

**Des Moines Area Community College**

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

**June 30, 2008**

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**Des Moines Area Community College  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
<b>Board of Directors (Before September 2007 Election)</b>		
Joe Pugel	President	2009
Ben Norman	Vice President	2008
Jim Crawford	Member	2007
Madelyn Tursi	Member	2008
Naomi Neu	Member	2009
Harold K. Belken	Member	2007
Kevin Halterman	Member	2009
Wayne Rouse	Member	2008
Cheryl Langston	Member	2007
<b>Board of Directors (After September 2007 Election)</b>		
Joe Pugel	President	2009
Ben Norman	Vice President	2008
Jim Crawford	Member	2010
Madelyn Tursi	Member	2008
James Knott	Member	2009
Harold K. Belken *	Member	2010
Kevin Halterman	Member	2009
Wayne Rouse	Member	2008
Cheryl Langston	Member	2010
* Deceased, Jeff Hall appointed to remaining term on January 14, 2008		
<b>Community College</b>		
Robert Denson	President/CEO	
Kim Linduska	Executive Vice President, Academic Affairs	
Greg Martin	Board Treasurer and Vice President, Information Solutions	
Douglas Williams	Vice President, Business Services	
Mary Chapman	Vice President, Community Outreach	
Joe Robbins	Controller	
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, 2008, 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, 2008, 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 27, 2008 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 14 is not a required part of the basic financial statements, but is 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, 2007, 2006 and 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, 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 27, 2008

**Des Moines Area Community College**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

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, 2008. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- ◆ College operating revenues increased approximately \$9,100,000 or 13.64%. The most significant increase was a result of increased activity in the Iowa Industrial New Jobs Training Program. Training revenue increased \$5.0 million or 42.84%. For the second consecutive year the College set records for the largest training bond sales at DMACC since the inception of the program. The bond sale in fiscal 2007 was \$22,475,000 and \$23,405,000 in fiscal 2008. Appropriations from Federal government sources increased \$3.2 million or 20.03%. Approximately \$2 million of the increase was the additional Pell grants received by DMACC students. Another \$1 million of the increase resulted from the current fiscal year including 12 months of activity for Iowa Employment Solutions at DMACC, where the prior fiscal year included only 8 months of activity. Tuition and fees increased approximately \$1.4 million or 5.58% caused by several factors. Enrollment in credit classes increased 7.52% and the tuition per credit hour increased from \$97 in 2007 to \$102 in 2008 or 5.15%. Scholarships which are used to reduce tuition and fee revenue increased approximately \$2.2 million or 21.19%. Miscellaneous revenue decreased \$1.2 million or 21.63%. The decrease was the result of a major fund raising campaign in the prior year for the construction of the new Health Sciences Building on the Ankeny campus.
- ◆ College operating expenses increased 13.98% or approximately \$14.5 million. The first of the three major components of the increase was the increased cost of providing instruction for the 7.52% increase in credit hours taught. Liberal arts and sciences costs increased \$2.1 million or 12.04%. Vocational technical costs also increased \$1.8 million or 8.40%. The increase includes the addition of 17 new full-time faculty members, as budgeted, and reflects the College's long-term commitment to quality. The second component of the increase was the \$4.1 million increase in cooperative services expenses. The expenses are directly related to the increased activity in the Iowa Industrial New Jobs Training Program. Reimbursements to the program participants for expenses of training new employees increased \$4.0 million from the prior year. Third, general institution costs increased approximately \$2,700,000 or 19.89%. The increase was primarily caused by the expenses related to providing the services and materials for the 7.52% increase in enrollment. General institution costs also increased as a result of a \$350,000 increase in early retirement expenses, a \$150,000 increase in accrued vacation expense and a \$100,000 increase in the expense of the Foundation office as result of increased activity.
- ◆ The College's net assets increased 4.57%, or approximately \$3,900,000 from the prior year. The Net Assets invested in capital assets increased approximately \$6.0 million as a result of \$8.0 million in assets being capitalized, \$3.0 million of depreciation, and the retirement of \$1.0 in related debt. The general restricted funds decreased approximately \$1.6 million. The major components of the decrease were a \$1.9 million increase in the Iowa Industrial New Jobs Training Program as a result of increased activity and a \$3.3 million decrease in the plant fund as a result of expenditures related to the construction of the 58,000 square foot Health Sciences Building on the Ankeny Campus. That \$9.0 million project is approximately 84% complete at June 30, 2008. The majority of the \$468,561 decrease in unrestricted funds is a result of the College leasing bookstore operations to a third party. The decrease occurred when inventory and other assets were purchased by the third party at their actual saleable value.

**Des Moines Area Community College**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**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**

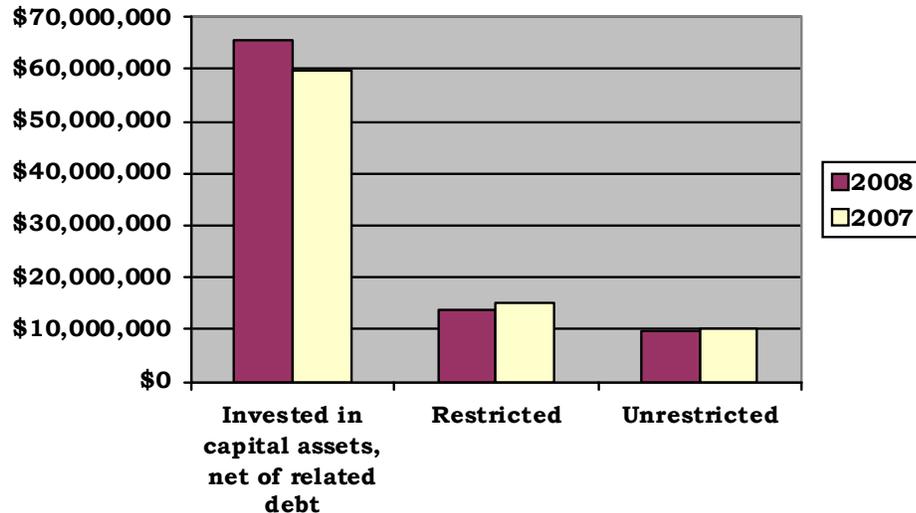
The Statement of Net Assets

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	
	2008	2007
Current assets	\$ 135,550,752	\$ 125,749,163
Other assets	41,431,382	27,033,492
Capital assets, net of accumulated depreciation	73,442,640	68,594,387
Total assets	250,424,774	221,377,042
Current liabilities	70,614,793	58,458,785
Noncurrent liabilities	90,927,752	77,922,584
Total liabilities	161,542,545	136,381,369
Net assets:		
Invested in capital assets, net of related debt	65,467,640	59,549,387
Restricted	13,620,050	15,183,186
Unrestricted	9,794,539	10,263,100
Total net assets	\$ 88,882,229	\$ 84,995,673

**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

**Comparison of Net Assets**



The largest portion of the College's net assets (73.7%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources (property tax receipts) other than capital assets. The restricted portion of the net assets (15.3%) includes resources that are subject to external restrictions. The remaining net assets (11.0%) 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.

