificates of participation	10,090,000	11,105,000
Total	\$ 54,885,000	\$ 42,300,000

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 2006 was approximately \$1,525,000 (7.4%) more than the amount received in fiscal year 2005. A budgeted increase of approximately \$1,576,000 (7.1%) is anticipated for fiscal year 2007.
- ◆ 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 50023.

BASIC FINANCIAL STATEMENTS

DES MOINES AREA COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2006

	<u>College</u>	<u>Foundation</u>
Assets		
Current assets:		
Cash and short-term pooled investments (Note 2)	\$ 50,459,266	\$ 1,214,262
Pooled investments (Note 2)	11,079,139	2,713,827
Receivables:		
Accounts, net of allowance of \$300,000	10,374,288	-
Current portion contributions receivable	-	94,500
Succeeding year property tax	18,138,875	-
Iowa Industrial New Jobs Training Program	8,700,000	-
Due from other governments	758,968	-
Inventories (Note 3)	2,142,817	-
Prepaid expenses	205,643	-
	<u>101,858,996</u>	<u>4,022,589</u>
Total current assets		
Noncurrent assets:		
Receivables		
Contributions	-	297,483
Iowa Industrial New Jobs Training Program	15,050,768	-
Prepaid expenses	175,020	-
Cash value of life insurance	262,284	-
Capital assets, net of accumulated depreciation (Note 4)	<u>68,098,796</u>	<u>5,643,833</u>
	<u>83,586,868</u>	<u>5,941,316</u>
Total noncurrent assets		
	<u>83,586,868</u>	<u>5,941,316</u>
Total assets	<u>\$ 185,445,864</u>	<u>\$ 9,963,905</u>

DES MOINES AREA COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2006

	<u>College</u>	<u>Foundation</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,768,929	\$ 24,786
Due to other governments	225,907	-
Current portion payable to Des Moines Area Community College	-	84,500
Salaries and benefits payable	2,627,879	-
Accrued interest payable	203,971	-
Deferred revenue:		
Tuition	6,156,870	-
Succeeding year property tax	18,138,875	-
Iowa Industrial New Jobs Training Program and other	11,113,440	133,302
Early retirement payable (Note 10)	2,005,026	-
Deposits held in custody for others	851,847	-
Certificates payable (Note 5)	6,360,142	-
Notes payable and certificates of participation (Note 5)	1,045,491	157,586
Total current liabilities	<u>50,498,377</u>	<u>400,174</u>
Noncurrent liabilities (Note 5):		
Payable to Des Moines Area Community College	-	277,483
Compensated absences	1,091,000	-
Deferred revenue, Iowa Industrial New Jobs Training Program and other	6,803,222	199,953
Early retirement payable (Note 10)	3,330,000	-
Certificates payable	38,049,121	-
Notes payable and certificates of participation	9,051,354	126,675
Total noncurrent liabilities	<u>58,324,697</u>	<u>604,111</u>
Total liabilities	<u>108,823,074</u>	<u>1,004,285</u>
Net assets		
Invested in capital assets, net of related debt	58,008,796	-
Restricted:		
Nonexpendable:		
Cash reserve	755,088	-
Scholarships and fellowships	-	2,350,449
Expendable:		
Scholarships and fellowships	174,514	1,326,891
Loans	70,491	-
Plant fund	4,071,325	-
Iowa Industrial New Jobs Training Program	2,731,623	-
Early retirement	810,609	-
Other	10,782	-
Unrestricted	9,989,562	5,282,280
Commitments (Notes 6 and 11)		
Total net assets	<u>\$ 76,622,790</u>	<u>\$ 8,959,620</u>

DES MOINES AREA COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2006

	<u>College</u>	<u>Foundation</u>
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$9,346,631	\$ 25,314,020	\$ -
Federal appropriations	13,037,134	-
Iowa Industrial New Jobs Training Program	14,068,915	-
Auxiliary enterprises revenue	8,673,870	-
Contributions	-	684,215
Miscellaneous	2,878,074	346,623
Total operating revenues	<u>63,972,013</u>	<u>1,030,838</u>
Operating expenses:		
Education and support		
Liberal arts and sciences	16,319,487	-
Vocational technical	20,591,176	-
Adult education	7,941,971	-
Cooperative services	8,890,197	-
Administration	2,379,263	103,627
Student services	6,025,128	-
Learning resources	2,653,133	-
Physical plant	10,092,828	-
General institution	12,193,143	-
Auxiliary enterprises	8,609,995	-
Scholarships and grants	-	337,275
Fund raising	-	37,837
Loan cancellations and bad debts	338,123	-
Administrative and collection costs	71,196	-
Depreciation	3,000,944	200,170
Total operating expenses	<u>99,106,584</u>	<u>678,909</u>
Operating income (loss)	<u>(35,134,571)</u>	<u>351,929</u>
Nonoperating revenues (expenses):		
State appropriations	24,341,715	-
Property tax	16,880,081	-
Interest and investment income	2,625,320	217,225
Interest on indebtedness	(2,393,619)	(18,871)
Net nonoperating revenues	<u>41,453,497</u>	<u>198,354</u>
Change in net assets	6,318,926	550,283
Transfers from agency fund	24,359	-
Total change in net assets	6,343,285	550,283
Net assets, beginning of year, as restated (Note 12)	<u>70,279,505</u>	<u>8,409,337</u>
Net assets, end of year	<u>\$ 76,622,790</u>	<u>\$ 8,959,620</u>

Exhibit C**DES MOINES AREA COMMUNITY COLLEGE**Statement of Cash Flows
Year Ended June 30, 2006

