

Des Moines Area Community College

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

June 30, 2007

CONTENTS

		<u>Page</u>
OFFICIALS		3
INDEPENDENT AUDITOR'S REPORT		4-5
MANAGEMENT'S DISCUSSION AND ANALYSIS		6-13
BASIC FINANCIAL STATEMENTS		
	<u>Exhibit</u>	
Statement of net assets	A	14-15
Statement of revenues, expenses, and changes in net assets	B	16
Statement of cash flows	C	17-18
Notes to financial statements		19-29
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary comparison schedule of expenditures--budget and actual		30
Note to required supplementary information--budgetary reporting		31
OTHER SUPPLEMENTARY INFORMATION		
	<u>Schedule</u>	
Assets, liabilities, and fund balances	1	32-33
Revenues, expenditures, and changes in fund balances	2	34
Revenues, expenditures, and changes in fund balances--unrestricted fund	3	35
Revenues, expenditures, and changes in fund balances--auxiliary enterprises	4	36
Revenues, expenditures, and changes in fund balances (deficit)--restricted funds	5	37
Changes in deposits held in custody for others--agency funds	6	38
Credit and contact hours	7	39
Taxes and intergovernmental revenues	8	40
Current fund revenues by source and expenditures by function	9	41
Schedule of expenditures of federal awards	10	42-43
Notes to schedule of expenditures of federal awards		44
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		45-46
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		47-48
SCHEDULE OF FINDINGS		49

**Des Moines Area Community College
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Board of Directors (Before September 2006 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
Board of Directors (After September 2006 Election)		
Joe Pugel	President	2009
Ben Norman	Vice President	2008
Jim Crawford	Member	2007
Madelyn Tursi	Member	2008
James Knott	Member	2009
Harold K. Belken	Member	2007
Kevin Halterman	Member	2009
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 discretely presented component unit as of and for the year ended June 30, 2007, 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 discretely presented component unit as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2007 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 13 and budgetary comparison information on pages 30 and 31 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, 2006, 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.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 29, 2007

Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

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, 2007. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ College operating revenues increased approximately \$3,000,000 or 4.7%. The increase was caused by several factors. Despite a 6% increase in credit enrollment and a 2.1% increase in the tuition rate, tuition revenue decreased approximately \$716,000 (2.8%). The decrease was principally caused by a decrease in tuition collected from area high schools of \$850,000, and an \$800,000 increase in scholarships that reduce tuition revenue. The \$3,000,000 increase in federal appropriations is primarily the result of the addition of Iowa Employment Solutions. The issuance of \$22,475,000 in Jobs Training Certificates resulted in an increase in revenue from administrative fees of approximately \$900,000. However, the Iowa Industrial New Jobs Training Program revenue decreased approximately \$2.5 million as the result of a reduction in the amount of training performed by the companies qualifying for the program. Reimbursements to companies for training activities decreased \$3.1 million. Revenue from the Accelerated Career Education Program (ACE) accounted for an increase of approximately \$400,000 in miscellaneous revenue. The remainder of the \$2,900,000 increase in miscellaneous revenue was created by \$1,900,000 in donations for the new Health Sciences Building on the Ankeny campus and the development of the Prairie Trails area north of the Ankeny Campus, and interest income increased by \$1,100,000. Auxiliary enterprises sales and revenue increased approximately \$240,000 or 2.8%.
- ◆ College operating expenses increased 4.7% or approximately \$4,600,000. The first of the four major components of the increase was the increased cost of providing instruction for the 6% increase in credit hours taught. Liberal arts and sciences costs increased \$1.4 million or 8.8%. Vocational technical costs also increased \$1.4 million or 7%. The second component was the \$3 million decrease in cooperative services caused primarily by decreased company training reimbursements in the Iowa Industrial New Jobs Training Program. Third, general institution costs increased approximately \$1,500,000 or 12.2%. The increase was primarily caused by the expenses related to providing the services for Iowa Employment Solutions. Fourth, Auxiliary enterprises expenses increased \$1,150,000 or 13.4% while revenue in these activities increased \$240,000 or 2.8%. Expenses increased as the result of costs associated with student built homes that remain unsold, the addition of café services at the Urban Campus and the remodeling of the Urban Campus bookstore.
- ◆ The College's net assets increased 10.9%, or approximately \$8,400,000 from FY06. The major components of the increase were \$5.2 million in the general restricted funds, \$1.3 million in the unexpended plant fund, and \$1.5 million in the investment in plant. The net assets of the general restricted funds increased as the result of the increased activity in the Iowa Industrial New Jobs Training Program and the property tax levies of the College. Net assets in the Iowa Industrial New Jobs Training Program increased \$1.5 million as a result of the increase in administrative fees related to the additional \$22.5 million in certificate sales. Property tax levies related to equipment replacement created an increase in net assets of \$440,000 as a result of major equipment purchases being planned for the next fiscal year. The increase in net assets of \$460,000 in the insurance and tort levies offsets a deficit balance from the prior fiscal year of \$420,000. The net assets in the early retirement fund increased \$2.5 million as the result of additional anticipated participation in the early retirement program. The anticipated activity exceeded the actual participants and, accordingly, the net assets in the early retirement fund will decrease in the following fiscal year. Net assets in the unexpended plant fund are also anticipated to decrease during the next fiscal year as the College plans several projects including the construction of a 58,000 square foot Health Sciences Building on the Ankeny Campus. The majority of the \$1.5 million increase in the net assets of the investment in plant fund was created by the \$1,045,000 retirement of long-term debt.

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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.

REPORTING THE COLLEGE AS A WHOLE

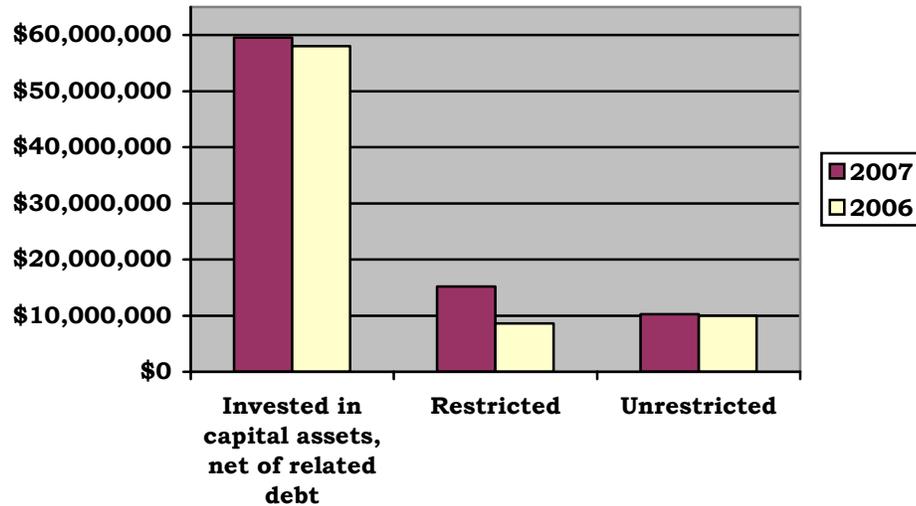
The Statement of Net Assets

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

	June 30	
	2007	2006
Current assets	\$ 125,749,163	\$ 101,858,996
Other assets	27,033,492	15,488,072
Capital assets, net of accumulated depreciation	68,594,387	68,098,796
Total assets	221,377,042	185,445,864
Current liabilities	58,458,785	50,498,377
Noncurrent liabilities	77,922,584	58,324,697
Total liabilities	136,381,369	108,823,074
Net assets:		
Invested in capital assets, net of related debt	59,549,387	58,008,796
Restricted	15,183,186	8,624,432
Unrestricted	10,263,100	9,989,562
Total net assets	\$ 84,995,673	\$ 76,622,790

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Comparison of Net Assets



The largest portion of the College's net assets (70.1%) 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 (17.9%) includes resources that are subject to external restrictions. The remaining net assets (12.0%) 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.