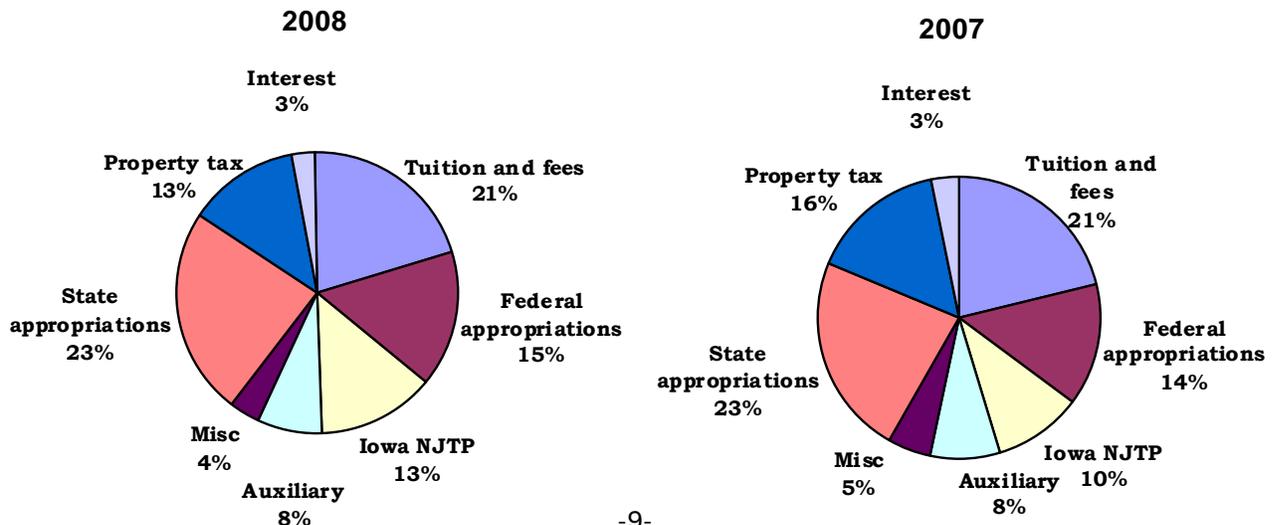
**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

**Changes in Net Assets**

	Year ended June 30	
	2008	2007
Operating revenues:		
Tuition and fees	\$ 25,969,758	\$ 24,597,700
Federal appropriations	19,277,833	16,061,228
Iowa Industrial New Jobs Training Program	16,603,495	11,623,679
Auxiliary enterprises revenue	9,732,463	8,914,656
Miscellaneous	4,525,274	5,774,560
Total operating revenues	<u>76,108,823</u>	<u>66,971,823</u>
Total operating expenses	<u>118,236,078</u>	<u>103,737,046</u>
Operating loss	<u>(42,127,255)</u>	<u>(36,765,223)</u>
Nonoperating revenues, (expenses) and transfers		
State appropriations	29,847,275	26,443,984
Property tax	16,513,769	18,092,410
Interest and investment income	3,623,385	3,672,675
Loss on disposition of capital assets	(17,529)	(35,087)
Loss on disposal of bookstore inventory	(578,792)	-
Interest on indebtedness	(3,337,472)	(3,046,835)
Transfers from agency funds	(36,825)	10,959
Net nonoperating revenues and transfers	<u>46,013,811</u>	<u>45,138,106</u>
Increase in net assets	3,886,556	8,372,883
Net assets beginning of year	<u>84,995,673</u>	<u>76,622,790</u>
Net assets end of year	<u>\$ 88,882,229</u>	<u>\$ 84,995,673</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year, with an increase in net assets of \$3,886,556 at the end of the fiscal year. This increase is the net result of a \$3.3 million decrease in the unexpended plant fund, a \$1.7 million increase in the general restricted funds, a \$0.5 million decrease in the general unrestricted funds, and a \$5.9 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, 2008**

In fiscal year 2008, operating revenues increased by approximately \$9,100,000 (13.64%). The increase was a result of the following changes:

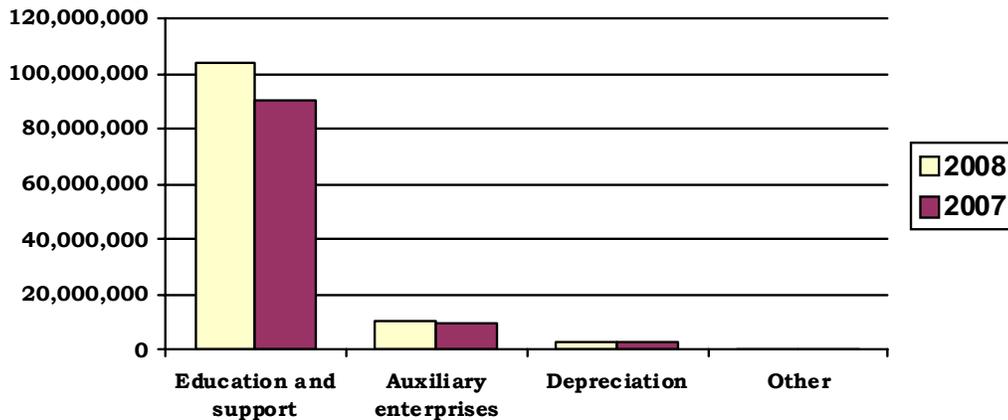
- ◆ Tuition and fees increased by approximately \$1.4 million (5.58%). The increase was due to an enrollment increase of 7.52%, an increase in the tuition rate charged per credit hour of \$5 (5.15%), and an increase in scholarships awarded to students of \$2.2 million (21.19%). For financial reporting purposes, these scholarships reduce tuition revenue.
- ◆ The \$4,979,816 increase (42.9%) in revenue from the Iowa Industrial New Jobs Training Program was the direct result of an increase in the amount of training performed by the companies qualifying for the program. For the second straight year the College had record bond sales for the training projects (\$23,405,000 in 2008).
- ◆ Miscellaneous revenue decreased \$1,249,286 (21.6%). Gifts and grants revenue decreased by \$1,600,000. This decrease resulted from the fact that in the prior year the College collected contributions to the planned Health Sciences Building being built on the Ankeny Campus and the College's potential participation in the FFA Enrichment Center to be located north of the Ankeny Campus.
- ◆ Federal appropriations increased approximately \$3.2 million (20%), primarily as the result of adding an additional 4 months of activity from Iowa Employment Solutions (FY2007 included only 8 months of activity as a result of the College assuming the responsibility for the operations on November 1, 2006) and an increase of approximately \$2.0 million in the federal dollars received on behalf of students for Pell Grants.
- ◆ The increased academic activity resulted in Auxiliary enterprises sales and revenue increasing approximately \$800,000 or 9.2%.

**Operating Expenses**

	Year ended June 30	
	2008	2007
Education and support:		
Liberal arts and sciences	\$ 19,888,689	\$ 17,750,876
Vocational technical	23,889,080	22,038,534
Adult education	9,249,348	7,984,707
Cooperative services	9,807,914	5,749,870
Administration	3,020,686	2,611,976
Student services	7,611,760	6,782,024
Learning resources	2,803,828	2,754,615
Physical plant	11,164,694	10,943,595
General institution	16,399,060	13,678,853
Auxiliary enterprises	10,470,641	9,762,215
Loan cancellations and bad debts	449,032	317,716
Administrative and collection costs	98,145	76,243
Depreciation	3,383,201	3,285,822
Total	\$ 118,236,078	\$ 103,737,046

**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

**Total Expenses**



In fiscal year 2008, operating expenses increased by approximately \$14.5 million (14%). 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 \$4.0 million or 10.0%. This was due to the increase in the number of students attending the College (7.52% increase in credit hours) and reflects the budgeted addition of 17 new full-time faculty members.
- ◆ The cost of providing cooperative programs increased significantly (\$4,058,044). The principal cause of the increase was the increased training activity in the Iowa Industrial New Jobs Training Program. Operating revenue from the program increased \$4,979,816.
- ◆ General institution expenses increased approximately \$2.7 million caused primarily by the increased costs of providing services for the 7.52% enrollment increase.

**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	
	2008	2007
Cash provided by (used in):		
Operating activities	\$ (43,831,666)	\$ (37,623,168)
Noncapital financing activities	56,880,151	58,165,486
Capital and related financing activities	(9,613,467)	(5,173,724)
Investing activities	(16,160,041)	(19,554,869)
Net decrease in cash	(12,725,023)	(4,186,275)
Cash and short-term pooled investments, beginning of the year	46,272,991	50,459,266
Cash and short-term pooled investments, end of the year	\$ 33,547,968	\$ 46,272,991

**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

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

Cash used in operating activities increased by \$6.2 million. This is primarily the result of operating revenues increasing \$9.1 million, while operating expenses increased \$14.5 million. The difference is essentially funded with state appropriations, property tax and interest income.

Cash provided by noncapital financing activities decreased \$1.3 million. The decrease is the result of property tax levies for early retirement benefits decreasing and the inventory adjustments related to the discontinuing book store operations.

Cash used in capital and related financing activities increased \$4.4 million primarily as a result of the \$7.6 million of construction on the new Health Sciences Building being capitalized as construction in progress.