Cash flows from operating activities:	
Tuition and fees	\$ 24,398,011
Federal appropriations	13,631,335
Iowa Industrial New Jobs Training Program	9,069,565
Payments to employees for salaries and benefits	(60,640,690)
Payments to suppliers for goods and services	(35,144,839)
Auxiliary enterprise receipts	8,673,870
Other receipts	2,673,446
Net cash used in operating activities	<u>(37,339,302)</u>
Cash flows from noncapital financing activities:	
State appropriations	25,301,561
Property tax	16,880,081
Net agency fund activity	(216,162)
Proceeds from certificates payable	18,583,014
Principal paid on debt	(5,175,000)
Interest paid	(2,125,182)
Net cash provided by noncapital financing activities	<u>53,248,312</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(10,701,546)
Principal paid on debt	(1,015,000)
Interest paid	(255,332)
Net cash used in capital and related financing activities	<u>(11,971,878)</u>
Cash flows from investing activities:	
Interest on investments	2,625,320
Net change in pooled investments	15,870,210
Net cash provided by investing activities	<u>18,495,530</u>
Net increase in cash and short-term pooled investments	22,432,662
Cash and short-term pooled investments at beginning of year	<u>28,026,604</u>
Cash and short-term pooled investments at end of year	<u>\$ 50,459,266</u>

Exhibit C**DES MOINES AREA COMMUNITY COLLEGE**Statement of Cash Flows
Year Ended June 30, 2006

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(35,134,571)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,000,944
Changes in assets and liabilities:	
Increase in accounts receivable	(952,985)
Increase in Iowa Industrial New Jobs Training Program receivables	(10,927,422)
Decrease in due from and due to other governments	594,201
Decrease in prepaid expenses	562,157
Increase in inventories	(571,578)
Decrease in accounts payable	(158,777)
Increase in salary and benefits payable	368,338
Increase in other deferred revenue	5,965,048
Increase in early retirement payable	119,971
Decrease in deposits held in custody for others	<u>(204,628)</u>
Total adjustments	<u>(2,204,731)</u>
Net cash used in operating activities	\$ <u><u>(37,339,302)</u></u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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, 2006

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 stipulations. 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, 2006

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 modified 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 a known amount of cash and, at the day of purchase, have a maturity date no longer than three months.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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. 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, 2006 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:

<u>Assets</u>	<u>Years</u>
Buildings	15-40
Improvements other than buildings	10-40
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, 2006

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, 2006.

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.

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

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, 2006

NOTE 2 CASH AND POOLED INVESTMENTS

The College's cash and deposits (money market accounts and certificates of deposit) at June 30, 2006 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, 2006 in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$14,225,609 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The College also had investments at June 30, 2006 in Federal Home Loan Bank (FHLB) obligations which are carried at their fair value of \$5,355,000. The investments mature in August 2006.

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 and FHLB obligations at June 30, 2006 were all rated Aaa by Moody's Investors Service.

Concentration of credit risk. The College's investment policy limits the amount of prime eligible bankers acceptances and commercial paper that may be invested in any one issuer to 5% of the College's investment portfolio at the time of purchase. Investments other than prime eligible bankers acceptances and commercial paper are not subject to the 5% limitation. At June 30, 2006, the College's FHLB investments accounted for 27% of the College's investment portfolio.

NOTE 3 INVENTORIES

The College's inventories at June 30, 2006 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 261,316
Work in process—student-built houses	404,546
Merchandise held for resale	<u>1,476,955</u>
Total	<u>\$2,142,817</u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 CAPITAL ASSETS

A summary of the change in capital assets for the year ended June 30, 2006 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	\$ 5,548,465	\$ 868,964	\$ —	\$ —	\$ 6,417,429
Construction in progress	<u>6,687,781</u>	<u>7,915,156</u>	<u>(9,238,806)</u>	<u>—</u>	<u>5,364,131</u>
Total capital assets not being depreciated	<u>12,236,246</u>	<u>8,784,120</u>	<u>(9,238,806)</u>	<u>—</u>	<u>11,781,560</u>
Capital assets being depreciated					
Buildings	63,330,841	—	9,238,806	—	72,569,647
Improvements other than buildings	11,631,887	815,303	—	—	12,447,190
Equipment and vehicles	<u>9,141,163</u>	<u>1,227,553</u>	<u>—</u>	<u>89,644</u>	<u>10,279,072</u>
Total capital assets being depreciated	<u>84,103,891</u>	<u>2,042,856</u>	<u>9,238,806</u>	<u>89,644</u>	<u>95,295,909</u>
Less accumulated depreciation for					
Buildings	23,227,840	1,781,927	—	—	25,009,767
Improvements other than buildings	6,660,818	315,041	—	—	6,975,859
Equipment and vehicles	<u>6,178,715</u>	<u>903,976</u>	<u>—</u>	<u>89,644</u>	<u>6,993,047</u>
Total accumulated depreciation	<u>36,067,373</u>	<u>3,000,944</u>	<u>—</u>	<u>89,644</u>	<u>38,978,673</u>
Total capital assets being depreciated, net	<u>48,036,518</u>	<u>(958,088)</u>	<u>9,238,806</u>	<u>—</u>	<u>56,317,236</u>
Capital assets, net	<u>\$60,272,764</u>	<u>\$7,826,032</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$68,098,796</u>

NOTE 5 CHANGES IN NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended June 30, 2006 is as follows:

	<u>Compensated absences</u>	<u>Deferred revenue, NJTP and other</u>	<u>Early retirement payable</u>	<u>Certificates payable</u>	<u>Notes payable and certificates of participation</u>	<u>Total</u>
Balance, beginning of year, as restated (Note 12)	\$ 974,000	\$11,988,590	\$ 5,215,055	\$31,195,000	\$11,105,000	\$60,477,645
Additions	117,000	18,837,931	119,971	18,775,000	—	37,849,902
Reductions	<u>—</u>	<u>12,909,859</u>	<u>—</u>	<u>5,175,000</u>	<u>1,015,000</u>	<u>19,099,859</u>
	1,091,000	17,916,662	5,335,026	44,795,000	10,090,000	79,227,688
Less net unamortized discount, premium, and deferred financing costs	<u>—</u>	<u>—</u>	<u>—</u>	<u>385,737</u>	<u>(6,845)</u>	<u>378,892</u>
Balance, end of year	1,091,000	17,916,662	5,335,026	44,409,263	10,096,845	78,848,796
Less current portion	<u>—</u>	<u>11,113,440</u>	<u>2,005,026</u>	<u>6,360,142</u>	<u>1,045,491</u>	<u>20,524,099</u>
Total noncurrent liabilities	<u>\$ 1,091,000</u>	<u>\$ 6,803,222</u>	<u>\$ 3,330,000</u>	<u>\$38,049,121</u>	<u>\$ 9,051,354</u>	<u>\$58,324,697</u>

The activity for compensated absences and early retirement payable 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, 2006

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, 2006 notes payable and certificates of participation are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,170,000	195,815	1,365,815
2012-2015	<u>4,560,000</u>	<u>385,591</u>	<u>4,945,591</u>
Total	<u>\$10,090,000</u>	<u>\$ 1,693,139</u>	<u>\$11,783,139</u>

Notes payable and certificates of participation consisted of the following at June 30, 2006:

	<u>2006</u>
Tax-exempt certificates of participation dated April 14, 2003 with interest rates between 2.25% and 3.5%	\$ 1,645,000
Tax-exempt notes payable dated December 1, 2004, with interest rates between 3% and 3.55%	<u>8,445,000</u>
	<u>\$10,090,000</u>

Interest on the notes and certificates of participation is payable semiannually, while principal payments are due annually. Total interest cost on the notes and certificates of participation during the year ended June 30, 2006 was \$349,365, of which \$125,430 was capitalized as building cost.

Certificates Payable

Pursuant to agreements dated from 1998 to 2006, the College issued certificates totaling \$44,795,000 at June 30, 2006 with interest rates ranging from 3.00% 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's (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>
2007	\$ 6,460,000	\$2,208,498	\$ 8,668,498
2008	7,345,000	1,808,531	9,153,531
2009	6,430,000	1,443,036	7,873,036
2010	6,150,000	1,125,804	7,275,804
2011	5,205,000	837,894	6,042,894
2012 - 2015	<u>13,205,000</u>	<u>1,218,620</u>	<u>14,423,620</u>
Total	<u>\$44,795,000</u>	<u>\$8,642,383</u>	<u>\$53,437,383</u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

Since inception, the College has administered 391 projects, with 55 currently receiving project funding. Of the remaining projects, 277 have been completed and closed and 59 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.

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>
2007	\$ 346,014
2008	218,103
2009	<u>6,706</u>
Total	<u>\$ 570,823</u>

Total rent expense for all operating leases was approximately \$373,000 for the year ended June 30, 2006.

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>
2007	\$ 669,880
2008	421,090
2009	92,754
2010	92,754
2011	54,754
Thereafter	<u>163,729</u>
Total	<u>\$ 1,494,961</u>

Total rent income for all operating leases was approximately \$672,000 for the year ended June 30, 2006. The College has plant assets committed under these operating leases with a carrying value of approximately \$4,840,000.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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, 2006, 2005, and 2004 were \$951,017, \$943,735, and \$950,883, 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, 2006 were \$1,310,548 and \$843,309 respectively.

NOTE 10 EARLY RETIREMENT

The College offers a voluntary early retirement plan to full-time and certain part-time staff. Employees who are 55 years of age or older and 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. The cash benefit ranges from 70% to 110% of the eligible employee's salary at retirement, based upon the employee's years of service. All employees who retire under the early retirement plan receive paid health insurance benefits to age 65.

The liability at June 30, 2006 for 131 employees who have elected early retirement was \$5,335,026, including \$4,060,000 for estimated health insurance benefits. 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, 2006, including health insurance costs, was \$2,166,717.

NOTE 11 COMMITMENTS

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, 2006, the College has capitalized construction costs of \$5,020,566 as construction in progress and \$667,000 for the land on which the Career Academy building will be constructed. The facility was completed in September of 2006.

At June 30, 2006, the College has signed contracts totaling \$708,600 for various construction projects. The projects include remodeling for a nursing facility in Newton, updating the Chemistry labs in Newton and Ankeny, installing air conditioning in the Ankeny gymnasium, and remodeling the Urban (Des Moines) Campus bookstore. At June 30, 2006, \$343,566 of these costs have been capitalized as construction in progress.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 12 ACCOUNTING CHANGE

For the year ended June 30, 2006, the College implemented Governmental Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits*. This change in financial reporting requires that the health insurance portion of the early retirement plan (Note 10) be recorded as a liability in the financial statements at the time each eligible employee declares early retirement. The College has decreased the previously reported value of net assets at June 30, 2005 by \$4,010,000 as a result of this accounting change.

Basic Financial Statements	<u>Total</u>
Net assets at June 30, 2005, as previously reported	\$74,289,505
Recalculation of early retirement liability	<u>(4,010,000)</u>
Net assets at July 1, 2005, as restated	<u>\$70,279,505</u>

NOTE 13 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 may impact the College are as follows:

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.