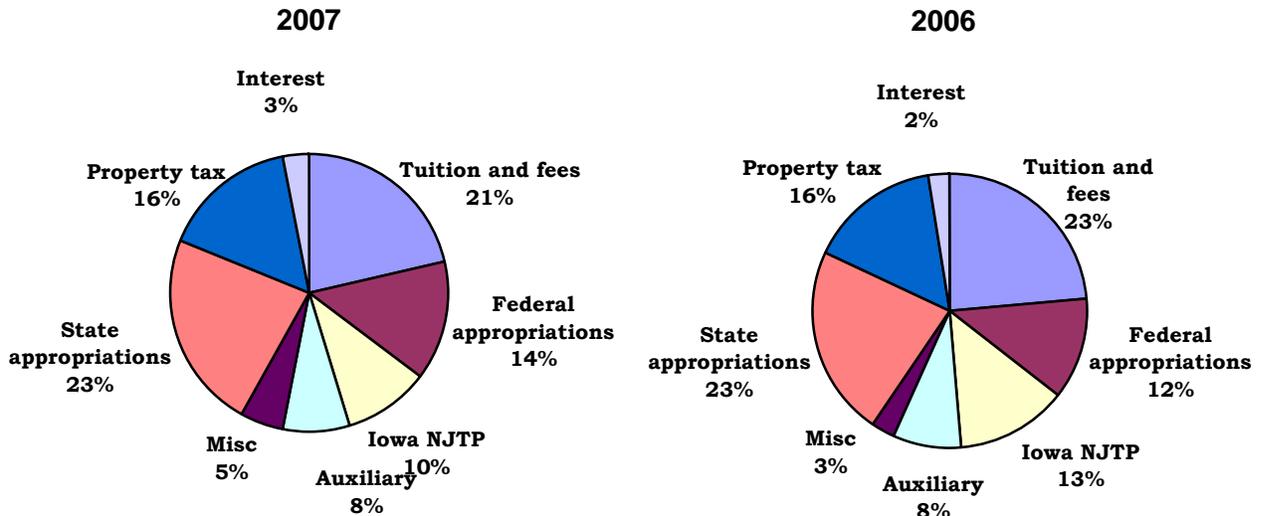
**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Changes in Net Assets

	Year ended June 30	
	2007	2006
Operating revenues:		
Tuition and fees	\$ 24,597,700	\$ 25,314,020
Federal appropriations	16,061,228	13,037,134
Iowa Industrial New Jobs Training Program	11,623,679	14,068,915
Auxiliary enterprises revenue	8,914,656	8,673,870
Miscellaneous	5,774,560	2,878,074
Total operating revenues	66,971,823	63,972,013
Total operating expenses	103,737,046	99,106,584
Operating loss	(36,765,223)	(35,134,571)
Nonoperating revenues, (expenses) and transfers		
State appropriations	26,443,984	24,341,715
Property tax	18,092,410	16,880,081
Interest and investment income	3,672,675	2,625,320
Loss on disposition of capital assets	(35,087)	-
Interest on indebtedness	(3,046,835)	(2,393,619)
Transfers from agency funds	10,959	24,359
Net nonoperating revenues and transfers	45,138,106	41,477,856
Increase in net assets	8,372,883	6,343,285
Net assets beginning of year	76,622,790	70,279,505
Net assets end of year	\$ 84,995,673	\$ 76,622,790

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year, with an increase in net assets of \$8,372,883 at the end of the fiscal year. This increase is the net result of a \$1.3 million increase in the unexpended plant fund, a \$5.2 million increase in the general restricted funds, a \$0.3 million increase in the general unrestricted funds, and a \$1.5 million increase in capital assets, net of related debt.

Total Revenues by Source



**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

In fiscal year 2007, operating revenues increased by approximately \$3,000,000 (4.7%). The increase was a result of the following changes:

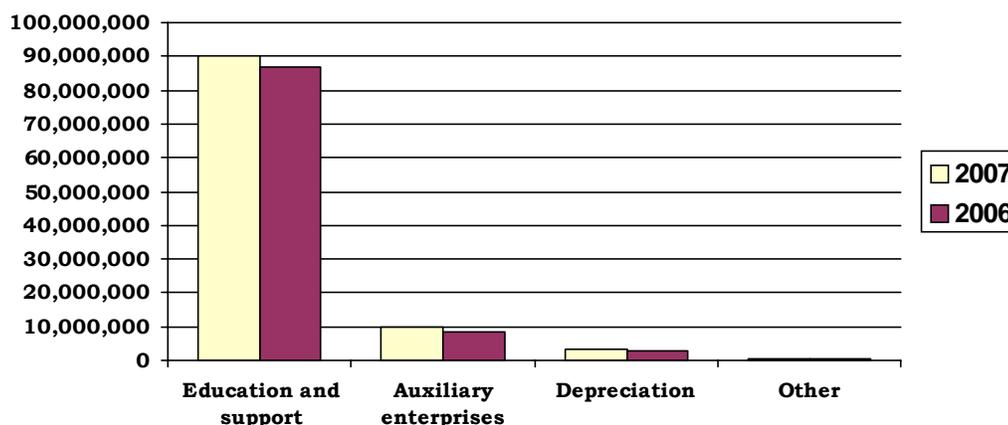
- ◆ Tuition and fees decreased by approximately \$716,000 (2.8%) due to a decrease of \$850,000 in tuition collected from local high schools and an \$800,000 increase in scholarships awarded to students. For financial reporting purposes, these scholarships reduce tuition revenue. The decrease in tuition and fees occurred despite a 6% increase in credit enrollment and a 2.1% increase in the tuition rate.
- ◆ The \$2.5 million decrease (17.4%) in revenue from the Iowa Industrial New Jobs Training Program was the direct result of a decrease in the amount of training performed by the companies qualifying for the program.
- ◆ Miscellaneous revenue increased \$2,900,000 (100.6%). Revenue from the Accelerated Career Education Program (ACE) increased by \$400,000 and gifts and grants revenue increased by \$1,900,000. This increase resulted from the contributions to the planned Health Sciences Building to be built on the Ankeny Campus and the College's participation in the FFA Enrichment Center to be located north of the Ankeny Campus.
- ◆ Federal appropriations increased approximately \$3.0 million, primarily as the result of adding the activities of Iowa Employment Solutions.
- ◆ Auxiliary enterprises sales and revenue increased approximately \$240,000 or 2.8%.

Operating Expenses

	Year ended June 30	
	2007	2006
Education and support:		
Liberal arts and sciences	\$ 17,750,876	\$ 16,319,487
Vocational technical	22,038,534	20,591,176
Adult education	7,984,707	7,941,971
Cooperative services	5,749,870	8,890,197
Administration	2,611,976	2,379,263
Student services	6,782,024	6,025,128
Learning resources	2,754,615	2,653,133
Physical plant	10,943,595	10,092,828
General institution	13,678,853	12,193,143
Auxiliary enterprises	9,762,215	8,609,995
Loan cancellations and bad debts	317,716	338,123
Administrative and collection costs	76,243	71,196
Depreciation	3,285,822	3,000,944
Total	<u>\$ 103,737,046</u>	<u>\$ 99,106,584</u>

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Total Expenses



In fiscal year 2007, operating expenses increased by approximately \$4,600,000 (4.7%). The following factors explain some of the changes:

- ◆ Liberal arts and sciences and vocational technical, the two main functions relating to student instruction, increased approximately \$2,900,000 or 7.8%. This was due to the increase in the number of students (6.1% increase in credit hours) and negotiated pay increases approximating 4%.
- ◆ The cost of providing cooperative programs decreased significantly (\$3,100,000). The principal cause of the decrease was the decreased training activity in the Iowa Industrial New Jobs Training Program. The cost also decreased as many of the cooperative programs were consolidated into the Story County Career Academy and are now classified as vocational technical expenses.
- ◆ General institution expenses increased approximately \$1,500,000 caused primarily by the negotiated salary increases and the addition of the expenses related to the activities of Iowa Employment Solutions.

