

Des Moines Area Community College

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2019

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**Des Moines Area Community College
OFFICIALS**

| <u>Name</u> | <u>Title</u> | <u>Term expires</u> |
|---------------------------|--|---------------------|
| Board of Directors | | |
| Joe Pugel | President | 2021 |
| Kevin Halterman | Vice President | 2021 |
| Fred Buie | Member | 2021 |
| James Knott | Member | 2021 |
| Felix Gallagher | Member | 2019 |
| Cheryl Langston | Member | 2019 |
| Denny Presnall | Member | 2019 |
| Fred Greiner | Member | 2019 |
| Madelyn Tursi | Member | 2019 |
| Community College | | |
| Robert Denson | President/CEO | |
| Stan Jensen | Executive Vice President, College Operations (retired 06/2019) | |
| Scott Ocken | Vice President, Academic Affairs | |
| Shelli Allen | Vice President, Enrollment Services | |
| Ben Voaklander | Controller | |
| Carolyn Farlow | Board Secretary | |
| Greg Martin | Board Treasurer | |



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Des Moines Area Community College
Ankeny, Iowa

Report on the Financial Statements

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, 2019, and the related notes to financial statements, which collectively comprise the College's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 from material misstatement. The financial statements of the component unit were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Des Moines Area Community College and its discretely presented component unit as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15, and the schedule of the College's proportionate share of the net pension liability, the schedule of College contributions, the schedule of College's early retirement pension liability and the schedule of changes in College's total OPEB liability, related ratios and notes on pages 47 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (none of which are presented herein) and expressed unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the schedule of expenditures of federal awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of the College's management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019, 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 solely 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 effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 5, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

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, 2019. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ College operating revenues increased approximately \$8.7 million or 12.3%. The increase was the result of the College capitalizing \$6.2 million more in building and equipment projects than in the previous fiscal year. The increased capitalized asset expense is offset using a miscellaneous revenue to record it on the books. Tuition and fee revenues increased by \$2.2 million or 5.8%. The increase can be attributed to a 3.4% increase in the College's tuition rate and a .43% increase in credit enrollment. Online technology fees also increased due to increased enrollments in online and web blended courses. Training revenues to the College under the Iowa Industrial New Jobs Training Program decreased by \$1.6 million or 13.5%. The decrease can be attributed to the fluctuation in recognizing training revenues from the College's ongoing multiple projects. Companies have three years to utilize their training dollars from the bond sales and the College recognizes the revenues when the companies are reimbursed for their training.
- ◆ College operating expenses increased by \$4.1 million or 2.7%. Liberal Arts, Career Education, and Adult Education increased by \$2.2 million or 3%. Cooperative services decreased \$1.8 million or 21%. The Cooperative services decrease was related to the timing of training reimbursements made from the Iowa Industrial New Jobs Training Program. Physical Plant costs increased \$1.6 million or 10% due to the timing of maintenance and construction activities. The College's net pension liability adjustments remained relatively unchanged. Due to the nature of the pension liabilities the College may see large fluctuations in its operating expenses in the future. Administration, Student Services, and Learning Resources also saw small operating expense increases.
- ◆ The College's net position increased by approximately \$8.1 million. The net investment in capital assets increased \$5.4 million. The College started several construction projects during fiscal year 2019. The unrestricted net position increased by \$2 million due to minimal changes in the College's net pension liabilities under GASB 68, GASB 73 and GASB 75. The College's restricted net position increased \$670,000.

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 position, a statement of revenues, expenses and changes in net position 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 Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information presents the College's proportionate share of the net pension liability and related contributions, the College's early retirement pension liability and the changes in total OPEB liability and related ratios and notes.