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. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, and Statement No. 46, *Net Assets Restricted by Enabling Legislation*, during the year ended June 30, 2006. Those statements had no significant impact on the College's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Des Moines Area Community College
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL
Required Supplementary Information
Year ended June 30, 2006

<u>Funds/Levy</u>	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance between actual and amended budget</u>
Unrestricted	\$ <u>69,639,293</u>	\$ <u>69,639,293</u>	\$ <u>69,936,953</u>	\$(<u>297,660</u>)
Restricted				
Unemployment	60,000	60,000	313,915	(253,915)
Insurance	822,132	822,132	863,880	(41,748)
Early retirement	2,845,435	2,845,435	2,166,717	678,718
Equipment replacement	2,228,211	2,228,211	2,090,970	137,241
Other	<u>28,242,698</u>	<u>28,242,698</u>	<u>25,538,002</u>	<u>2,704,696</u>
Total restricted	<u>34,198,476</u>	<u>34,198,476</u>	<u>30,973,484</u>	<u>3,224,992</u>
Total unrestricted/restricted	103,837,769	103,837,769	100,910,437	2,927,332
Plant	<u>15,661,422</u>	<u>18,295,934</u>	<u>16,137,295</u>	<u>2,158,639</u>
Total	<u>\$119,499,191</u>	<u>\$122,133,703</u>	<u>\$117,047,732</u>	<u>\$5,085,971</u>

See accompanying independent auditor's report.

Des Moines Area Community College
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION--BUDGETARY REPORTING
Year ended June 30, 2006

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.

On June 12, 2006, the Board of Directors amended the College's plant fund budget for the fiscal year ended June 30, 2006. The budgeted expenditures were increased from \$15,661,422 to \$18,295,934. The budget was increased to accommodate the purchase of land and a building adjacent to the Urban Campus, to utilize additional infrastructure funds received from the State of Iowa, to complete roof repairs, and to account for the actual cost of capital projects.

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, 2006

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	\$ 6,457,221	\$ 38,452,085	\$ 615	\$ 4,735,971	\$ -	\$ 813,374	\$ -	\$ 50,459,266
Pooled investments	1,500,000	9,579,139	-	-	-	-	-	11,079,139
Receivables:								
Accounts (less allowance of \$300,000)	9,668,226	95,019	69,876	516,419	-	24,748	-	10,374,288
Succeeding year property tax	5,341,358	7,456,159	-	5,341,358	-	-	-	18,138,875
Iowa Industrial New Jobs Training Program	-	23,750,768	-	-	-	-	-	23,750,768
Due from other governments	-	684,392	-	54,407	-	20,169	-	758,968
Inventories	2,142,817	-	-	-	-	-	-	2,142,817
Prepaid expenses	157,744	-	-	222,919	-	-	-	380,663
Cash value of life insurance	262,284	-	-	-	-	-	-	262,284
	<u>25,529,650</u>	<u>80,017,562</u>	<u>70,491</u>	<u>10,871,074</u>	<u>-</u>	<u>858,291</u>	<u>-</u>	<u>117,347,068</u>
Capital assets:								
Land	-	-	-	-	6,417,428	-	-	6,417,428
Buildings	-	-	-	-	72,569,647	-	-	72,569,647
Improvements other than buildings	-	-	-	-	12,447,190	-	-	12,447,190
Equipment and vehicles	-	-	-	-	10,279,073	-	-	10,279,073
Construction in progress	-	-	-	-	5,364,131	-	-	5,364,131
Accumulated depreciation	-	-	-	-	-	-	(38,978,673)	(38,978,673)
Total assets	<u>\$ 25,529,650</u>	<u>\$ 80,017,562</u>	<u>\$ 70,491</u>	<u>\$ 10,871,074</u>	<u>\$ 107,077,469</u>	<u>\$ 858,291</u>	<u>\$ (38,978,673)</u>	<u>\$ 185,445,864</u>

DES MOINES AREA COMMUNITY COLLEGE

Assets, Liabilities and Fund Balances

June 30, 2006

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	\$ 325,166	\$ 92,616	\$ -	\$ 1,336,513	\$ -	\$ 14,634	\$ -	\$ 1,768,929
Due to other governments	225,907	-	-	-	-	-	-	225,907
Salaries and benefits payable	2,427,000	200,879	-	-	-	-	-	2,627,879
Bond interest payable	-	177,401	-	26,570	-	-	-	203,971
Deferred revenue:								
Succeeding year property tax	5,341,358	7,456,159	-	5,341,358	-	-	-	18,138,875
Other	6,212,467	17,783,602	-	77,463	-	-	-	24,073,532
Early retirement payable	-	5,335,026	-	-	-	-	-	5,335,026
Deposits held in custody for others	8,190	-	-	-	-	843,657	-	851,847
Compensated absences	1,000,000	80,000	-	11,000	-	-	-	1,091,000
Certificates payable	-	44,409,263	-	-	-	-	-	44,409,263
Notes payable	-	-	-	6,845	10,090,000	-	-	10,096,845
Total liabilities	<u>15,540,088</u>	<u>75,534,946</u>	<u>-</u>	<u>6,799,749</u>	<u>10,090,000</u>	<u>858,291</u>	<u>-</u>	<u>108,823,074</u>
Fund balances:								
Invested in capital assets, net of related debt	-	-	-	-	96,987,469	-	(38,978,673)	58,008,796
Restricted:								
Nonexpendable:								
Cash reserve	-	755,088	-	-	-	-	-	755,088
Expendable:								
Scholarships and fellowships	-	174,514	-	-	-	-	-	174,514
Loans	-	-	70,491	-	-	-	-	70,491
Plant fund	-	-	-	4,071,325	-	-	-	4,071,325
Iowa Industrial New Jobs Training Program	-	2,731,623	-	-	-	-	-	2,731,623
Early retirement	-	810,609	-	-	-	-	-	810,609
Other	-	10,782	-	-	-	-	-	10,782
Unrestricted	<u>9,989,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,989,562</u>
Total fund balances	<u>9,989,562</u>	<u>4,482,616</u>	<u>70,491</u>	<u>4,071,325</u>	<u>96,987,469</u>	<u>-</u>	<u>(38,978,673)</u>	<u>76,622,790</u>
Total liabilities and fund balances	<u>\$ 25,529,650</u>	<u>\$ 80,017,562</u>	<u>\$ 70,491</u>	<u>\$ 10,871,074</u>	<u>\$ 107,077,469</u>	<u>\$ 858,291</u>	<u>\$ (38,978,673)</u>	<u>\$ 185,445,864</u>