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	
	2007	2006
Cash provided by (used in):		
Operating activities	\$ (37,623,168)	\$ (37,339,302)
Noncapital financing activities	58,165,486	53,248,312
Capital and related financing activities	(5,173,724)	(11,971,878)
Investing activities	(19,554,869)	18,495,530
Net increase (decrease) in cash	(4,186,275)	22,432,662
Cash and short-term pooled investments, beginning of the year	50,459,266	28,026,604
Cash and short-term pooled investments, end of the year	\$ 46,272,991	\$ 50,459,266

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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 \$22 million. The cash used in investing activities in the current year and cash provided by investing activities in the prior year results from pooled investments decreasing by \$16 million in 2006 and increasing by \$23 million in 2007.

CAPITAL ASSETS

At June 30, 2007, the College had approximately \$110 million invested in capital assets, net of accumulated depreciation of \$41.4 million. Depreciation charges totaled \$3,285,822 for FY2007. Details of capital assets are shown below.

Capital Assets, Net, at Year-End

	June 30	
	2007	2006
Land	\$ 6,708,926	\$ 6,417,429
Buildings	52,237,715	47,559,880
Construction in progress	713,045	5,364,131
Improvements other than buildings	5,244,522	5,471,331
Equipment and vehicles	3,690,179	3,286,025
Total	\$ 68,594,387	\$ 68,098,796

Planned capital expenditures for the fiscal year ending June 30, 2008 and beyond includes the construction of a \$10 million, 58,000 square foot Health Sciences Building on the Ankeny Campus. Technology, furniture and equipment for the new facility are estimated to cost \$1.6 million. 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 \$5.5 million per year for the College.

In September of 2004 the district voters also approved a \$.06 per thousand levy for instructional equipment. This levy will result in the College receiving an additional \$1.6 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.

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

DEBT

At June 30, 2007, the College had \$69.5 million in debt outstanding, an increase of \$14,620,000 from 2006. The table below summarizes these amounts by type.

Outstanding Debt

	June 30	
	2007	2006
Certificates payable	\$ 60,460,000	\$ 44,795,000
Notes payable and certificates of participation	9,045,000	10,090,000
Total	\$ 69,505,000	\$ 54,885,000

The College anticipates issuing \$8.0 million in plant fund debt during the fiscal year ending June 30, 2008. The proceeds will be used to construct the new Health Sciences Building on the Ankeny Campus and will be repaid with receipts from the plant fund levy. 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. There are many positive factors and challenges that will affect future College operations. Some of the issues that may impact the College are:

- ◆ State aid will increase slightly, relieving some of the pressure on students caused by increasing tuition rates. Legislative support for Community Colleges in Iowa has shown a positive trend. State aid for fiscal year 2007 was approximately \$1,576,000 (7.1%) more than the amount received in fiscal year 2006. A budgeted increase of approximately \$2,132,000 (9.0%) is anticipated for fiscal year 2008.
- ◆ There continues to be positive indicators for business and workforce growth in Central Iowa. The city of Newton appears to be handling the Maytag/Whirlpool loss well with good prospects for job growth and interest from new industry; banking and financial services continue to expand the workforce as evidenced by the College's job training activity; and there is significant potential to provide additional training to area business and industry.
- ◆ Expenses will continue to increase. As the number of students increases, the costs associated with serving them will also continue to increase.
- ◆ The College continues to experience growth in enrollment as the result of continuous efforts to increase market share.
- ◆ Facilities at the College require constant maintenance and upkeep. The lack of facility capacity hampers the College in its efforts to grow current programs or add programs that are needed in the area's economy because space is not adequate to add additional students, reduce the size of the list of students waiting to get into programs, or aggressively recruit students into those programs. As the economy grows, the need for additional capacity is a major concern of the College. The College consistently informs business leaders and state legislators of this concern and will continue to address the capacity issue.
- ◆ 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, 2007

	<u>College</u>	<u>Foundation</u>
Assets		
Current assets:		
Cash and short-term pooled investments (Note 2)	\$ 46,272,991	\$ 948,071
Pooled investments (Note 2)	34,306,683	4,795,678
Receivables:		
Accounts, net of allowance of \$303,838	12,013,993	-
Current portion contributions receivable	-	761,500
Succeeding year property tax	16,530,185	-
Iowa Industrial New Jobs Training Program	11,900,000	-
Due from other governments	1,843,943	-
Inventories (Note 3)	2,655,864	-
Prepaid expenses	225,504	-
Total current assets	<u>125,749,163</u>	<u>6,505,249</u>
Noncurrent assets:		
Receivables		
Contributions	-	231,000
Iowa Industrial New Jobs Training Program	26,655,744	-
Prepaid expenses	115,464	-
Cash value of life insurance	262,284	-
Capital assets, net of accumulated depreciation (Note 4)	<u>68,594,387</u>	<u>5,443,663</u>
Total noncurrent assets	<u>95,627,879</u>	<u>5,674,663</u>
Total assets	<u>\$ 221,377,042</u>	<u>\$ 12,179,912</u>

DES MOINES AREA COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2007

	<u>College</u>	<u>Foundation</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,046,303	\$ 30,531
Due to other governments	308	-
Current portion payable to Des Moines Area Community College	-	1,740,500
Salaries and benefits payable	2,729,000	-
Accrued interest payable	270,090	-
Deferred revenue:		
Tuition	7,343,728	-
Succeeding year property tax	16,530,185	-
Iowa Industrial New Jobs Training Program and other	17,356,159	133,302
Early retirement payable (Note 10)	1,918,659	-
Deposits held in custody for others	1,249,792	-
Certificates payable (Note 5)	8,944,071	-
Notes payable and certificates of participation (Note 5)	1,070,490	128,939
Total current liabilities	<u>58,458,785</u>	<u>2,033,272</u>
Noncurrent liabilities (Note 5):		
Payable to Des Moines Area Community College	-	121,000
Compensated absences	1,205,000	-
Deferred revenue, Iowa Industrial New Jobs Training Program and other	14,352,225	66,651
Early retirement payable (Note 10)	3,127,874	-
Certificates payable	51,256,621	-
Notes payable and certificates of participation	7,980,864	-
Total noncurrent liabilities	<u>77,922,584</u>	<u>187,651</u>
Total liabilities	<u>136,381,369</u>	<u>2,220,923</u>
Net assets		
Invested in capital assets, net of related debt	59,549,387	-
Restricted:		
Nonexpendable:		
Cash reserve	755,088	-
Scholarships and fellowships	-	2,637,278
Expendable:		
Scholarships and fellowships	14,332	1,759,474
Loans	164,045	-
Plant fund	5,344,485	-
Iowa Industrial New Jobs Training Program	4,246,024	-
Early retirement	3,290,142	-
Other	1,369,070	-
Unrestricted	10,263,100	5,562,237
Commitments (Notes 6 and 11)		
Total net assets	<u>\$ 84,995,673</u>	<u>\$ 9,958,989</u>

Exhibit B

DES MOINES AREA COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2007

	College	Foundation
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$10,154,237	\$ 24,597,700	\$ -
Federal appropriations	16,061,228	-
Iowa Industrial New Jobs Training Program	11,623,679	-
Auxiliary enterprises revenue	8,914,656	-
Contributions	-	2,492,599
Miscellaneous	5,774,560	336,230
Total operating revenues	66,971,823	2,828,829
Operating expenses:		
Education and support		
Liberal arts and sciences	17,750,876	-
Vocational technical	22,038,534	-
Adult education	7,984,707	-
Cooperative services	5,749,870	-
Administration	2,611,976	193,760
Student services	6,782,024	-
Learning resources	2,754,615	-
Physical plant	10,943,595	53,098
General institution	13,678,853	-
Auxiliary enterprises	9,762,215	-
Scholarships and grants	-	1,899,074
Fund raising	-	38,538
Loan cancellations and bad debts	317,716	-
Administrative and collection costs	76,243	-
Depreciation	3,285,822	200,170
Total operating expenses	103,737,046	2,384,640
Operating income (loss)	(36,765,223)	444,189
Nonoperating revenues (expenses):		
State appropriations	26,443,984	-
Property tax	18,092,410	-
Interest and investment income	3,672,675	566,536
Loss on disposition of capital assets	(35,087)	-
Interest on indebtedness	(3,046,835)	(11,356)
Net nonoperating revenues	45,127,147	555,180
Change in net assets	8,361,924	999,369
Transfers from agency fund	10,959	-
Total change in net assets	8,372,883	999,369
Net assets, beginning of year	76,622,790	8,959,620
Net assets, end of year	\$ 84,995,673	\$ 9,958,989