Other Supplementary Information provides detailed information about the individual funds. The Budgetary Comparison Schedule of Expenditures – Budget to Actual further explains and supports the financial statements with a comparison of the College's budget for the year. The Schedule of Expenditures of Federal Awards provides details of the various federal programs benefiting the College.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

REPORTING THE COLLEGE FINANCIAL ACTIVITIES

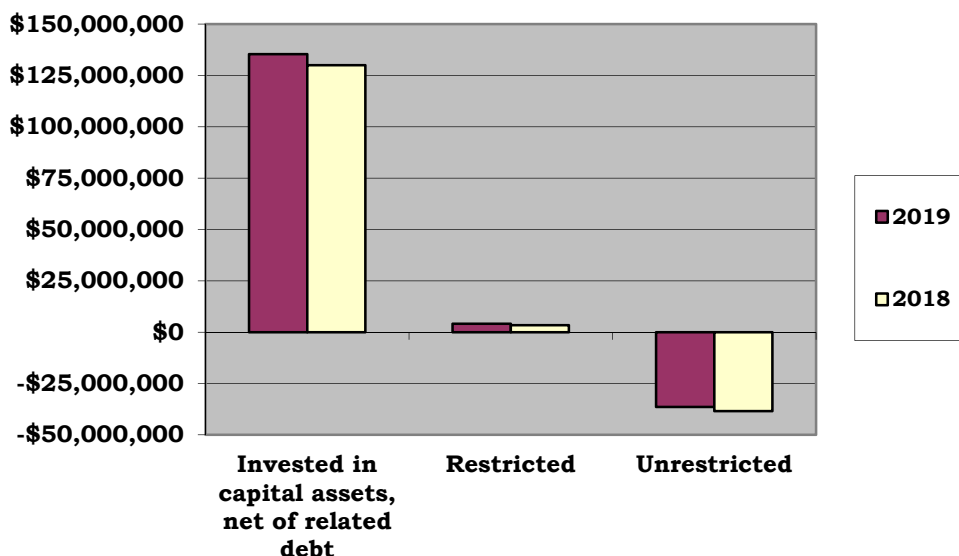
The Statement of Net Position

The Statement of Net Position presents financial information on all of the Colleges assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The Statement of Net Position 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 Position includes year-end information concerning current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources, and net position. 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 position. 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 | |
|---|----------------|----------------|
| | 2019 | 2018 |
| Current assets | \$ 133,850,437 | \$ 127,746,271 |
| Other assets | 29,985,792 | 27,559,603 |
| Capital assets, net of accumulated depreciation | 154,869,744 | 154,878,321 |
| Total assets | 318,705,973 | 310,184,195 |
| Deferred outflows of resources | 13,899,308 | 13,699,636 |
| Current liabilities | 54,388,609 | 52,873,355 |
| Noncurrent liabilities | 142,566,878 | 145,239,431 |
| Total liabilities | 196,955,487 | 198,112,786 |
| Deferred inflows of resources | 32,584,877 | 30,810,087 |
| Net position: | | |
| Net investment in capital assets | 135,404,744 | 129,988,319 |
| Restricted | 4,093,159 | 3,421,678 |
| Unrestricted | (36,432,986) | (38,449,039) |
| Total net position | \$ 103,064,917 | \$ 94,960,958 |

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Comparison of Net Position



The largest portion of the College's net position 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 and rental revenue) other than capital assets. The restricted portion of the net position includes resources that are subject to external restrictions. The remaining net position is the unrestricted net position that can be used to meet the College's obligations as they come due.

Governmental Accounting Standards Board Statement No. 68, **Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27** was implemented during fiscal year 2015. The net pension liability as of July 1, 2019 was \$28,307,818. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year. The negative net position as a result of the net pension liability is reported against the unrestricted net position.

Governmental Accounting Standards Board Statement No. 73 **Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB No. 68** was implemented during fiscal year 2017. The early retirement pension liability as of July 1, 2019 was \$17,307,194. The College provides a Retirement Cash Benefit Plan to retired employees meeting certain conditions, which is not within the scope of GASB No. 68. The Retirement Cash Benefit Plan is funded by a property tax levy. The negative net position as result of the early retirement pension liability is reported against the unrestricted net position.