The cash used in investing activities totaled \$16.2 million as a result of \$19.8 million in cash being invested in pooled investments.

**CAPITAL ASSETS**

At June 30, 2008, the College had approximately \$118 million invested in capital assets, net of accumulated depreciation of \$44.7 million. Depreciation charges totaled \$3,383,201 for FY2008. Details of capital assets are shown below.

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

	June 30	
	2008	2007
Land	\$ 6,708,926	\$ 6,708,926
Buildings	50,200,760	52,237,715
Construction in progress	8,110,180	713,045
Improvements other than buildings	4,902,390	5,244,522
Equipment and vehicles	3,520,384	3,690,179
Total	\$ 73,442,640	\$ 68,594,387

Planned capital expenditures for the fiscal year ending June 30, 2009 and beyond includes finishing 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. Facilities on the Ankeny campus currently used by academic programs that will occupy the new building will be remodeled at an estimated cost of \$3.1 million. DMACC's participation in the construction of the FFA Enrichment Center North of the Ankeny Campus is expected to cost \$2.8 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 \$6 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, 2008**

**DEBT**

At June 30, 2008, the College had \$82.8 million in debt outstanding, an increase of \$13,310,000 from 2007. The table below summarizes these amounts by type.

**Outstanding Debt**

	June 30	
	2008	2007
Certificates payable	\$ 74,840,000	\$ 60,460,000
Notes payable and certificates of participation	7,975,000	9,045,000
Total	\$ 82,815,000	\$ 69,505,000

The College anticipates issuing \$7.0 million in plant fund debt during the fiscal year ending June 30, 2009. The proceeds will be used to finish constructing the new Health Sciences Building on the Ankeny Campus and other projects 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:

- ◆ The current state of the nation's economy will ultimately affect the finances of the State Government. Any reduction in state appropriations to the College will ultimately result in pressure on students caused by increasing tuition rates, which ultimately could lead to enrollment decreases. This may, however, be offset with traditional enrollment increases seen as students seek out community colleges in tougher economic times. Legislative support for community colleges in Iowa has shown a positive trend, but needs to continue. An increase of approximately \$1.5 million (5.7%) is anticipated for fiscal year 2009.
- ◆ There continues to be positive indicators for business and workforce growth in Central Iowa. There continues to be 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 potential to provide additional training to area business and industry. Iowa Industrial New Jobs Training projects totaled over \$22 million for 2007 and over \$23 million for 2008. There will be continued growth in the program but at a reduced level in the immediate future.
- ◆ Expenses will continue to increase. As the number of students increase, 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.

**Des Moines Area Community College**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**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, 2008

	<u>College</u>	<u>Foundation</u>
<b>Assets</b>		
Current assets:		
Cash and short-term pooled investments (Note 2)	\$ 33,547,968	\$ 1,267,026
Pooled investments (Note 2)	54,090,109	5,024,877
Receivables:		
Accounts, net of allowance of \$308,729	14,854,705	16,507
Current portion contributions receivable	-	783,500
Succeeding year property tax	16,504,114	-
Iowa Industrial New Jobs Training Program	13,789,000	-
Due from other governments	1,850,326	-
Inventories (Note 3)	813,995	-
Prepaid expenses	100,535	-
	<u>135,550,752</u>	<u>7,091,910</u>
Total current assets		
Noncurrent assets:		
Receivables		
Contributions	-	162,000
Iowa Industrial New Jobs Training Program	41,067,291	-
Prepaid expenses	101,807	-
Cash value of life insurance	262,284	-
Capital assets, net of accumulated depreciation (Note 4)	<u>73,442,640</u>	<u>5,243,496</u>
	<u>114,874,022</u>	<u>5,405,496</u>
Total noncurrent assets		
	<u>\$ 250,424,774</u>	<u>\$ 12,497,406</u>
<b>Total assets</b>		

## DES MOINES AREA COMMUNITY COLLEGE

Statement of Net Assets (Continued)

June 30, 2008

	<u>College</u>	<u>Foundation</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 2,710,629	\$ 8,000
Current portion payable to Des Moines Area Community College	-	1,993,635
Salaries and benefits payable	2,894,384	-
Accrued interest payable	407,258	-
Deferred revenue:		
Tuition	8,013,141	-
Succeeding year property tax	16,504,114	-
Iowa Industrial New Jobs Training Program and other	26,405,660	66,651
Early retirement payable (Note 10)	1,549,272	-
Deposits held in custody for others	931,300	-
Certificates payable (Note 5)	10,093,544	-
Notes payable and certificates of participation (Note 5)	1,105,491	-
	<u>70,614,793</u>	<u>2,068,286</u>
Total current liabilities		
Noncurrent liabilities (Note 5):		
Payable to Des Moines Area Community College	-	147,000
Compensated absences	1,449,000	-
Deferred revenue, Iowa Industrial New Jobs Training Program and other	14,903,690	-
Early retirement payable (Note 10)	3,238,153	-
Certificates payable	64,461,536	-
Notes payable and certificates of participation	6,875,373	-
	<u>90,927,752</u>	<u>147,000</u>
Total noncurrent liabilities		
	<u>161,542,545</u>	<u>2,215,286</u>
<b>Total liabilities</b>		
<b>Net assets</b>		
Invested in capital assets, net of related debt	65,467,640	-
Restricted:		
Nonexpendable:		
Cash reserve	755,088	-
Scholarships and fellowships	-	2,909,137
Expendable:		
Scholarships and fellowships	24,989	1,765,892
Loans	164,195	-
Plant fund	2,054,440	-
Iowa Industrial New Jobs Training Program	6,099,807	-
Early retirement	3,508,028	-
Other	1,013,503	-
Unrestricted	9,794,539	5,607,091
Commitments (Notes 6 and 11)		
	<u>\$ 88,882,229</u>	<u>\$ 10,282,120</u>
<b>Total net assets</b>		

**Exhibit B**

**DES MOINES AREA COMMUNITY COLLEGE**  
Statement of Revenues, Expenses, and Changes in Net Assets  
Year Ended June 30, 2008

	<b>College</b>	<b>Foundation</b>
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$12,305,524	\$ 25,969,758	\$ -
Federal appropriations	19,277,833	-
Iowa Industrial New Jobs Training Program	16,603,495	-
Auxiliary enterprises revenue	9,732,463	-
Contributions	-	1,361,809
Miscellaneous	4,525,274	297,596
Total operating revenues	76,108,823	1,659,405
Operating expenses:		
Education and support		
Liberal arts and sciences	19,888,689	-
Vocational technical	23,889,080	-
Adult education	9,249,348	-
Cooperative services	9,807,914	-
Administration	3,020,686	130,463
Student services	7,611,760	-
Learning resources	2,803,828	-
Physical plant	11,164,694	-
General institution	16,399,060	-
Auxiliary enterprises	10,470,641	-
Scholarships and grants	-	694,337
Fund raising	-	23,733
Loan cancellations and bad debts	449,032	-
Administrative and collection costs	98,145	-
Depreciation	3,383,201	200,167
Total operating expenses	118,236,078	1,048,700
Operating income (loss)	(42,127,255)	610,705
Nonoperating revenues (expenses):		
State appropriations	29,847,275	-
Property tax	16,513,769	-
Interest and investment income (loss)	3,623,385	(282,359)
Loss on disposal of bookstore inventory	(578,792)	-
Loss on disposition of capital assets	(17,529)	-
Interest on indebtedness	(3,337,472)	(5,215)
Net nonoperating revenues (expenses)	46,050,636	(287,574)
Change in net assets	3,923,381	323,131
Transfers to agency fund	(36,825)	-
Total change in net assets	3,886,556	323,131
Net assets, beginning of year	84,995,673	9,958,989
Net assets, end of year	\$ 88,882,229	\$ 10,282,120