DES MOINES AREA COMMUNITY COLLEGE

Statement of Cash Flows
Year Ended June 30, 2007

Cash flows from operating activities:	
Tuition and fees	\$ 24,144,853
Federal appropriations	14,683,584
Iowa Industrial New Jobs Training Program	10,610,425
Payments to employees for salaries and benefits	(66,635,561)
Payments to suppliers for goods and services	(35,085,013)
Auxiliary enterprise receipts	8,914,656
Other receipts	5,743,888
	<u>5,743,888</u>
Net cash used in operating activities	<u>(37,623,168)</u>
Cash flows from noncapital financing activities:	
State appropriations	26,511,054
Property tax	18,092,410
Net agency fund activity	439,576
Proceeds from certificates payable	22,491,544
Principal paid on debt	(6,810,000)
Interest paid	(2,559,098)
	<u>(2,559,098)</u>
Net cash provided by noncapital financing activities	<u>58,165,486</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,816,500)
Principal paid on debt	(1,045,000)
Interest paid	(312,224)
	<u>(312,224)</u>
Net cash used in capital and related financing activities	<u>(5,173,724)</u>
Cash flows from investing activities:	
Interest on investments	3,672,675
Net change in pooled investments	(23,227,544)
	<u>(23,227,544)</u>
Net cash used in investing activities	<u>(19,554,869)</u>
Net decrease in cash and short-term pooled investments	(4,186,275)
Cash and short-term pooled investments at beginning of year	<u>50,459,266</u>
Cash and short-term pooled investments at end of year	<u>\$ 46,272,991</u>

DES MOINES AREA COMMUNITY COLLEGE

Statement of Cash Flows
Year Ended June 30, 2007

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(36,765,223)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,285,822
Changes in assets and liabilities:	
Increase in accounts receivable	(1,639,705)
Increase in Iowa Industrial New Jobs Training Program receivables	(14,804,976)
Increase in due from and due to other governments	(1,377,644)
Decrease in prepaid expenses	39,695
Increase in inventories	(513,047)
Decrease in accounts payable	(722,626)
Increase in salary and benefits payable	215,121
Increase in other deferred revenue	14,978,580
Decrease in early retirement payable	(288,493)
Decrease in deposits held in custody for others	<u>(30,672)</u>
Total adjustments	<u>(857,945)</u>
Net cash used in operating activities	\$ <u><u>(37,623,168)</u></u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 by the Foundation 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, 2007

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, 2007

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, 2007

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, 2007 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, 2007

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, 2007.

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, 2007

NOTE 2 CASH AND POOLED INVESTMENTS

The College's cash and deposits (money market accounts and certificates of deposit) at June 30, 2007 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.

As of June 30, 2007, the College's cash and short-term pooled investments are as follows:

Deposits	
Cash	\$ 7,402,240
Nonnegotiable certificates of deposit	9,300,000
Investments	
U.S. Government agency securities	2,150,000
Iowa Schools Joint Investment Trust Diversified Portfolio	<u>27,420,751</u>
 Total cash and short-term pooled investments	 <u>\$46,272,991</u>

As of June 30, 2007, the College's pooled investments are as follows:

Deposits	
Nonnegotiable certificates of deposit	\$24,214,696
Investments	
U.S. Treasury securities	3,506,074
U.S. Government agency securities	<u>6,585,913</u>
 Total pooled investments	 <u>\$34,306,683</u>

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. The College's investments in debt securities had the following weighted average maturities at June 30, 2007: U.S. Treasury securities 0.35 years; US. Government agency securities 1.78 years.

Credit risk. The College's investments in the Iowa Schools Joint Investment Trust and U.S. Government agency securities at June 30, 2007 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, 2007, the College's Federal Home Loan Bank investments accounted for 14% of the College's investment portfolio.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 INVENTORIES

The College's inventories at June 30, 2007 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 170,825
Work in process—student-built houses	623,768
Merchandise held for resale	<u>1,861,271</u>
 Total	 <u>\$2,655,864</u>

NOTE 4 CAPITAL ASSETS

A summary of the change in capital assets for the year ended June 30, 2007 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	\$ 6,417,429	\$ 291,497	\$ —	\$ —	\$ 6,708,926
Construction in progress	<u>5,364,131</u>	<u>1,676,935</u>	<u>(6,328,021)</u>	<u>—</u>	<u>713,045</u>
Total capital assets not being depreciated	<u>11,781,560</u>	<u>1,968,432</u>	<u>(6,328,021)</u>	<u>—</u>	<u>7,421,971</u>
Capital assets being depreciated					
Buildings	72,569,647	357,100	6,328,021	—	79,254,768
Improvements other than buildings	12,447,190	113,900	—	—	12,561,090
Equipment and vehicles	<u>10,279,072</u>	<u>1,377,068</u>	<u>—</u>	<u>872,321</u>	<u>10,783,819</u>
Total capital assets being depreciated	<u>95,295,909</u>	<u>1,848,068</u>	<u>6,328,021</u>	<u>872,321</u>	<u>102,599,677</u>
Less accumulated depreciation for					
Buildings	25,009,767	2,007,286	—	—	27,017,053
Improvements other than buildings	6,975,859	340,709	—	—	7,316,568
Equipment and vehicles	<u>6,993,047</u>	<u>937,827</u>	<u>—</u>	<u>837,234</u>	<u>7,093,640</u>
Total accumulated depreciation	<u>38,978,673</u>	<u>3,285,822</u>	<u>—</u>	<u>837,234</u>	<u>41,427,261</u>
Total capital assets being depreciated, net	<u>56,317,236</u>	<u>(1,437,754)</u>	<u>6,328,021</u>	<u>35,087</u>	<u>61,172,416</u>
 Capital assets, net	 <u>\$68,098,796</u>	 <u>\$ 530,678</u>	 <u>\$ —</u>	 <u>\$ 35,087</u>	 <u>\$68,594,387</u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 CHANGES IN NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended June 30, 2007 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	\$ 1,091,000	\$17,916,662	\$ 5,335,026	\$44,795,000	\$10,090,000	\$79,227,688
Additions	114,000	22,893,809	--	22,475,000	-	45,482,809
Reductions	<u>-</u>	<u>9,102,087</u>	<u>288,493</u>	<u>6,810,000</u>	<u>1,045,000</u>	<u>17,245,580</u>
	1,205,000	31,708,384	5,046,533	60,460,000	9,045,000	107,464,917
Less net unamortized discount, premium, and deferred financing costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,308</u>	<u>(6,354)</u>	<u>252,954</u>
Balance, end of year	1,205,000	31,708,384	5,046,533	60,200,692	9,051,354	107,211,963
Less current portion	<u>-</u>	<u>17,356,159</u>	<u>1,918,659</u>	<u>8,944,071</u>	<u>1,070,490</u>	<u>29,289,379</u>
Total noncurrent liabilities	<u>\$ 1,205,000</u>	<u>\$ 14,352,225</u>	<u>\$ 3,127,874</u>	<u>\$51,256,621</u>	<u>\$ 7,980,864</u>	<u>\$77,922,584</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.