DES MOINES AREA COMMUNITY COLLEGE
 Revenues, Expenditures, and Changes in Fund Balances
 Year ended June 30, 2006

	Current operating funds			Nonoperating funds					Totals
	General unrestricted funds	General restricted funds	Total	Loan funds	Plant funds		Investment in plant	Adjustments	
					Unexpended	Retirement of indebtedness			
Revenues and other additions:									
Tuition and fees	\$ 34,598,157	\$ 62,494	\$ 34,660,651	\$ -	\$ -	\$ -	\$ -	\$ (9,346,631)	\$ 25,314,020
Federal appropriations	1,604,529	11,432,605	13,037,134	-	-	-	-	-	13,037,134
Iowa Industrial New Jobs Training Program	-	14,068,915	14,068,915	-	-	-	-	-	14,068,915
State appropriations	22,192,364	1,801,344	23,993,708	-	348,007	-	-	-	24,341,715
Property tax	5,003,825	6,872,415	11,876,240	-	3,764,906	1,238,935	-	-	16,880,081
Auxiliary enterprises revenue	8,810,954	-	8,810,954	-	-	-	-	(137,084)	8,673,870
Interest and investment income	652,987	1,821,503	2,474,490	-	150,830	-	-	-	2,625,320
Expended for plant assets (including \$759,766 in current operating fund expenditures)	-	-	-	-	-	-	10,826,976	(10,826,976)	-
Retirement of indebtedness	-	-	-	-	-	-	1,015,000	(1,015,000)	-
Miscellaneous	3,085,313	202,520	3,287,833	-	172,085	-	-	(581,844)	2,878,074
Total revenues and other additions	<u>75,948,129</u>	<u>36,261,796</u>	<u>112,209,925</u>	<u>-</u>	<u>4,435,828</u>	<u>1,238,935</u>	<u>11,841,976</u>	<u>(21,907,535)</u>	<u>107,819,129</u>
Expenditures and other deductions:									
Education and support:									
Liberal arts and sciences	16,312,545	6,942	16,319,487	-	-	-	-	-	16,319,487
Vocational technical	20,024,133	567,043	20,591,176	-	-	-	-	-	20,591,176
Adult education	5,439,378	2,502,593	7,941,971	-	-	-	-	-	7,941,971
Cooperative services	234,896	8,655,301	8,890,197	-	-	-	-	-	8,890,197
Administration	2,379,263	-	2,379,263	-	-	-	-	-	2,379,263
Student services	5,210,900	814,228	6,025,128	-	-	-	-	-	6,025,128
Learning resources	2,519,132	134,001	2,653,133	-	-	-	-	-	2,653,133
Physical plant	5,231,041	863,881	6,094,922	-	3,997,906	-	-	-	10,092,828
General institution	8,531,739	4,346,308	12,878,047	-	-	-	-	(684,904)	12,193,143
Scholarships and grants	2,275	9,344,356	9,346,631	-	-	-	-	(9,346,631)	-
Total education and support	65,885,302	27,234,653	93,119,955	-	3,997,906	-	-	(10,031,535)	87,086,326
Auxiliary enterprises	8,644,019	-	8,644,019	-	-	-	-	(34,024)	8,609,995
Expended for plant assets	173,744	586,022	759,766	-	10,067,210	-	-	(10,826,976)	-
Administrative and collection costs	71,196	-	71,196	-	-	-	-	-	71,196
Retirement of indebtedness	-	-	-	-	-	1,015,000	-	(1,015,000)	-
Loan cancellations and bad debts	331,687	-	331,687	6,436	-	-	-	-	338,123
Interest on indebtedness	-	2,169,684	2,169,684	-	-	223,935	-	-	2,393,619
Depreciation	-	-	-	-	-	-	-	3,000,944	3,000,944
Disposition of capital assets	-	-	-	-	-	-	89,644	(89,644)	-
Total expenditures and other deductions	<u>75,105,948</u>	<u>29,990,359</u>	<u>105,096,307</u>	<u>6,436</u>	<u>14,065,116</u>	<u>1,238,935</u>	<u>89,644</u>	<u>(18,996,235)</u>	<u>101,500,203</u>
Transfers among funds:									
Mandatory – matching funds	(94,349)	94,349	-	-	-	-	-	-	-
Non-mandatory transfers	(544,354)	(7,916,480)	(8,460,834)	22,064	8,463,129	-	-	-	24,359
Net increase (decrease) for the year	203,478	(1,550,694)	(1,347,216)	15,628	(1,166,159)	-	11,752,332	(2,911,300)	6,343,285
Fund balances at beginning of year, as restated (Note 12)	9,786,084	6,033,310	15,819,394	54,863	5,237,484	-	85,235,137	(36,067,373)	70,279,505
Fund balances at end of year	<u>\$ 9,989,562</u>	<u>\$ 4,482,616</u>	<u>\$ 14,472,178</u>	<u>\$ 70,491</u>	<u>\$ 4,071,325</u>	<u>\$ -</u>	<u>\$ 96,987,469</u>	<u>\$ (38,978,673)</u>	<u>\$ 76,622,790</u>

DES MOINES AREA COMMUNITY COLLEGE
 Revenues, Expenditures, and Changes in Fund Balance - Unrestricted Fund
 Year ended June 30, 2006