DES MOINES AREA COMMUNITY COLLEGE

Statement of Cash Flows  
Year Ended June 30, 2008

Cash flows from operating activities:	
Tuition and fees	\$ 23,798,459
Federal appropriations	19,268,011
Iowa Industrial New Jobs Training Program	9,903,914
Payments to employees for salaries and benefits	(73,831,105)
Payments to suppliers for goods and services	(37,226,675)
Auxiliary enterprise receipts	9,732,463
Other receipts	4,523,267
	<hr/>
Net cash used in operating activities	(43,831,666)
Cash flows from noncapital financing activities:	
State appropriations	29,850,406
Property tax	16,513,769
Net agency fund activity	(353,310)
Proceeds from certificates payable	23,405,000
Loss on disposal of bookstore inventory	(578,792)
Principal paid on debt	(9,025,000)
Interest paid	(2,931,922)
	<hr/>
Net cash provided by noncapital financing activities	56,880,151
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(8,248,983)
Principal paid on debt	(1,070,000)
Interest paid	(294,484)
	<hr/>
Net cash used in capital and related financing activities	(9,613,467)
Cash flows from investing activities:	
Interest on investments	3,623,385
Net change in pooled investments	(19,783,426)
	<hr/>
Net cash used in investing activities	(16,160,041)
Net decrease in cash and short-term pooled investments	(12,725,023)
Cash and short-term pooled investments at beginning of year	46,272,991
	<hr/>
Cash and short-term pooled investments at end of year	\$ 33,547,968
	<hr/> <hr/>

## DES MOINES AREA COMMUNITY COLLEGE

Statement of Cash Flows (Continued)

Year Ended June 30, 2008

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(42,127,255)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,383,201
Changes in assets and liabilities:	
Increase in accounts receivable	(2,840,712)
Increase in Iowa Industrial New Jobs Training Program receivables	(16,300,547)
Increase in due from and due to other governments	(9,822)
Decrease in prepaid expenses	138,626
Decrease in inventories	1,841,869
Increase in accounts payable	1,664,326
Increase in salaries and benefits payable	409,384
Increase in other deferred revenue	10,270,379
Decrease in early retirement payable	(259,108)
Decrease in deposits held in custody for others	<u>(2,007)</u>
Total adjustments	<u>(1,704,411)</u>
Net cash used in operating activities	\$ <u><u>(43,831,666)</u></u>

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**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, 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, 2008**

**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, 2008**

**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 balances is a schedule of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

**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 nonnegotiable 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, 2008**

**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, 2008 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, 2008**

**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, 2008.

**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, 2008**

**NOTE 2 CASH AND POOLED INVESTMENTS**

The College's cash and deposits (money market accounts and certificates of deposit) at June 30, 2008 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, 2008, the College's cash and short-term pooled investments are as follows:

Deposits	
Cash	\$ 4,717,594
Nonnegotiable certificates of deposit	13,757,000
Investments	
U.S. Government agency securities	1,004,135
Iowa Schools Joint Investment Trust Diversified Portfolio	<u>14,069,239</u>
 Total cash and short-term pooled investments	 <u>\$33,547,968</u>

As of June 30, 2008, the College's pooled investments are as follows:

Deposits	
Nonnegotiable certificates of deposit	\$47,561,025
Investments	
U.S. Treasury securities	2,190,924
U.S. Government agency securities	<u>4,338,160</u>
 Total pooled investments	 <u>\$54,090,109</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, 2008: U.S. Treasury securities 2.53 years; U.S. Government agency securities 3.18 years.

*Credit risk.* The College's investments in the Iowa Schools Joint Investment Trust and U.S. Government agency securities at June 30, 2008 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, 2008, the College's Federal Home Loan Bank, Federal Farm Credit Bank, Federal Loan Mortgage Corp., and Federal National Mortgage Assn. investments accounted for 8% of the College's investment portfolio.

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 3 INVENTORIES**

The College's inventories at June 30, 2008 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 153,872
Work in process—student-built houses	465,071
Merchandise held for resale	195,052
 Total	 \$ 813,995

**NOTE 4 CAPITAL ASSETS**

A summary of the change in capital assets for the year ended June 30, 2008 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	\$ 6,708,926	\$ —	\$ —	\$ —	\$ 6,708,926
Construction in progress	713,045	7,397,135	—	—	8,110,180
Total capital assets not being depreciated	7,421,971	7,397,135	—	—	14,819,106
Capital assets being depreciated					
Buildings	79,254,768	—	—	—	79,254,768
Improvements other than buildings	12,561,090	—	—	—	12,561,090
Equipment and vehicles	10,783,819	851,848	—	162,015	11,473,652
Total capital assets being depreciated	102,599,677	851,848	—	162,015	103,289,510
Less accumulated depreciation for					
Buildings	27,017,053	2,036,955	—	—	29,054,008
Improvements other than buildings	7,316,568	342,132	—	—	7,658,700
Equipment and vehicles	7,093,640	1,004,114	—	144,486	7,953,268
Total accumulated depreciation	41,427,261	3,383,201	—	144,486	44,665,976
Total capital assets being depreciated, net	61,172,416	(2,531,353)	—	17,529	58,623,534
Capital assets, net	\$68,594,387	\$ 4,865,782	\$ —	\$ 17,529	\$73,442,640

**Des Moines Area Community College  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**NOTE 5 CHANGES IN NONCURRENT LIABILITIES**

A summary of changes in noncurrent liabilities for the year ended June 30, 2008 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	\$ 1,205,000	\$31,708,384	\$ 5,046,533	\$60,460,000	\$ 9,045,000	\$107,464,917
Additions	299,000	23,379,171	532,373	23,405,000	-	47,615,544
Reductions	<u>55,000</u>	<u>13,778,205</u>	<u>791,481</u>	<u>9,025,000</u>	<u>1,070,000</u>	<u>24,719,686</u>
	1,449,000	41,309,350	4,787,425	74,840,000	7,975,000	130,360,775
Less net unamortized discount, premium, and deferred financing costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,920</u>	<u>(5,864)</u>	<u>279,056</u>
Balance, end of year	1,449,000	41,309,350	4,787,425	74,555,080	7,980,864	130,081,719
Less current portion	<u>-</u>	<u>26,405,660</u>	<u>1,549,272</u>	<u>10,093,544</u>	<u>1,105,491</u>	<u>39,153,967</u>
Total noncurrent liabilities	<u>\$ 1,449,000</u>	<u>\$ 14,903,690</u>	<u>\$ 3,238,154</u>	<u>\$64,461,536</u>	<u>\$ 6,875,373</u>	<u>\$90,927,753</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, 2008 notes payable and certificates of participation are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,255,000	116,770	1,371,770
2014-2015	<u>2,095,000</u>	<u>111,150</u>	<u>2,206,150</u>
Total	<u>\$ 7,975,000</u>	<u>\$ 1,074,830</u>	<u>\$9,049,830</u>

Notes payable and certificates of participation consisted of the following at June 30, 2008:

	<u>2007</u>
Tax-exempt certificates of participation dated April 14, 2003 with interest rates between 2.9% and 3.5%	\$ 1,210,000
Tax-exempt notes payable dated December 1, 2004, with interest rates between 3.0% and 3.55%	<u>6,765,000</u>
	<u>\$ 7,975,000</u>

Interest on the notes payable and certificates of participation is payable semiannually, while principal payments are due annually. Total interest cost on the notes payable and certificates of participation during the year ended June 30, 2008 was \$291,443.

**Des Moines Area Community College  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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

**Certificates Payable**

Pursuant to agreements dated from 1998 to 2008, the College issued certificates totaling \$74,840,000 at June 30, 2008 with interest rates ranging from 2.75% to 5.55% 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>
2009	\$ 10,175,000	\$3,614,177	\$ 13,789,177
2010	10,155,000	3,036,068	13,191,068
2011	9,685,000	2,567,758	12,252,758
2012	9,790,000	2,131,770	11,921,770
2013	9,245,000	1,680,545	10,925,545
2014 - 2018	<u>25,790,000</u>	<u>3,195,312</u>	<u>28,985,312</u>
Total	<u>\$74,840,000</u>	<u>\$16,225,630</u>	<u>\$91,065,630</u>

Since inception, the College has administered 471 projects, with 105 currently receiving project funding. Of the remaining projects, 296 have been completed and closed and 70 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>
2009	\$ 296,632
2010	247,737
2011	226,965
2012	220,965
2013	190,965
Thereafter	<u>190,965</u>
Total	<u>\$ 1,374,229</u>

Total rent expense for all operating leases was approximately \$470,000 for the year ended June 30, 2008.