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, 2007 notes payable and certificates of participation are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,210,000	157,670	1,367,670
2013-2015	<u>3,350,000</u>	<u>227,920</u>	<u>3,577,920</u>
Total	<u>\$ 9,045,000</u>	<u>\$ 1,369,115</u>	<u>\$10,414,115</u>

Notes payable and certificates of participation consisted of the following at June 30, 2007:

	<u>2007</u>
Tax-exempt certificates of participation dated April 14, 2003 with interest rates between 2.55% and 3.5%	\$ 1,430,000
Tax-exempt notes payable dated December 1, 2004, with interest rates between 3.0% and 3.55%	<u>7,615,000</u>
	<u>\$ 9,045,000</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, 2007 was \$321,273, of which \$11,798 was capitalized as building cost.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

Certificates Payable

Pursuant to agreements dated from 1998 to 2007, the College issued certificates totaling \$60,460,000 at June 30, 2007 with interest rates ranging from 3.50% 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>
2008	\$ 9,025,000	\$2,906,312	\$ 11,931,312
2009	8,265,000	2,415,867	10,680,867
2010	8,155,000	2,011,685	10,166,685
2011	7,605,000	1,628,975	9,233,975
2012	7,625,000	1,282,013	8,907,013
2013 - 2017	<u>19,785,000</u>	<u>2,055,144</u>	<u>21,840,144</u>
Total	<u>\$60,460,000</u>	<u>\$12,299,996</u>	<u>\$72,759,996</u>

Since inception, the College has administered 433 projects, with 81 currently receiving project funding. Of the remaining projects, 277 have been completed and closed and 75 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>
2008	\$ 248,248
2009	42,706
2010	36,000
2011	36,000
2012	<u>30,000</u>
Total	<u>\$ 392,954</u>

Total rent expense for all operating leases was approximately \$364,000 for the year ended June 30, 2007.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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>
2008	\$ 535,521
2009	148,331
2010	149,555
2011	64,823
2012	64,823
Thereafter	<u>116,598</u>
Total	<u>\$ 1,079,651</u>

Total rent income for all operating leases was approximately \$706,000 for the year ended June 30, 2007. The College has plant assets committed under these operating leases with a carrying value of approximately \$4,580,000.

NOTE 8 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)

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

Plan members are required to contribute 3.70% (3.90% after July 1, 2007) of their annual covered salary, and the College is required to contribute 5.75% (6.05% after July 1, 2007) of annual payroll. Contribution requirements are established by State statute. The College's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$1,098,572, \$951,017, and \$943,735, 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% (3.90% after July 1, 2007) and the College is required to contribute 5.75% (6.05% after July 1, 2007). The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2007 were \$1,401,517 and \$901,846 respectively.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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, 2007 for 129 employees who have elected early retirement was \$5,046,533, including \$3,872,914 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, 2007, including health insurance costs, was \$1,456,448.

NOTE 11 COMMITMENTS

On August 29, 2007, the College's Board of Directors approved contracts totaling \$9,300,000 for two construction projects. The first contract is for the expansion of the loading dock on building 5 on the Ankeny Campus and totaled approximately \$250,000. The second contract is for the construction of new 58,500 square foot Health Sciences Building on the Ankeny Campus. The contract for the construction of the facility approximates \$9,050,000. At June 30, 2007, \$713,045 of preliminary and design costs on these two projects have been capitalized as construction in progress.

NOTE 12 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the College. The statements which 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.

REQUIRED SUPPLEMENTARY INFORMATION

Des Moines Area Community College
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL
Required Supplementary Information
Year ended June 30, 2007

<u>Funds/Levy</u>	<u>Original budget</u>	<u>Actual</u>	<u>Variance between actual and original budget</u>
Unrestricted	\$ <u>74,026,633</u>	\$ <u>73,506,398</u>	\$ <u>520,235</u>
Restricted			
Unemployment	64,000	406,240	(342,240)
Insurance	1,047,473	622,066	425,407
Early retirement	2,889,601	1,456,448	1,433,153
Equipment replacement	2,373,936	2,091,751	282,185
Other	<u>25,485,039</u>	<u>19,541,621</u>	<u>5,943,418</u>
Total restricted	<u>31,860,049</u>	<u>24,118,126</u>	<u>7,741,923</u>
Total unrestricted/restricted	105,886,682	97,624,524	8,262,158
Plant	<u>10,289,221</u>	<u>9,981,535</u>	<u>307,686</u>
Total	<u>\$116,175,903</u>	<u>\$107,606,059</u>	<u>\$8,569,844</u>

See accompanying independent auditor's report.

Des Moines Area Community College
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION--BUDGETARY REPORTING
Year ended June 30, 2007

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the College on a basis consistent with generally accepting accounting principles. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Directors certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Workforce Investment 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, 2007

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	\$ 8,531,325	\$ 33,022,093	\$ 62,714	\$ 3,857,552	\$ -	\$ 799,307	\$ -	\$ 46,272,991	
Pooled investments	-	34,306,683	-	-	-	-	-	34,306,683	
Receivables:									
Accounts, net of allowance of \$303,838	9,356,585	166,538	101,331	1,885,454	-	504,085	-	12,013,993	
Succeeding year property tax	5,549,125	5,431,935	-	5,549,125	-	-	-	16,530,185	
Iowa Industrial New Jobs Training Program	-	38,555,744	-	-	-	-	-	38,555,744	
Due from other governments	571,158	1,272,785	-	-	-	-	-	1,843,943	
Inventories	2,655,864	-	-	-	-	-	-	2,655,864	
Prepaid expenses	216,115	-	-	124,853	-	-	-	340,968	
Cash value of life insurance	262,284	-	-	-	-	-	-	262,284	
	<u>27,142,456</u>	<u>112,755,778</u>	<u>164,045</u>	<u>11,416,984</u>	<u>-</u>	<u>1,303,392</u>	<u>-</u>	<u>152,782,655</u>	
Capital assets:									
Land	-	-	-	-	6,708,926	-	-	6,708,926	
Buildings	-	-	-	-	79,254,768	-	-	79,254,768	
Improvements other than buildings	-	-	-	-	12,561,090	-	-	12,561,090	
Equipment and vehicles	-	-	-	-	10,783,819	-	-	10,783,819	
Construction in progress	-	-	-	-	713,045	-	-	713,045	
Accumulated depreciation	-	-	-	-	-	-	(41,427,261)	(41,427,261)	
Total assets	<u>\$ 27,142,456</u>	<u>\$ 112,755,778</u>	<u>\$ 164,045</u>	<u>\$ 11,416,984</u>	<u>\$ 110,021,648</u>	<u>\$ 1,303,392</u>	<u>\$ (41,427,261)</u>	<u>\$ 221,377,042</u>	

DES MOINES AREA COMMUNITY COLLEGE

Assets, Liabilities and Fund Balances (Continued)

June 30, 2007

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	\$ 323,495	\$ 246,142	\$ -	\$ 413,776	\$ -	\$ 62,890	\$ -	\$ 1,046,303
Due to other governments	308	-	-	-	-	-	-	308
Salaries and benefits payable	2,594,000	135,000	-	-	-	-	-	2,729,000
Accrued interest payable	-	245,959	-	24,131	-	-	-	270,090
Deferred revenue:								
Succeeding year property tax	5,549,125	5,431,935	-	5,549,125	-	-	-	16,530,185
Other	7,353,138	31,629,861	-	69,113	-	-	-	39,052,112
Early retirement payable	-	5,046,533	-	-	-	-	-	5,046,533
Deposits held in custody for others	9,290	-	-	-	-	1,240,502	-	1,249,792
Compensated absences	1,050,000	145,000	-	10,000	-	-	-	1,205,000
Certificates payable	-	60,200,692	-	-	-	-	-	60,200,692
Notes payable and certificates of participation	-	-	-	6,354	9,045,000	-	-	9,051,354
Total liabilities	<u>16,879,356</u>	<u>103,081,122</u>	<u>-</u>	<u>6,072,499</u>	<u>9,045,000</u>	<u>1,303,392</u>	<u>-</u>	<u>136,381,369</u>
Fund balances:								
Invested in capital assets, net of related debt	-	-	-	-	100,976,648	-	(41,427,261)	59,549,387
Restricted:								
Nonexpendable:								
Cash reserve	-	755,088	-	-	-	-	-	755,088
Expendable:								
Scholarships and fellowships	-	14,332	-	-	-	-	-	14,332
Loans	-	-	164,045	-	-	-	-	164,045
Plant fund	-	-	-	5,344,485	-	-	-	5,344,485
Iowa Industrial New Jobs Training Program	-	4,246,024	-	-	-	-	-	4,246,024
Early retirement	-	3,290,142	-	-	-	-	-	3,290,142
Other	-	1,369,070	-	-	-	-	-	1,369,070
Unrestricted	<u>10,263,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,263,100</u>
Total fund balances	<u>10,263,100</u>	<u>9,674,656</u>	<u>164,045</u>	<u>5,344,485</u>	<u>100,976,648</u>	<u>-</u>	<u>(41,427,261)</u>	<u>84,995,673</u>
Total liabilities and fund balances	<u>\$ 27,142,456</u>	<u>\$ 112,755,778</u>	<u>\$ 164,045</u>	<u>\$ 11,416,984</u>	<u>\$ 110,021,648</u>	<u>\$ 1,303,392</u>	<u>\$ (41,427,261)</u>	<u>\$ 221,377,042</u>