	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	\$ 17,930,731	\$ 11,526,056	\$ 3,974,017	\$ 126,790	\$ 3,235	\$ 20,012	\$ 25	\$ -	\$ 855,738	\$ 34,436,604
Federal appropriations	-	651,732	685,320	-	24,145	-	-	-	243,332	1,604,529
State appropriations	-	22,514	110,374	-	-	750	2,379	-	22,050,079	22,186,096
Property tax	-	-	-	-	-	-	-	-	5,003,825	5,003,825
Interest income	-	-	-	-	29,612	-	-	-	623,375	652,987
Miscellaneous	410,887	1,673,031	109,356	-	314,783	9,425	5,837	194,439	239,416	2,957,174
	18,341,618	13,873,333	4,879,067	126,790	371,775	30,187	8,241	194,439	29,015,765	66,841,215
Allocation of support services	15,942,184	9,108,843	4,404,033	165,347	(371,775)	(30,187)	(8,241)	(194,439)	(29,015,765)	-
Total revenues	<u>34,283,802</u>	<u>22,982,176</u>	<u>9,283,100</u>	<u>292,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,841,215</u>
Expenditures:										
Salaries and benefits	15,022,743	17,805,717	4,172,620	218,814	1,812,331	4,874,086	1,978,317	3,172,440	4,483,575	53,540,643
Services	539,660	614,526	744,518	3,327	323,232	158,766	161,702	1,294,465	2,725,953	6,566,149
Materials and supplies	562,584	1,330,679	445,074	12,755	174,470	128,246	357,719	753,796	1,196,040	4,961,363
Travel	183,578	220,779	73,997	-	59,596	49,802	21,394	10,340	117,527	737,013
Expended for plant assets	-	68,387	-	-	7,480	-	-	62,098	35,779	173,744
Scholarships	73	42	20	-	285	-	-	-	1,855	2,275
Miscellaneous	3,980	52,432	3,169	-	408,034	-	-	-	12,139	479,754
	16,312,618	20,092,562	5,439,398	234,896	2,785,428	5,210,900	2,519,132	5,293,139	8,572,868	66,460,941
Allocation of support services	13,122,502	7,497,768	3,625,095	136,102	(2,785,428)	(5,210,900)	(2,519,132)	(5,293,139)	(8,572,868)	-
Total expenditures	<u>29,435,120</u>	<u>27,590,330</u>	<u>9,064,493</u>	<u>370,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,460,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,848,682</u>	<u>(4,608,154)</u>	<u>218,607</u>	<u>(78,861)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>380,274</u>
Transfers:										
Mandatory transfers	-	-	-	-	(75,461)	-	-	-	(18,888)	(94,349)
Non-mandatory transfers	(113,773)	(377,610)	(349,899)	-	(20,197)	22,064	-	(1,655,971)	2,525,434	30,048
Total transfers	<u>(113,773)</u>	<u>(377,610)</u>	<u>(349,899)</u>	<u>-</u>	<u>(95,658)</u>	<u>22,064</u>	<u>-</u>	<u>(1,655,971)</u>	<u>2,506,546</u>	<u>(64,301)</u>
Net increase (decrease) for the year	<u>\$ 4,734,909</u>	<u>\$ (4,985,764)</u>	<u>\$ (131,292)</u>	<u>\$ (78,861)</u>	<u>\$ (95,658)</u>	<u>\$ 22,064</u>	<u>\$ -</u>	<u>\$ (1,655,971)</u>	<u>\$ 2,506,546</u>	<u>315,973</u>
Fund balance at beginning of year										6,127,446
Fund balance at end of year										<u>\$ 6,443,419</u>

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, 2006

	<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	\$ 7,071,390	\$ 506,999	\$ 636,118	\$ 8,995	\$ 561,171	\$ 26,281	\$ 8,810,954
Student fee allocations	-	149,027	2,400	-	-	10,126	161,553
State appropriations	-	6,268	-	-	-	-	6,268
Miscellaneous	18,904	72,642	24,997	5,436	-	6,160	128,139
Total revenues and other additions	<u>7,090,294</u>	<u>734,936</u>	<u>663,515</u>	<u>14,431</u>	<u>561,171</u>	<u>42,567</u>	<u>9,106,914</u>
Expenditures and other deductions:							
Salaries and benefits	883,616	274,415	349,231	126,837	154,375	51,666	1,840,140
Services	243,802	56,432	64,368	25,394	377,337	1,145	768,478
Materials and supplies	65,079	164,638	-	54,165	12,830	12,224	308,936
Travel	7,446	3,869	121	28,197	69	143	39,845
Purchases for resale	5,248,877	142,334	290,856	-	-	-	5,682,067
Bad debts	-	988	-	-	-	-	988
Miscellaneous	-	6	-	4,547	-	-	4,553
Total expenditures and other deductions	<u>6,448,820</u>	<u>642,682</u>	<u>704,576</u>	<u>239,140</u>	<u>544,611</u>	<u>65,178</u>	<u>8,645,007</u>
Transfers among funds (non-mandatory)	<u>(425,315)</u>	<u>119,492</u>	<u>121,461</u>	<u>224,709</u>	<u>(101,579)</u>	<u>(513,170)</u>	<u>(574,402)</u>
Net increase (decrease) for the year	216,159	211,746	80,400	-	(85,019)	(535,781)	(112,495)
Fund balances (deficit) at beginning 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>
Fund balances at end of year	<u>\$ 2,792,444</u>	<u>\$ 190,695</u>	<u>\$ 306,537</u>	<u>\$ -</u>	<u>\$ 168,806</u>	<u>\$ 87,661</u>	<u>\$ 3,546,143</u>

DES MOINES AREA COMMUNITY COLLEGE
 Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Restricted Funds
 Year ended June 30, 2006