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**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>
2009	\$ 209,528
2010	149,555
2011	64,823
2012	64,823
2013	61,050
Thereafter	<u>55,494</u>
Total	\$ <u>605,273</u>

Total rent income for all operating leases was approximately \$706,000 for the year ended June 30, 2008. The College has plant assets committed under these operating leases with a carrying value of approximately \$4,415,612.

**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 3.90% (4.10% after July 1, 2008) of their annual covered salary, and the College is required to contribute 6.05% (6.35% after July 1, 2008) of annual payroll. Contribution requirements are established by State statute. The College's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$1,280,174, \$ 1,098,572, and \$951,017, 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 3.90% (4.10% after July 1, 2008) and the College is required to contribute 6.05% (6.35% after July 1, 2008). The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2008 were \$1,614,353 and \$ 1,040,657 respectively.

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**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, 2008 for 117 employees who have elected early retirement was \$4,787,425, including \$4,062,804 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, 2008, including health insurance costs, was \$1,775,793.

**NOTE 11 COMMITMENTS**

On August 29, 2007, the College's Board of Directors approved a contract in the amount of \$9,034,318 for the construction of new 58,500 square foot Health Sciences Building on the Ankeny Campus. The total cost of the project is budgeted at \$ 10,916,034. At June 30, 2008, \$ 7,565,638 of construction and design costs on the project have been capitalized as construction in progress.

On August 11, 2008 the College executed an agreement to purchase four student housing facilities adjacent to the Boone Campus. Three housing units currently exist with a capacity for 48 students each. The units are approximately 16,300 square feet each. A similar unit will be constructed by the seller and will be completed on or before May 31, 2009. Once the fourth unit is complete, the College will purchase all four buildings for a total of \$3,598,243. The College anticipates issuing revenue bonds to finance the project with cash received from the rental units used to retire the debt.

**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. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the College beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefit expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

*GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the College beginning with its year ending June 30, 2009. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups.

*GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets*, will be effective for the College beginning with its year ending June 30, 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets.

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

**OTHER SUPPLEMENTARY INFORMATION**

**Des Moines Area Community College**  
**BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL**  
**Year ended June 30, 2008**

<u>Funds/Levy</u>	<u>Original budget</u>	<u>Actual</u>	<u>Variance between actual and original budget</u>
Unrestricted	\$ <u>76,670,630</u>	<u>\$80,514,516</u>	<u>\$( 3,843,886)</u>
Restricted			
Unemployment	392,000	416,167	( 24,167)
Insurance	675,000	807,794	(132,794)
Early retirement	2103,488	1,775,793	327,695
Equipment replacement	2,466,278	2,408,690	57,588
Other	<u>29,279,217</u>	<u>22,911,639</u>	<u>6,367,578</u>
Total restricted	<u>34,915,983</u>	<u>28,320,083</u>	<u>6,595,900</u>
Total unrestricted/restricted	111,586,613	108,834,599	2,752,014
Plant	<u>25,128,015</u>	<u>13,652,645</u>	<u>11,475,370</u>
Total	<u>\$136,714,628</u>	<u>\$122,487,244</u>	<u>\$14,227,384</u>

See accompanying independent auditor's report.

**Des Moines Area Community College**  
**NOTE TO 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.

## DES MOINES AREA COMMUNITY COLLEGE

## Assets, Liabilities and Fund Balances

June 30, 2008

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	\$ 8,123,124	\$ 22,518,446	\$ 98,582	\$ 1,859,354	\$ -	\$ 948,462	\$ -	\$ 33,547,968
Pooled investments	-	54,090,109	-	-	-	-	-	54,090,109
Receivables:								
Accounts, net of allowance of \$308,729	11,925,535	721,018	65,613	2,140,750	-	1,789	-	14,854,705
Succeeding year property tax	5,927,020	4,650,074	-	5,927,020	-	-	-	16,504,114
Iowa Industrial New Jobs Training Program	-	54,856,291	-	-	-	-	-	54,856,291
Due from other governments	832,868	952,521	-	-	-	64,937	-	1,850,326
Inventories	813,995	-	-	-	-	-	-	813,995
Prepaid expenses	160,725	-	-	41,617	-	-	-	202,342
Cash value of life insurance	262,284	-	-	-	-	-	-	262,284
	<u>28,045,551</u>	<u>137,788,459</u>	<u>164,195</u>	<u>9,968,741</u>	<u>-</u>	<u>1,015,188</u>	<u>-</u>	<u>176,982,134</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	-	-	-	-	11,473,652	-	-	11,473,652
Construction in progress	-	-	-	-	8,110,180	-	-	8,110,180
Accumulated depreciation	-	-	-	-	-	-	(44,665,976)	(44,665,976)
Total assets	<u>\$ 28,045,551</u>	<u>\$ 137,788,459</u>	<u>\$ 164,195</u>	<u>\$ 9,968,741</u>	<u>\$ 118,108,616</u>	<u>\$ 1,015,188</u>	<u>\$ (44,665,976)</u>	<u>\$ 250,424,774</u>

## DES MOINES AREA COMMUNITY COLLEGE

Assets, Liabilities and Fund Balances (Continued)

June 30, 2008

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	\$ 365,499	\$ 371,289	\$ -	\$ 1,882,645	\$ -	\$ 91,196	\$ -	\$ 2,710,629
Salaries and benefits payable	2,760,000	133,284	-	1,100	-	-	-	2,894,384
Accrued interest payable	-	385,678	-	21,580	-	-	-	407,258
Deferred revenue:								
Succeeding year property tax	5,927,020	4,650,074	-	5,927,020	-	-	-	16,504,114
Other	7,924,185	41,339,214	-	59,092	-	-	-	49,322,491
Early retirement payable	-	4,787,425	-	-	-	-	-	4,787,425
Deposits held in custody for others	7,308	-	-	-	-	923,992	-	931,300
Compensated absences	1,267,000	165,000	-	17,000	-	-	-	1,449,000
Certificates payable	-	74,555,080	-	-	-	-	-	74,555,080
Notes payable and certificates of participation	-	-	-	5,864	7,975,000	-	-	7,980,864
Total liabilities	<u>18,251,012</u>	<u>126,387,044</u>	<u>-</u>	<u>7,914,301</u>	<u>7,975,000</u>	<u>1,015,188</u>	<u>-</u>	<u>161,542,545</u>
Fund balances:								
Invested in capital assets, net of related debt	-	-	-	-	110,133,616	-	(44,665,976)	65,467,640
Restricted:								
Nonexpendable:								
Cash reserve	-	755,088	-	-	-	-	-	755,088
Expendable:								
Scholarships and fellowships	-	24,989	-	-	-	-	-	24,989
Loans	-	-	164,195	-	-	-	-	164,195
Plant fund	-	-	-	2,054,440	-	-	-	2,054,440
Iowa Industrial New Jobs Training Program	-	6,099,807	-	-	-	-	-	6,099,807
Early retirement	-	3,508,028	-	-	-	-	-	3,508,028
Other	-	1,013,503	-	-	-	-	-	1,013,503
Unrestricted	<u>9,794,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,794,539</u>
Total fund balances	<u>9,794,539</u>	<u>11,401,415</u>	<u>164,195</u>	<u>2,054,440</u>	<u>110,133,616</u>	<u>-</u>	<u>(44,665,976)</u>	<u>88,882,229</u>
Total liabilities and fund balances	<u>\$ 28,045,551</u>	<u>\$ 137,788,459</u>	<u>\$ 164,195</u>	<u>\$ 9,968,741</u>	<u>\$ 118,108,616</u>	<u>\$ 1,015,188</u>	<u>\$ (44,665,976)</u>	<u>\$ 250,424,774</u>

**DES MOINES AREA COMMUNITY COLLEGE**  
 Revenues, Expenditures, and Changes in Fund Balances  
 Year ended June 30, 2008