DES MOINES AREA COMMUNITY COLLEGE
 Revenues, Expenditures, and Changes in Fund Balances
 Year ended June 30, 2007

	Current operating funds			Nonoperating funds					Totals
	General unrestricted funds	General restricted funds	Total	Loan funds	Plant funds			Adjustments	
					Unexpended	Retirement of indebtedness	Investment in plant		
Revenues and other additions:									
Tuition and fees	\$ 34,719,054	\$ 32,883	\$ 34,751,937	\$ -	\$ -	\$ -	\$ -	\$ (10,154,237)	\$ 24,597,700
Federal appropriations	1,580,842	14,480,386	16,061,228	-	-	-	-	-	16,061,228
Iowa Industrial New Jobs Training Program	-	11,623,679	11,623,679	-	-	-	-	-	11,623,679
State appropriations	23,683,457	2,097,885	25,781,342	-	662,642	-	-	-	26,443,984
Property tax	5,334,093	7,423,875	12,757,968	-	3,980,148	1,354,294	-	-	18,092,410
Auxiliary enterprises revenue	9,256,399	-	9,256,399	-	-	-	-	(341,743)	8,914,656
Interest and investment income	1,118,042	2,389,489	3,507,531	-	165,144	-	-	-	3,672,675
Expended for plant assets (including \$911,094 in current operating fund expenditures)	-	-	-	-	-	-	3,816,500	(3,816,500)	-
Retirement of indebtedness	-	-	-	-	-	-	1,045,000	(1,045,000)	-
Miscellaneous	3,417,507	514,503	3,932,010	325	1,995,224	-	-	(152,999)	5,774,560
Total revenues and other additions	79,109,394	38,562,700	117,672,094	325	6,803,158	1,354,294	4,861,500	(15,510,479)	115,180,892
Expenditures and other deductions:									
Education and support:									
Liberal arts and sciences	17,681,605	69,271	17,750,876	-	-	-	-	-	17,750,876
Vocational technical	21,179,020	859,514	22,038,534	-	-	-	-	-	22,038,534
Adult education	5,338,735	2,645,972	7,984,707	-	-	-	-	-	7,984,707
Cooperative services	162,186	5,587,684	5,749,870	-	-	-	-	-	5,749,870
Administration	2,611,976	-	2,611,976	-	-	-	-	-	2,611,976
Student services	5,886,134	895,890	6,782,024	-	-	-	-	-	6,782,024
Learning resources	2,621,957	132,658	2,754,615	-	-	-	-	-	2,754,615
Physical plant	5,913,501	622,067	6,535,568	-	4,408,027	-	-	-	10,943,595
General institution	8,539,347	5,600,224	14,139,571	-	-	-	-	(460,718)	13,678,853
Scholarships and grants	1,517	10,152,720	10,154,237	-	-	-	-	(10,154,237)	-
Total education and support	69,935,978	26,566,000	96,501,978	-	4,408,027	-	-	(10,614,955)	90,295,050
Auxiliary enterprises	9,796,239	-	9,796,239	-	-	-	-	(34,024)	9,762,215
Expended for plant assets	317,212	593,882	911,094	-	2,905,406	-	-	(3,816,500)	-
Administrative and collection costs	76,243	-	76,243	-	-	-	-	-	76,243
Retirement of indebtedness	-	-	-	-	-	1,045,000	-	(1,045,000)	-
Loan cancellations and bad debts	297,470	2,202	299,672	18,044	-	-	-	-	317,716
Interest on indebtedness	-	2,737,541	2,737,541	-	-	309,294	-	-	3,046,835
Depreciation	-	-	-	-	-	-	-	3,285,822	3,285,822
Disposition of capital assets	-	-	-	-	-	-	872,321	(837,234)	35,087
Total expenditures and other deductions	80,423,142	29,899,625	110,322,767	18,044	7,313,433	1,354,294	872,321	(13,061,891)	106,818,968
Transfers among funds:									
Mandatory – matching funds	(83,040)	83,040	-	-	-	-	-	-	-
Non-mandatory transfers	1,670,326	(3,554,075)	(1,883,749)	111,273	1,783,435	-	-	-	10,959
Net increase (decrease) for the year	273,538	5,192,040	5,465,578	93,554	1,273,160	-	3,989,179	(2,448,588)	8,372,883
Fund balances at beginning of year	9,989,562	4,482,616	14,472,178	70,491	4,071,325	-	96,987,469	(38,978,673)	76,622,790
Fund balances at end of year	\$ 10,263,100	\$ 9,674,656	\$ 19,937,756	\$ 164,045	\$ 5,344,485	\$ -	\$ 100,976,648	\$ (41,427,261)	\$ 84,995,673

DES MOINES AREA COMMUNITY COLLEGE
 Revenues, Expenditures, and Changes in Fund Balances - Unrestricted Fund
 Year ended June 30, 2007

	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	\$ 19,914,529	\$ 10,604,863	\$ 3,102,553	\$ 96,900	\$ 5,030	\$ 16,469	\$ 27	\$ -	\$ 780,849	\$ 34,521,220
Federal appropriations	-	625,043	687,415	-	43,870	-	-	-	224,514	1,580,842
State appropriations	-	-	45,511	-	-	-	1,477	408	23,635,226	23,682,622
Property tax	-	-	-	-	-	-	-	-	5,334,093	5,334,093
Interest income	-	-	-	-	27,494	-	-	-	1,090,548	1,118,042
Miscellaneous	401,641	1,987,955	70,164	-	135,300	14,480	8,822	221,787	129,581	2,969,730
	20,316,170	13,217,861	3,905,643	96,900	211,694	30,949	10,326	222,195	31,194,811	69,206,549
Allocation of support services	17,385,471	8,902,848	5,266,445	115,211	(211,694)	(30,949)	(10,326)	(222,195)	(31,194,811)	-
Total revenues	37,701,641	22,120,709	9,172,088	212,111	-	-	-	-	-	69,206,549
Expenditures:										
Salaries and benefits	16,642,416	19,128,865	4,157,983	139,955	1,881,615	5,442,476	2,091,751	3,390,731	4,805,320	57,681,112
Services	295,976	460,962	653,001	1,082	500,673	162,202	102,444	1,458,838	2,340,848	5,976,026
Materials and supplies	562,190	1,338,637	463,836	21,149	176,029	237,702	409,044	1,047,532	1,287,349	5,543,468
Travel	181,704	250,128	62,987	-	53,659	43,754	18,718	16,400	98,672	726,022
Expended for plant assets	30,238	180,485	9,160	-	14,300	-	-	71,830	5,299	311,312
Scholarships	836	428	253	-	-	-	-	-	-	1,517
Miscellaneous	-	-	675	-	367,302	(50)	-	-	7,158	375,085
	17,713,360	21,359,505	5,347,895	162,186	2,993,578	5,886,084	2,621,957	5,985,331	8,544,646	70,614,542
Allocation of support services	14,290,240	7,317,826	4,328,831	94,699	(2,993,578)	(5,886,084)	(2,621,957)	(5,985,331)	(8,544,646)	-
Total expenditures	32,003,600	28,677,331	9,676,726	256,885	-	-	-	-	-	70,614,542
Excess (deficiency) of revenues over (under) expenditures	5,698,041	(6,556,622)	(504,638)	(44,774)	-	-	-	-	-	(1,407,993)
Transfers:										
Mandatory transfers	-	-	-	-	-	-	-	(50,384)	(32,656)	(83,040)
Non-mandatory transfers	(145,981)	38,841	(161,892)	-	3,907	92,700	-	(1,286,004)	3,067,958	1,609,529
Total transfers	(145,981)	38,841	(161,892)	-	3,907	92,700	-	(1,336,388)	3,035,302	1,526,489
Net increase (decrease) for the year	\$ 5,552,060	\$ (6,517,781)	\$ (666,530)	\$ (44,774)	\$ 3,907	\$ 92,700	\$ -	\$ (1,336,388)	\$ 3,035,302	118,496
Fund balance at beginning of year										6,443,419
Fund balance at end of year										\$ 6,561,915