	<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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	270	\$ -	\$ 62,224	\$ 62,494
Federal appropriations	8,938,542	-	-	-	-	-	-	2,494,063	-	-	11,432,605
Iowa Industrial New Jobs Training Program	-	-	-	-	-	-	-	-	14,068,915	-	14,068,915
State appropriations	-	-	-	-	-	-	-	504,240	-	1,297,104	1,801,344
Property tax	-	2,207,257	211,550	257,790	3,665,518	530,300	-	-	-	-	6,872,415
Interest income	-	-	-	-	150,000	-	-	-	1,671,503	-	1,821,503
Miscellaneous	3,314	2,698	-	-	-	-	-	2,258	3,198	191,052	202,520
Total revenues and other additions	<u>8,941,856</u>	<u>2,209,955</u>	<u>211,550</u>	<u>257,790</u>	<u>3,815,518</u>	<u>530,300</u>	<u>-</u>	<u>3,000,831</u>	<u>15,743,616</u>	<u>1,550,380</u>	<u>36,261,796</u>
Expenditures and other deductions:											
Salaries and benefits	-	-	-	145,758	2,158,643	308,256	-	2,047,261	688,846	197,306	5,546,070
Services	26	183,550	360,478	356,850	8,074	5,659	-	344,708	8,411,986	764,285	10,435,616
Materials and supplies	-	1,433,265	-	-	-	-	-	280,161	47,093	33,000	1,793,519
Travel	-	-	-	794	-	-	-	66,418	27,320	6,525	101,057
Expended for plant assets	-	474,155	-	-	-	-	-	84,654	27,213	-	586,022
Interest on indebtedness	-	-	-	-	-	-	-	-	2,169,684	-	2,169,684
Scholarships and grants	9,305,243	-	-	-	-	-	-	-	-	-	9,305,243
Private scholarships	-	-	-	-	-	-	-	39,113	-	-	39,113
Miscellaneous	-	-	-	-	-	-	-	14,035	-	-	14,035
Total expenditures and other deductions	<u>9,305,269</u>	<u>2,090,970</u>	<u>360,478</u>	<u>503,402</u>	<u>2,166,717</u>	<u>313,915</u>	<u>-</u>	<u>2,876,350</u>	<u>11,372,142</u>	<u>1,001,116</u>	<u>29,990,359</u>
Excess (deficiency) of revenues over (under) expenditures for the year	(363,413)	118,985	(148,928)	(245,612)	1,648,801	216,385	-	124,481	4,371,474	549,264	6,271,437
Transfers among funds:											
Mandatory transfers	94,349	-	-	-	-	-	-	-	-	-	94,349
Non-mandatory transfers	235,258	(94,781)	-	-	-	-	-	(111,721)	(6,604,693)	(1,340,543)	(7,916,480)
Net increase (decrease) for the year	(33,806)	24,204	(148,928)	(245,612)	1,648,801	216,385	-	12,760	(2,233,219)	(791,279)	(1,550,694)
Fund balances (deficit) at beginning of year, as restated (Note 12)	208,320	4,349	-	(22,672)	(838,192)	(195,269)	755,088	3,416	4,964,842	1,153,428	6,033,310
Fund balances (deficit) at end of year	<u>\$ 174,514</u>	<u>\$ 28,553</u>	<u>\$ (148,928)</u>	<u>\$ (268,284)</u>	<u>\$ 810,609</u>	<u>\$ 21,116</u>	<u>\$ 755,088</u>	<u>\$ 16,176</u>	<u>\$ 2,731,623</u>	<u>\$ 362,149</u>	<u>\$ 4,482,616</u>

Schedule 6

DES MOINES AREA COMMUNITY COLLEGE

Changes in Deposits Held in Custody for Others - Agency Funds

Year ended June 30, 2006

	<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	\$ 286,212	\$ 170,451	\$ 227,633	\$ 308,526	\$ 59,559	\$ 1,052,381
Additions:						
Tuition and fees	271,901	-	5,500	143,257	5,100	425,758
Federal appropriations	-	-	-	-	16,222	16,222
State appropriations	-	361,516	-	-	-	361,516
Sales and services	61,714	-	51,546	-	-	113,260
Interest on investments	-	-	4,610	7,358	-	11,968
Other	27,141	41,413	240,916	-	26,500	335,970
Transfers in	139,693	30,645	57,244	-	5,239	232,821
Total additions	<u>500,449</u>	<u>433,574</u>	<u>359,816</u>	<u>150,615</u>	<u>53,061</u>	<u>1,497,515</u>
Deductions:						
Salaries and benefits	25,522	21,761	-	-	24,098	71,381
Services	90,259	378,368	42,627	316,339	-	827,593
Materials and supplies	135,166	46,272	209,449	-	-	390,887
Travel	2,948	24,633	16,377	-	-	43,958
Cost of goods sold	74,203	-	52,219	-	-	126,422
Scholarships	285	-	11,685	-	-	11,970
Other	425	5,452	2,768	-	-	8,645
Transfers out	240,658	-	300	-	16,222	257,180
Total deductions	<u>569,466</u>	<u>476,486</u>	<u>335,425</u>	<u>316,339</u>	<u>40,320</u>	<u>1,738,036</u>
Net additions and deductions	<u>(69,017)</u>	<u>(42,912)</u>	<u>24,391</u>	<u>(165,724)</u>	<u>12,741</u>	<u>(240,521)</u>
Balances, end of year	<u>\$ 217,195</u>	<u>\$ 127,539</u>	<u>\$ 252,024</u>	<u>\$ 142,802</u>	<u>\$ 72,300</u>	<u>\$ 811,860</u>