	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	\$ 38,256,989	\$ 18,293	\$ 38,275,282	\$ -	\$ -	\$ -	\$ -	\$ (12,305,524)	\$ 25,969,758
Federal appropriations	1,607,174	17,670,659	19,277,833	-	-	-	-	-	19,277,833
Iowa Industrial New Jobs Training Program	-	16,603,495	16,603,495	-	-	-	-	-	16,603,495
State appropriations	26,229,803	2,954,697	29,184,500	-	662,775	-	-	-	29,847,275
Property tax	5,539,836	5,438,691	10,978,527	-	4,173,799	1,361,443	-	-	16,513,769
Auxiliary enterprises revenue	9,877,741	-	9,877,741	-	-	-	-	(145,278)	9,732,463
Interest and investment income	1,143,724	2,361,493	3,505,217	-	118,168	-	-	-	3,623,385
Expended for plant assets (including \$911,094 in current operating fund expenditures)	-	-	-	-	-	-	8,248,983	(8,248,983)	-
Retirement of indebtedness	-	-	-	-	-	-	1,070,000	(1,070,000)	-
Miscellaneous	3,920,788	86,834	4,007,622	-	694,279	-	-	(176,627)	4,525,274
<b>Total revenues and other additions</b>	<b>86,576,055</b>	<b>45,134,162</b>	<b>131,710,217</b>	<b>-</b>	<b>5,649,021</b>	<b>1,361,443</b>	<b>9,318,983</b>	<b>(21,946,412)</b>	<b>126,093,252</b>
Expenditures and other deductions:									
Education and support:									
Liberal arts and sciences	19,866,280	22,409	19,888,689	-	-	-	-	-	19,888,689
Vocational technical	23,051,903	837,177	23,889,080	-	-	-	-	-	23,889,080
Adult education	6,170,148	3,079,200	9,249,348	-	-	-	-	-	9,249,348
Cooperative services	168,938	9,638,976	9,807,914	-	-	-	-	-	9,807,914
Administration	3,020,686	-	3,020,686	-	-	-	-	-	3,020,686
Student services	6,533,916	1,077,844	7,611,760	-	-	-	-	-	7,611,760
Learning resources	2,682,552	121,276	2,803,828	-	-	-	-	-	2,803,828
Physical plant	6,069,039	703,937	6,772,976	-	4,391,718	-	-	-	11,164,694
General institution	9,157,295	7,529,646	16,686,941	-	-	-	-	(287,881)	16,399,060
Scholarships and grants	10,000	12,295,524	12,305,524	-	-	-	-	(12,305,524)	-
<b>Total education and support</b>	<b>76,730,757</b>	<b>35,305,989</b>	<b>112,036,746</b>	<b>-</b>	<b>4,391,718</b>	<b>-</b>	<b>-</b>	<b>(12,593,405)</b>	<b>103,835,059</b>
Auxiliary enterprises	10,504,665	-	10,504,665	-	-	-	-	(34,024)	10,470,641
Expended for plant assets	310,447	463,143	773,590	-	7,475,393	-	-	(8,248,983)	-
Administrative and collection costs	98,145	-	98,145	-	-	-	-	-	98,145
Retirement of indebtedness	-	-	-	-	-	1,070,000	-	(1,070,000)	-
Loan cancellations and bad debts	430,190	-	430,190	18,842	-	-	-	-	449,032
Interest on indebtedness	-	3,046,029	3,046,029	-	-	291,443	-	-	3,337,472
Depreciation	-	-	-	-	-	-	-	3,383,201	3,383,201
Loss from disposal of bookstore inventory	578,792	-	578,792	-	-	-	-	-	578,792
Disposition of capital assets	-	-	-	-	-	-	162,015	(144,486)	17,529
<b>Total expenditures and other deductions</b>	<b>88,652,996</b>	<b>38,815,161</b>	<b>127,468,157</b>	<b>18,842</b>	<b>11,867,111</b>	<b>1,361,443</b>	<b>162,015</b>	<b>(18,707,697)</b>	<b>122,169,871</b>
Transfers among funds:									
Mandatory – matching funds	(83,295)	83,295	-	-	-	-	-	-	-
Non-mandatory transfers	1,691,675	(4,675,537)	(2,983,862)	18,992	2,928,045	-	-	-	(36,825)
Net increase (decrease) for the year	(468,561)	1,726,759	1,258,198	150	(3,290,045)	-	9,156,968	(3,238,715)	3,886,556
Fund balances at beginning 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
Fund balances at end of year	\$ 9,794,539	\$ 11,401,415	\$ 21,195,954	\$ 164,195	\$ 2,054,440	\$ -	\$ 110,133,616	\$ (44,665,976)	\$ 88,882,229

**DES MOINES AREA COMMUNITY COLLEGE**  
 Revenues, Expenditures, and Changes in Fund Balances - Unrestricted Fund  
 Year ended June 30, 2008

	Education				Support					Education and Support
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	Adminis- tration	Student Services	Learning Resources	Physical Plant	General Institution	Total
Revenues:										
Tuition and fees	\$ 22,718,054	\$ 11,102,589	\$ 3,383,710	\$ 60,800	\$ 5,185	\$ 17,952	\$ 40	\$ 221	\$ 741,090	\$ 38,029,641
Federal appropriations	-	653,993	704,171	-	28,195	-	-	-	220,815	1,607,174
State appropriations	-	-	63,106	-	-	-	1,174	-	26,165,523	26,229,803
Property tax	-	-	-	-	-	-	-	-	5,539,836	5,539,836
Interest income	-	-	-	-	38,992	-	-	-	1,104,732	1,143,724
Miscellaneous	402,422	2,163,679	71,392	4,088	546,409	7,503	6,088	290,860	140,528	3,632,969
	23,120,476	13,920,261	4,222,379	64,888	618,781	25,455	7,302	291,081	33,912,524	76,183,147
Allocation of support services	20,075,429	9,202,003	5,458,485	119,226	(618,781)	(25,455)	(7,302)	(291,081)	(33,912,524)	-
Total revenues	43,195,905	23,122,264	9,680,864	184,114	-	-	-	-	-	76,183,147
Expenditures:										
Salaries and benefits	18,707,401	21,033,004	4,759,231	143,545	2,121,221	6,083,650	2,153,203	3,726,763	5,212,130	63,940,148
Services	366,131	426,649	855,145	7,378	670,735	187,055	103,045	1,351,524	2,532,913	6,500,575
Materials and supplies	583,299	1,322,909	473,268	18,015	132,484	208,758	418,563	981,744	1,300,253	5,439,293
Travel	208,941	267,215	75,048	-	46,560	52,309	7,741	8,996	109,860	776,670
Expended for plant assets	24,686	99,668	6,409	-	-	-	-	76,398	103,286	310,447
Scholarships	-	-	-	-	-	-	-	-	-	-
Miscellaneous	508	2,126	7,456	-	567,487	2,144	-	12	2,138	581,871
	19,890,966	23,151,571	6,176,557	168,938	3,538,487	6,533,916	2,682,552	6,145,437	9,260,580	77,549,004
Allocation of support services	16,219,804	7,434,695	4,410,145	96,328	(3,538,487)	(6,533,916)	(2,682,552)	(6,145,437)	(9,260,580)	-
Total expenditures	36,110,770	30,586,266	10,586,702	265,266	-	-	-	-	-	77,549,004
Excess (deficiency) of revenues over (under) expenditures	7,085,135	(7,464,002)	(905,838)	(81,152)	-	-	-	-	-	(1,365,857)
Transfers:										
Mandatory transfers	-	-	-	-	-	-	-	-	(83,295)	(83,295)
Non-mandatory transfers	(110,633)	92,546	(37,161)	-	(55,837)	35,800	-	(2,022,830)	3,760,269	1,662,154
Total transfers	(110,633)	92,546	(37,161)	-	(55,837)	35,800	-	(2,022,830)	3,676,974	1,578,859
Net increase (decrease) for the year	\$ 6,974,502	\$ (7,371,456)	\$ (942,999)	\$ (81,152)	\$ (55,837)	\$ 35,800	\$ -	\$ (2,022,830)	\$ 3,676,974	213,002
Fund balance at beginning of year										6,561,915
Fund balance at end of year										\$ 6,774,917

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

See accompanying independent auditor's report.