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 - Auxiliary Enterprises

Year ended June 30, 2007

	<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	\$ 7,423,558	\$ 537,404	\$ 674,572	\$ 8,203	\$ 592,876	\$ 19,786	\$ 9,256,399
Student fee allocations	-	193,333	-	-	-	4,501	197,834
State appropriations	-	835	-	-	-	-	835
Miscellaneous	21,623	366,577	38,137	8,309	-	13,131	447,777
Total revenues and other additions	<u>7,445,181</u>	<u>1,098,149</u>	<u>712,709</u>	<u>16,512</u>	<u>592,876</u>	<u>37,418</u>	<u>9,902,845</u>
Expenditures and other deductions:							
Salaries and benefits	996,118	335,012	355,758	139,278	164,103	15,508	2,005,777
Services	269,579	108,109	97,840	32,416	378,591	512	887,047
Materials and supplies	90,067	245,442	12,201	67,521	10,953	13,570	439,754
Travel	7,389	7,305	124	69,451	60	4,601	88,930
Purchases for resale	5,557,937	486,430	324,162	-	-	-	6,368,529
Expanded for plant assets	-	5,900	-	-	-	-	5,900
Bad debts	-	6,461	-	-	-	-	6,461
Miscellaneous	-	625	-	5,577	-	-	6,202
Total expenditures and other deductions	<u>6,921,090</u>	<u>1,195,284</u>	<u>790,085</u>	<u>314,243</u>	<u>553,707</u>	<u>34,191</u>	<u>9,808,600</u>
Transfers among funds (non-mandatory)	<u>(404,944)</u>	<u>42,167</u>	<u>125,843</u>	<u>297,731</u>	<u>-</u>	<u>-</u>	<u>60,797</u>
Net increase (decrease) for the year	119,147	(54,968)	48,467	-	39,169	3,227	155,042
Fund balances at beginning 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>
Fund balances at end of year	<u>\$ 2,911,591</u>	<u>\$ 135,727</u>	<u>\$ 355,004</u>	<u>\$ -</u>	<u>\$ 207,975</u>	<u>\$ 90,888</u>	<u>\$ 3,701,185</u>

DES MOINES AREA COMMUNITY COLLEGE
 Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Restricted Funds
 Year ended June 30, 2007

	<u>Scholarship</u>	<u>Equipment replacement</u>	<u>Iowa Employment Solutions</u>	<u>Insurance and 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 357	\$ 577	\$ 31,949	\$ 32,883
Federal appropriations	9,732,246	-	2,283,217	-	-	-	-	2,464,923	-	-	14,480,386
Iowa Industrial New Jobs Training Program	-	-	-	-	-	-	-	-	11,623,679	-	11,623,679
State appropriations	-	-	12,556	-	-	-	-	953,966	-	1,131,363	2,097,885
Property tax	-	2,371,414	-	1,081,340	3,674,752	296,369	-	-	-	-	7,423,875
Interest income	-	-	-	-	-	-	-	-	2,389,489	-	2,389,489
Miscellaneous	4,345	6,650	63,725	1,892	-	6,345	-	8,292	487	422,767	514,503
Total revenues and other additions	<u>9,736,591</u>	<u>2,378,064</u>	<u>2,359,498</u>	<u>1,083,232</u>	<u>3,674,752</u>	<u>302,714</u>	<u>-</u>	<u>3,427,538</u>	<u>14,014,232</u>	<u>1,586,079</u>	<u>38,562,700</u>
Expenditures and other deductions:											
Salaries and benefits	-	-	1,589,311	(9,133)	1,456,448	406,240	-	1,988,735	807,865	422,332	6,661,798
Services	-	148,479	721,494	631,199	-	-	-	453,354	5,199,127	879,629	8,033,282
Materials and supplies	105	1,153,003	22,530	-	-	-	-	374,914	32,058	20,321	1,602,931
Travel	-	-	18,210	-	-	-	-	49,062	19,982	14,040	101,294
Expended for plant assets	-	590,269	-	-	-	-	-	-	-	3,613	593,882
Interest on indebtedness	-	-	-	-	-	-	-	-	2,737,541	-	2,737,541
Scholarships and grants	10,109,883	-	-	-	-	-	-	-	-	-	10,109,883
Private scholarships	-	-	-	-	-	-	-	42,837	-	-	42,837
Miscellaneous	2,202	-	-	-	-	-	-	13,975	-	-	16,177
Total expenditures and other deductions	<u>10,112,190</u>	<u>1,891,751</u>	<u>2,351,545</u>	<u>622,066</u>	<u>1,456,448</u>	<u>406,240</u>	<u>-</u>	<u>2,922,877</u>	<u>8,796,573</u>	<u>1,339,935</u>	<u>29,899,625</u>
Excess (deficiency) of revenues over (under) expenditures for the year	(375,599)	486,313	7,953	461,166	2,218,304	(103,526)	-	504,661	5,217,659	246,144	8,663,075
Transfers among funds:											
Mandatory transfers	83,040	-	-	-	-	-	-	-	-	-	83,040
Non-mandatory transfers	132,377	(49,413)	-	-	261,229	-	-	(101,710)	(3,703,258)	(93,300)	(3,554,075)
Net increase (decrease) for the year	(160,182)	436,900	7,953	461,166	2,479,533	(103,526)	-	402,951	1,514,401	152,844	5,192,040
Fund balances (deficit) at beginning of year	174,514	28,553	-	(417,212)	810,609	21,116	755,088	16,176	2,731,623	362,149	4,482,616
Fund balances (deficit) at end of year	<u>\$ 14,332</u>	<u>\$ 465,453</u>	<u>\$ 7,953</u>	<u>\$ 43,954</u>	<u>\$ 3,290,142</u>	<u>\$ (82,410)</u>	<u>\$ 755,088</u>	<u>\$ 419,127</u>	<u>\$ 4,246,024</u>	<u>\$ 514,993</u>	<u>\$ 9,674,656</u>

Schedule 6

DES MOINES AREA COMMUNITY COLLEGE

Changes in Deposits Held in Custody for Others - Agency Funds

Year ended June 30, 2007

	<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	\$ 217,195	\$ 127,539	\$ 252,024	\$ 142,802	\$ 72,300	\$ 811,860
Additions:						
Tuition and fees	286,000	63,683	21,177	74,893	38,775	484,528
State appropriations	-	824,500	-	-	-	824,500
Sales and services	64,545	-	58,096	-	383,040	505,681
Interest on investments	-	1,225	6,108	3,374	-	10,707
Other	42,173	87,095	265,056	-	39,584	433,908
Transfers in	123,632	66,114	57,558	-	-	247,304
Total additions	<u>516,350</u>	<u>1,042,617</u>	<u>407,995</u>	<u>78,267</u>	<u>461,399</u>	<u>2,506,628</u>
Deductions:						
Salaries and benefits	11,202	21,887	-	-	27,095	60,184
Services	115,731	424,801	37,190	149,434	381,337	1,108,493
Materials and supplies	144,080	79,548	221,635	-	876	446,139
Travel	7,884	35,613	21,015	-	-	64,512
Cost of goods sold	65,075	-	54,880	-	-	119,955
Scholarships	-	-	14,500	-	-	14,500
Other	2,551	3,144	270	-	-	5,965
Transfers out	212,544	45,494	225	-	-	258,263
Total deductions	<u>559,067</u>	<u>610,487</u>	<u>349,715</u>	<u>149,434</u>	<u>409,308</u>	<u>2,078,011</u>
Net additions and deductions	<u>(42,717)</u>	<u>432,130</u>	<u>58,280</u>	<u>(71,167)</u>	<u>52,091</u>	<u>428,617</u>
Balances, end of year	<u>\$ 174,478</u>	<u>\$ 559,669</u>	<u>\$ 310,304</u>	<u>\$ 71,635</u>	<u>\$ 124,391</u>	<u>\$ 1,240,477</u>