DES MOINES AREA COMMUNITY COLLEGE

Credit and Contact Hours

Year ended June 30, 2006

Category	Credit hours eligible for aid	Contact hours		Total
		Eligible for aid	Not eligible for aid	
Arts and sciences	220,923	4,397,961	-	4,397,961
Vocational education	104,461	2,512,851	-	2,512,851
Adult education/continuing education	-	1,098,835	116,103	1,214,938
Total	325,384	8,009,647	116,103	8,125,750

DES MOINES AREA COMMUNITY COLLEGETaxes and Intergovernmental Revenues
(Excluding the Agency Funds)

For the Last Four Years

	Years ended June 30			
	2006	2005	2004	2003
Local (property tax)	\$ 16,880,081	\$ 14,137,997	\$ 13,755,963	\$ 13,196,248
State	24,341,715	22,826,135	21,891,866	21,535,993
Federal	13,037,134	13,144,456	13,103,773	13,003,461
	<u>\$ 54,258,930</u>	<u>\$ 50,108,588</u>	<u>\$ 48,751,602</u>	<u>\$ 47,735,702</u>

DES MOINES AREA COMMUNITY COLLEGE

Current Fund Revenues by Source
and Expenditures by Function

For the Last Four Years

	Years ended June 30			
	2006	2005	2004	2003
Revenues:				
Tuition and fees	\$ 34,660,651	\$ 32,869,111	\$ 30,851,019	\$ 27,874,845
Property tax	11,876,240	9,287,613	8,944,224	8,579,477
Federal appropriations	13,037,134	13,144,456	13,103,773	13,003,461
State appropriations	23,993,708	22,092,803	21,891,866	21,535,993
Interest income from investments	2,474,490	1,260,452	399,500	620,194
Iowa Industrial New Jobs Training Program	14,068,915	10,884,743	5,882,647	9,125,260
Auxiliary enterprises revenue	8,810,954	8,564,404	8,284,464	9,803,018
Miscellaneous	3,287,833	2,510,089	1,954,839	1,867,121
Total	\$ 112,209,925	\$ 100,613,671	\$ 91,312,332	\$ 92,409,369
Expenditures:				
Liberal arts and sciences	\$ 16,319,487	\$ 14,790,786	\$ 13,469,669	\$ 11,981,718
Vocational technical	20,684,928	19,269,936	18,544,343	19,227,003
Adult education	8,029,461	7,751,028	7,496,622	7,275,551
Cooperative services	8,890,197	3,467,398	3,593,633	4,823,941
Administration	2,785,144	2,694,895	2,480,506	1,895,235
Student services	6,025,128	5,780,039	5,427,368	5,384,477
Learning resources	2,653,133	2,609,147	2,507,982	2,331,049
Physical plant	6,157,020	5,856,699	5,162,407	4,616,757
General institution	13,391,475	11,277,648	10,546,515	9,041,339
Auxiliary enterprises	8,644,019	8,617,642	8,085,502	9,536,603
Scholarships and grants	9,346,631	9,574,679	9,220,794	8,379,677
Interest on indebtedness	2,169,684	2,303,069	2,164,943	2,588,537
Total	\$ 105,096,307	\$ 93,992,966	\$ 88,700,284	\$ 87,081,887

DES MOINES AREA COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Federal Grantor/Program Title	CFDA Number	Expenditures
Student financial assistance cluster (Note 2):		
United States Department of Education:		
Federal Pell Grant	84.063	\$ 8,596,153
Federal Supplemental Educational Opportunity Grant	84.007	226,382
Federal Work-Study	84.033	375,561
Federal Direct Student Loans	84.268	<u>21,257,880</u>
Total student financial assistance cluster		<u>30,455,976</u>
Other federal assistance:		
United States Department of Education:		
TRIO cluster:		
Upward Bound	84.047	224,508
Student Support Services	84.042	<u>296,372</u>
Total TRIO cluster		<u>520,880</u>
Strengthening Institutions	84.031	330,424
Life Skills for State and Local Prisoners	84.255	470,143
Deaf Education and Services	84.116	55,818
Career Technical Academy Expansion	84.116	49,855
Passed through Iowa Department of Education:		
Tech – Prep Education	84.243	114,382
Adult Education – Basic Grant Program	84.002	685,320
ABE Teacher Training	84.002	7,921
Civics Grant	84.002	48,909
Vocational Education	84.048	651,732
Mine Health and Safety	17.600	9,925
Perkins Correction Program	84.013A	<u>11,000</u>
Total United States Department of Education		<u>33,412,285</u>
United States Department of Agriculture:		
Integrated Curriculum Improvement for Agribusiness	10.226	<u>20,821</u>
United States Department of Labor:		
Career Tech Academy	17.261	<u>285,748</u>
Passed through Iowa Department of Natural Resources:		
Onsite Wastewater Training Center	66.460	54,692
Industrial Electro-Mechanical Tech Curriculum Development	81.119	<u>11,621</u>
Total Iowa Department of Natural Resources		<u>66,313</u>
Total expenditures of federal awards		<u>\$ 33,785,167</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, 2006

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, 2006, 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, 2006.

**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, 2006, and have issued our report thereon dated September 8, 2006. 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 8, 2006.

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 8, 2006.

This report, a public record by law, is intended solely for the information and use of the College and other parties to whom the College may report, including federal awarding agencies and pass-through entities. This report 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 8, 2006

**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, 2006. 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, 2006.

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, a public record by law, is intended solely for the information and use of the College and other parties to whom the College may report, including federal awarding agencies and pass-through entities. This report 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 8, 2006

**Des Moines Area Community College
SCHEDULE OF FINDINGS
Year ended June 30, 2006**

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 84.047, 84.042 — TRIO Cluster
 - CFDA Number 84.002 — Adult Education – Basic Grant Program
 - CFDA Number 84.048 — Vocational Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$375,819.
- (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