## DES MOINES AREA COMMUNITY COLLEGE

## Revenues, Expenditures, and Changes in Fund Balances - Auxiliary Enterprises

Year ended June 30, 2008

	<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	\$ 7,736,376	\$ 732,009	\$ 757,466	\$ 11,145	\$ 611,664	\$ 29,081	\$ 9,877,741
Student fee allocations	-	226,019	-	-	-	1,329	227,348
Miscellaneous	40,160	175,957	61,103	6,268	-	4,331	287,819
Total revenues and other additions	<u>7,776,536</u>	<u>1,133,985</u>	<u>818,569</u>	<u>17,413</u>	<u>611,664</u>	<u>34,741</u>	<u>10,392,908</u>
Expenditures and other deductions:							
Salaries and benefits	1,077,393	386,428	427,422	161,434	165,216	6,487	2,224,380
Services	278,794	181,636	106,442	37,939	395,090	2,357	1,002,258
Materials and supplies	25,184	271,892	10,233	73,794	1,492	2,035	384,630
Travel	1,945	5,270	-	85,517	-	1,206	93,938
Purchases for resale	5,889,687	543,485	357,989	-	-	-	6,791,161
Scholarships	10,000	-	-	-	-	-	10,000
Bad debts	-	10,535	-	-	-	-	10,535
Loss on disposal of bookstore inventory	578,792	-	-	-	-	-	578,792
Miscellaneous	-	1,596	9	6,693	-	-	8,298
Total expenditures and other deductions	<u>7,861,795</u>	<u>1,400,842</u>	<u>902,095</u>	<u>365,377</u>	<u>561,798</u>	<u>12,085</u>	<u>11,103,992</u>
Transfers among funds (non-mandatory)	<u>(600,321)</u>	<u>312,013</u>	<u>(30,135)</u>	<u>347,964</u>	<u>-</u>	<u>-</u>	<u>29,521</u>
Net increase (decrease) for the year	(685,580)	45,156	(113,661)	-	49,866	22,656	(681,563)
Fund balances at beginning 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>
Fund balances at end of year	<u>\$ 2,226,011</u>	<u>\$ 180,883</u>	<u>\$ 241,343</u>	<u>\$ -</u>	<u>\$ 257,841</u>	<u>\$ 113,544</u>	<u>\$ 3,019,622</u>

**DES MOINES AREA COMMUNITY COLLEGE**  
 Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Restricted Funds  
 Year ended June 30, 2008

	<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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,293	\$ 18,293
Federal appropriations	11,843,174	-	3,413,910	-	-	-	-	2,398,575	-	15,000	17,670,659
Iowa Industrial New Jobs Training Program	-	-	-	-	-	-	-	-	16,603,495	-	16,603,495
State appropriations	-	-	30,812	-	-	-	-	375,691	-	2,548,194	2,954,697
Property tax	-	2,460,117	-	605,453	1,878,679	494,442	-	-	-	-	5,438,691
Interest income	-	-	-	-	-	-	-	-	2,361,493	-	2,361,493
Miscellaneous	1,063	12,113	2,304	-	-	-	-	1,535	4,065	65,754	86,834
Total revenues and other additions	<u>11,844,237</u>	<u>2,472,230</u>	<u>3,447,026</u>	<u>605,453</u>	<u>1,878,679</u>	<u>494,442</u>	<u>-</u>	<u>2,775,801</u>	<u>18,969,053</u>	<u>2,647,241</u>	<u>45,134,162</u>
Expenditures and other deductions:											
Salaries and benefits	-	-	2,242,838	-	1,773,371	416,167	-	1,705,671	918,870	524,244	7,581,161
Services	50	327,169	1,151,511	703,938	2,422	-	-	865,602	9,113,663	1,147,854	13,312,209
Materials and supplies	69	1,468,472	40,054	-	-	-	-	365,318	37,681	60,160	1,971,754
Travel	-	400	29,713	-	-	-	-	61,246	19,282	21,627	132,268
Expended for plant assets	-	463,143	-	-	-	-	-	-	-	-	463,143
Interest on indebtedness	-	-	-	-	-	-	-	-	3,046,030	-	3,046,030
Scholarships and grants	12,256,091	-	-	-	-	-	-	-	-	-	12,256,091
Private scholarships	-	-	-	-	-	-	-	39,433	-	-	39,433
Miscellaneous	-	-	257	-	-	-	-	12,815	-	-	13,072
Total expenditures and other deductions	<u>12,256,210</u>	<u>2,259,184</u>	<u>3,464,373</u>	<u>703,938</u>	<u>1,775,793</u>	<u>416,167</u>	<u>-</u>	<u>3,050,085</u>	<u>13,135,526</u>	<u>1,753,885</u>	<u>38,815,161</u>
Excess (deficiency) of revenues over (under) expenditures for the year	(411,973)	213,046	(17,347)	(98,485)	102,886	78,275	-	(274,284)	5,833,527	893,356	6,319,001
Transfers among funds:											
Mandatory transfers	83,295	-	-	-	-	-	-	-	-	-	83,295
Non-mandatory transfers	339,335	(149,506)	-	(103,856)	115,000	-	-	(112,502)	(3,979,744)	(784,264)	(4,675,537)
Net increase (decrease) for the year	10,657	63,540	(17,347)	(202,341)	217,886	78,275	-	(386,786)	1,853,783	109,092	1,726,759
Fund balances (deficit) at beginning of year	14,332	465,453	7,953	43,954	3,290,142	(82,410)	755,088	419,127	4,246,024	514,993	9,674,656
Fund balances (deficit) at end of year	<u>\$ 24,989</u>	<u>\$ 528,993</u>	<u>\$ (9,394)</u>	<u>\$ (158,387)</u>	<u>\$ 3,508,028</u>	<u>\$ (4,135)</u>	<u>\$ 755,088</u>	<u>\$ 32,341</u>	<u>\$ 6,099,807</u>	<u>\$ 624,085</u>	<u>\$ 11,401,415</u>

## Schedule 7

## DES MOINES AREA COMMUNITY COLLEGE

## Changes in Deposits Held in Custody for Others - Agency Funds

Year ended June 30, 2008

	<u>Student activities</u>	<u>Specially funded activities</u>	<u>Iowa Workforce Development</u>	<u>Student Housing Management</u>	<u>Student clubs and organizations</u>	<u>One-Source training</u>	<u>Other</u>	<u>Total</u>
Balances, beginning of year	\$ 174,478	\$ 559,669	\$ -	\$ -	\$ 310,304	\$ 71,635	\$ 124,391	\$ 1,240,477
Additions:								
Tuition and fees	299,276	62,658	-	25,370	12,129	20,296	-	419,729
State appropriations	-	300	83,016	-	13,598	-	-	96,914
Federal funds	-	-	259,735	-	-	-	-	259,735
Sales and services	69,614	-	-	448,240	42,863	-	-	560,717
Interest on investments	-	-	-	-	3,771	2,526	-	6,297
Other	49,036	63,854	43,612	9,514	281,282	-	41,497	488,795
Transfers in	118,447	113,401	-	-	72,200	-	490	304,538
Total additions	<u>536,373</u>	<u>240,213</u>	<u>386,363</u>	<u>483,124</u>	<u>425,843</u>	<u>22,822</u>	<u>41,987</u>	<u>2,136,725</u>
Deductions:								
Salaries and benefits	10,560	26,163	78,523	-	12,385	-	10,810	138,441
Services	114,883	298,131	220,170	464,157	73,974	94,457	12,367	1,278,139
Materials and supplies	121,508	118,495	83,415	9,605	153,221	-	1,739	487,983
Travel	7,243	6,702	95	-	126,916	-	-	140,956
Cost of goods sold	79,867	-	-	-	25,580	-	-	105,447
Scholarships	-	-	-	-	19,400	-	-	19,400
Other	42	2,492	686	-	11,907	-	-	15,127
Transfers out	238,667	17,865	-	-	11,185	-	-	267,717
Total deductions	<u>572,770</u>	<u>469,848</u>	<u>382,889</u>	<u>473,762</u>	<u>434,568</u>	<u>94,457</u>	<u>24,916</u>	<u>2,453,210</u>
Net additions and deductions	<u>(36,397)</u>	<u>(229,635)</u>	<u>3,474</u>	<u>9,362</u>	<u>(8,725)</u>	<u>(71,635)</u>	<u>17,071</u>	<u>(316,485)</u>
Balances, end of year	\$ <u>138,081</u>	\$ <u>330,034</u>	\$ <u>3,474</u>	\$ <u>9,362</u>	\$ <u>301,579</u>	\$ <u>-</u>	\$ <u>141,462</u>	\$ <u>923,992</u>