DES MOINES AREA COMMUNITY COLLEGE

Credit and Contact Hours

Year ended June 30, 2007

Category	Credit hours eligible for aid	Contact hours		Total
		Eligible for aid	Not eligible for aid	
Arts and sciences	246,657	4,838,094	-	4,838,094
Vocational education	98,547	2,477,518	-	2,477,518
Adult education/continuing education	-	1,401,472	64,094	1,465,566
Related services and activities	-	343,729	35,724	379,453
Total	345,204	9,060,813	99,818	9,160,631

DES MOINES AREA COMMUNITY COLLEGE

Taxes and Intergovernmental Revenues
(Excluding the Agency Funds)

For the Last Four Years

	Years ended June 30			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Local (property tax)	\$ 18,092,410	\$ 16,880,081	\$ 14,137,997	\$ 13,755,963
State	26,443,984	24,341,715	22,826,135	21,891,866
Federal	16,061,228	13,037,134	13,144,456	13,103,773
	<u>\$ 60,597,622</u>	<u>\$ 54,258,930</u>	<u>\$ 50,108,588</u>	<u>\$ 48,751,602</u>

DES MOINES AREA COMMUNITY COLLEGE

Current Fund Revenues by Source
and Expenditures by Function

For the Last Four Years

	Years ended June 30			
	2007	2006	2005	2004
Revenues:				
Tuition and fees	\$ 34,751,937	\$ 34,660,651	\$ 32,869,111	\$ 30,851,019
Property tax	12,757,968	11,876,240	9,287,613	8,944,224
Federal appropriations	16,061,228	13,037,134	13,144,456	13,103,773
State appropriations	25,781,342	23,993,708	22,092,803	21,891,866
Interest income from investments	3,507,531	2,474,490	1,260,452	399,500
Iowa Industrial New Jobs Training Program	11,623,679	14,068,915	10,884,743	5,882,647
Auxiliary enterprises revenue	9,256,399	8,810,954	8,564,404	8,284,464
Miscellaneous	3,932,010	3,287,833	2,510,089	1,954,839
Total	\$ 117,672,094	\$ 112,209,925	\$ 100,613,671	\$ 91,312,332
Expenditures:				
Liberal arts and sciences	\$ 17,783,316	\$ 16,319,487	\$ 14,790,786	\$ 13,469,669
Vocational technical	22,219,019	20,684,928	19,269,936	18,544,343
Adult education	7,997,480	8,029,461	7,751,028	7,496,622
Cooperative services	5,749,870	8,890,197	3,467,398	3,593,633
Administration	2,993,578	2,785,144	2,694,895	2,480,506
Student services	6,781,974	6,025,128	5,780,039	5,427,368
Learning resources	2,754,615	2,653,133	2,609,147	2,507,982
Physical plant	6,607,398	6,157,020	5,856,699	5,162,407
General institution	14,735,139	13,391,475	11,277,648	10,546,515
Auxiliary enterprises	9,808,600	8,644,019	8,617,642	8,085,502
Scholarships and grants	10,154,237	9,346,631	9,574,679	9,220,794
Interest on indebtedness	2,737,541	2,169,684	2,303,069	2,164,943
Total	\$ 110,322,767	\$ 105,096,307	\$ 93,992,966	\$ 88,700,284

DES MOINES AREA COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Student financial assistance cluster (Note 2):		
United States Department of Education:		
Federal Pell Grant	84.063	\$ 9,466,518
Federal Supplemental Educational Opportunity Grant	84.007	208,986
Federal Work-Study	84.033	292,754
Federal Direct Student Loans	84.268	22,208,147
Academic Competitiveness Grant	84.375	41,250
Total student financial assistance cluster		<u>32,217,655</u>
Other federal assistance:		
United States Department of Education:		
TRIO cluster:		
Upward Bound	84.047	285,686
Student Support Services	84.042	272,699
Total TRIO cluster		<u>558,385</u>
Strengthening Institutions	84.031	377,725
Life Skills for State and Local Prisoners	84.255	107,848
Deaf Education and Services	84.116	162,497
Passed through Des Moines Public Schools:		
Teacher Quality Enhancement Grant	84.336	53,769
Passed through Iowa Department of Education:		
Tech – Prep Education	84.243	115,266
Adult Education – Basic Grant Program	84.002	687,414
ABE Teacher Training	84.002	9,576
Civics Grant	84.002	62,728
Vocational Education	84.048	625,043
Perkins Correction Program	84.013A	14,283
Total United States Department of Education		<u>34,992,189</u>
United States Department of Agriculture:		
Integrated Curriculum Improvement for Agribusiness	10.226	14,720
United States Department of Justice:		
Passed through Iowa Department of Education:		
Iowa Prisoner Reentry Grant	16.202	180,499
Passed through Iowa Department of Corrections:		
Going Home Reentry Grant	16.202	300,648
Total United States Department of Justice		<u>481,147</u>

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

DES MOINES AREA COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards (Continued)

Year ended June 30, 2007

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
United States Department of Labor:		
Career Tech Academy	17.261	346,945
Passed through Indian Hills Community College:		
Iowa Biotechnology/Bioprocessing Workforce Development	17.257	57,243
Passed through Iowa Department of Education:		
Mine Health and Safety	17.600	12,065
Passed through Iowa Workforce Development:		
Project Employment	17.261	280,401
Workforce Investment Act (WIA) Cluster:		
WIA Adult Program	17.258	298,110
WIA Youth Program	17.259	236,124
WIA Dislocated Workers	17.260	619,316
Total United States Department of Labor		<u>1,850,204</u>
National Science Foundation:		
Passed through Iowa State University:		
Integrating Low-Cost Virtual Reality	47.076	<u>12,175</u>
United States Department of Health and Human Services:		
Passed through Iowa Workforce Development:		
Temporary Assistance for Needy Families	93.558	<u>881,850</u>
United States Environmental Protection Agency:		
Passed through Iowa Department of Natural Resources:		
Onsite Wastewater Training Center	66.460	<u>29,529</u>
Total expenditures of federal awards		<u>\$ 38,261,814</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, 2007

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, 2007, 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, revenues, 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, 2007.

**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, 2007, and have issued our report thereon dated October 29, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 October 29, 2007.

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

West Des Moines, Iowa
October 29, 2007

**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, 2007. 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over noncompliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

West Des Moines, Iowa
October 29, 2007

**Des Moines Area Community College
SCHEDULE OF FINDINGS
Year ended June 30, 2007**

Part I—Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No significant deficiencies 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 significant deficiencies 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, 84.375 — Student Financial Assistance Cluster
 - CFDA Number 17.258, 17.259, 17.260 — Workforce Investment Act Cluster
 - CFDA Number 93.558 — Temporary Assistance for Needy Families
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$481,610.
- (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

CONFIDENTIAL

The Board of Directors
Des Moines Area Community College
Ankeny, Iowa, 50023

We have audited the financial statements of Des Moines Area Community College (the College) for the year ended June 30, 2007, and have issued our report thereon dated October 29, 2007. In planning and performing our audit of the financial statements of the College, we have considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control.

During our audit, we noted certain matters that are presented for your consideration. These comments have been discussed with the appropriate members of management and are summarized as follows:

REQUIRED STATUTORY REPORTING FOR THE STATE OF IOWA

The following comments about the College's operations for the year ended June 30, 2007 are based exclusively on the knowledge obtained from procedures performed during our audit of the financial statements of the College for the year ended June 30, 2007. Since our audit was based on tests and samples, not all transactions which might have an impact on the comments were necessarily examined. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

1. Certified Budget

Expenditures during the year ended June 30, 2007, did not exceed amounts budgeted.

2. Questionable Disbursements

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

3. Travel Expense

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

4. Business Transactions

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

5. Bond Coverage

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

6. Board Minutes

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

7. Publication of Receipts and Disbursements

The College published a statement of receipts and disbursements of all funds of the College, including the names of all persons, firms or corporations to which disbursements were made, as required by Chapter 260C.14(12) of the Iowa Code, on August 17, 2007.

8. Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.

9. Credit and Contact Hours

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

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

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 29, 2007