## DES MOINES AREA COMMUNITY COLLEGE

Credit and Contact Hours

Year ended June 30, 2008

Category	Credit hours eligible for aid	Contact hours		Total
		Eligible for aid	Not eligible for aid	
Arts and sciences	272,692	4,921,092	-	4,921,092
Vocational education	98,469	2,255,688	-	2,255,688
Adult education/continuing education	-	1,283,138	54,901	1,338,039
Related services and activities	-	348,065	71,475	419,540
Total	371,161	8,807,983	126,376	8,934,359

**DES MOINES AREA COMMUNITY COLLEGE**

Taxes and Intergovernmental Revenues  
(Excluding the Agency Funds)

For the Last Four Years

	<b>Years ended June 30</b>			
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Local (property tax)	\$ 16,513,769	\$ 18,092,410	\$ 16,880,081	\$ 14,137,997
State	29,847,275	26,443,984	24,341,715	22,826,135
Federal	19,277,833	16,061,228	13,037,134	13,144,456
	<u>\$ 65,638,877</u>	<u>\$ 60,597,622</u>	<u>\$ 54,258,930</u>	<u>\$ 50,108,588</u>

## DES MOINES AREA COMMUNITY COLLEGE

Current Fund Revenues by Source  
and Expenditures by Function

For the Last Four Years

	Years ended June 30			
	2008	2007	2006	2005
<b>Revenues:</b>				
Tuition and fees	\$ 38,275,282	\$ 34,751,937	\$ 34,660,651	\$ 32,869,111
Property tax	10,978,527	12,757,968	11,876,240	9,287,613
Federal appropriations	19,277,833	16,061,228	13,037,134	13,144,456
State appropriations	29,184,500	25,781,342	23,993,708	22,092,803
Interest income from investments	3,505,217	3,507,531	2,474,490	1,260,452
Iowa Industrial New Jobs Training Program	16,603,495	11,623,679	14,068,915	10,884,743
Auxiliary enterprises revenue	9,877,741	9,256,399	8,810,954	8,564,404
Miscellaneous	4,007,622	3,932,010	3,287,833	2,510,089
<b>Total</b>	<b>\$ 131,710,217</b>	<b>\$ 117,672,094</b>	<b>\$ 112,209,925</b>	<b>\$ 100,613,671</b>
<b>Expenditures:</b>				
Liberal arts and sciences	\$ 19,913,375	\$ 17,783,316	\$ 16,319,487	\$ 14,790,786
Vocational technical	23,988,748	22,219,019	20,684,928	19,269,936
Adult education	9,255,757	7,997,480	8,029,461	7,751,028
Cooperative services	9,807,914	5,749,870	8,890,197	3,467,398
Administration	3,020,686	2,993,578	2,785,144	2,694,895
Student services	7,611,760	6,781,974	6,025,128	5,780,039
Learning resources	2,803,828	2,754,615	2,653,133	2,609,147
Physical plant	6,849,374	6,607,398	6,157,020	5,856,699
General institution	17,781,705	14,735,139	13,391,475	11,277,648
Auxiliary enterprises	10,504,665	9,808,600	8,644,019	8,617,642
Scholarships and grants	12,305,524	10,154,237	9,346,631	9,574,679
Interest on indebtedness	3,046,029	2,737,541	2,169,684	2,303,069
Loss on discontinued operations	578,792	-	-	-
<b>Total</b>	<b>\$ 127,468,157</b>	<b>\$ 110,322,767</b>	<b>\$ 105,096,307</b>	<b>\$ 93,992,966</b>

## DES MOINES AREA COMMUNITY COLLEGE

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Federal Grantor/Program Title	CFDA Number	Expenditures
Student financial assistance cluster (Note 2):		
United States Department of Education:		
Federal Pell Grant	84.063	\$ 11,576,631
Federal Supplemental Educational Opportunity Grant	84.007	207,384
Federal Work-Study	84.033	280,343
Federal Direct Student Loans	84.268	28,788,447
Academic Competitiveness Grant	84.375	136,410
Total student financial assistance cluster		<u>40,989,215</u>
Other federal assistance:		
United States Department of Education:		
TRIO cluster:		
Upward Bound	84.047	291,376
Student Support Services	84.042	333,286
Total TRIO cluster		<u>624,662</u>
Strengthening Institutions	84.031	468,509
Deaf Education and Services	84.116	167,152
Passed through Des Moines Public Schools:		
Teacher Quality Enhancement Grant	84.336	36,409
Passed through Iowa Department of Education:		
Tech – Prep Education	84.243	116,802
Adult Education – Basic Grant Program	84.002	704,171
ABE Teacher Training	84.002	11,247
Civics Grant	84.002	55,003
Vocational Education	84.048	653,993
Perkins Correction Program	84.013A	12,225
Total United States Department of Education		<u>43,839,388</u>
United States Department of Human Rights:		
Passed through Iowa Department of Latino Affairs		
Interpreter Services	17.261	54,570
United States Department of Justice:		
Passed through Iowa Department of Education:		
Iowa Prisoner Reentry Grant	16.202	222,700
National Endowment For The Humanities:		
Passed through Iowa Workforce Development		
Iowa Speakers' Series	45.129	15,000

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, 2008

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
United States Department of Labor:		
Passed through Indian Hills Community College:		
Iowa Biotechnology/Bioprocessing Workforce Development	17.257	1,377
Passed through Iowa Department of Education:		
Mine Health and Safety	17.600	7,850
Passed through City of Newton:		
Regional innovation grant	17.261	250,000
Passed through City of Des Moines		
Education Pathways Blueprint Grants	17.261	194,757
Passed through Iowa Workforce Development:		
Project Employment	17.261	446,005
National Emergency Grants	17.260	255,365
TAA	17.245	8,345
Title 1 Early Intervention	17.260	16,185
Wagner Peysner	17.207	104,680
Unemployment	17.225	58,690
Veterans	17.801 - 804	10,650
Workforce Investment Act (WIA) Cluster:		
WIA Administration	17.258 - 260	126,011
WIA Adult Program	17.258	232,792
WIA Youth Program	17.259	353,540
WIA Incentive	17.266	49,980
WIA Dislocated Workers	17.260	776,597
Total United States Department of Labor		<u>2,892,824</u>
National Science Foundation:		
Passed through Iowa State University:		
Integrating Low-Cost Virtual Reality	47.076	<u>14,076</u>
United States Department of Health and Human Services:		
Passed through Iowa Workforce Development:		
Temporary Assistance for Needy Families	93.558	<u>1,322,392</u>
United States Environmental Protection Agency:		
Passed through Iowa Department of Natural Resources:		
Onsite Wastewater Training Center	66.460	<u>73,653</u>
Total expenditures of federal awards		<u>\$ 48,434,603</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, 2008**

**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, 2008, 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.

The accompanying Schedule of Expenditures of Federal Awards includes federal grant activity of Des Moines Area Community College and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements

**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, 2008.

See accompanying independent auditor's report.

**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, 2008, and have issued our report thereon dated October 27, 2008. 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 27, 2008.

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 27, 2008

**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, 2008. The College's major federal programs are identified in the summary of independent 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, 2008.

**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 compliance 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 27, 2008

**Des Moines Area Community College  
SCHEDULE OF FINDINGS  
Year ended June 30, 2008**

**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 17.261— Project Employment, Regional Innovation Grants, Education Pathways Blueprint Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$589,336.
- (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**

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

We have audited the financial statements of Des Moines Area Community College for the year ended June 30, 2008, and have issued our report thereon dated October 27, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated May 28, 2004, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to the audit committee on June 9, 2008.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Des Moines Area Community College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the allowance for doubtful accounts is based on the College's historical collections. Management's estimate of depreciation expense is based on the College's estimated useful life of assets using the straight line method. We evaluated the key factors and assumptions used to develop the collectability of accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 27, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the College's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Des Moines Area Community College 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 27, 2008