Governmental Accounting Standards Board Statement No. 75 **Accounting and Financial Reporting for Postemployment Benefits other than Pensions** was implemented during fiscal year 2018. The OPEB liability as of June 30, 2019 was \$20,784,463. The College operates a single-employer health benefit plan for employees, retirees and their dependents. The retiree portion of the liability is funded by a property tax levy. The negative net position as a result of the OPEB liability is reported against the unrestricted net position.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as reflected in the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned by the College, both operating and non-operating, and the expenses incurred by the College, operating and non-operating, 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, Pell grants and property tax as non-operating revenues. Operating revenues are received for providing goods and services to the students, customers and

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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. Non-operating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

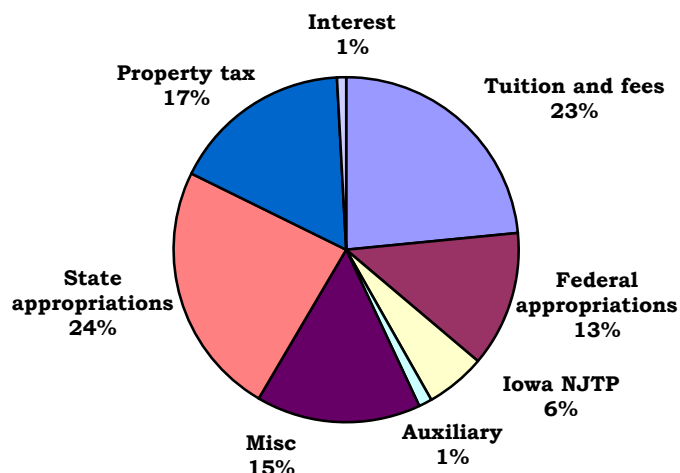
Changes in Net Position

| | Year ended June 30 | |
|---|--------------------|---------------|
| | 2019 | 2018 |
| Operating revenues: | | |
| Tuition and fees | \$ 41,907,117 | \$ 39,640,191 |
| Federal appropriations | 4,836,788 | 5,338,948 |
| Iowa Industrial New Jobs Training Program | 10,030,932 | 11,593,051 |
| Auxiliary enterprises revenue | 2,231,801 | 2,205,643 |
| Miscellaneous | 20,635,132 | 12,149,912 |
| | 79,641,770 | 70,927,745 |
| Total operating expenses | 159,897,792 | 155,795,489 |
| Operating loss | (80,256,022) | (84,867,744) |
| Nonoperating revenues, (expenses) and transfers | | |
| State appropriations | 42,568,572 | 41,790,288 |
| Pell grant | 17,897,726 | 18,801,546 |
| Property tax | 30,152,549 | 27,282,408 |
| Interest and investment income | 1,526,333 | 936,672 |
| Loss on disposition of capital assets | (1,793,279) | (8,969) |
| Interest on indebtedness | (2,021,636) | (2,131,483) |
| Transfers from (to) agency funds | 29,717 | (80,928) |
| | 88,359,982 | 86,589,534 |
| Increase in net position | 8,103,960 | 1,721,790 |
| Net position beginning of year | 94,960,957 | 93,239,167 |
| Net position end of year | \$ 103,064,917 | \$ 94,960,957 |

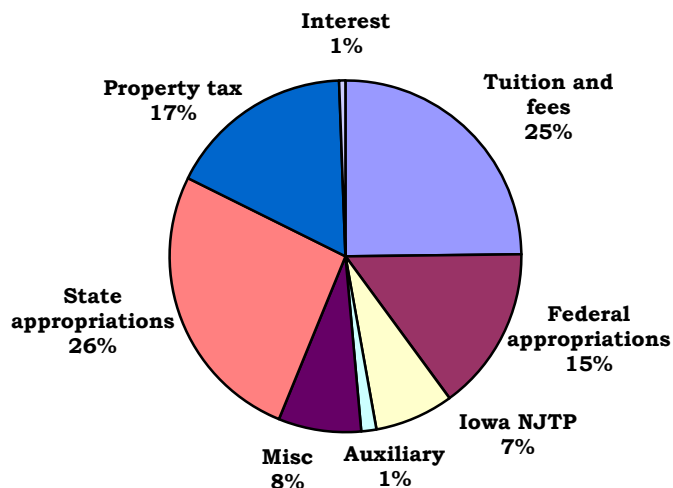
The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, with an increase in net position of \$8.1 million at the end of the fiscal year. This increase is the net result of a \$2 million increase in the general unrestricted funds, a \$670,000 increase in the general restricted funds, a \$5.4 million increase in capital assets net of related debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Total Revenues by Source
2019



2018



In fiscal year 2019, operating revenues increased by approximately \$8.7 million or 12%. The increase was primarily a result of the following changes:

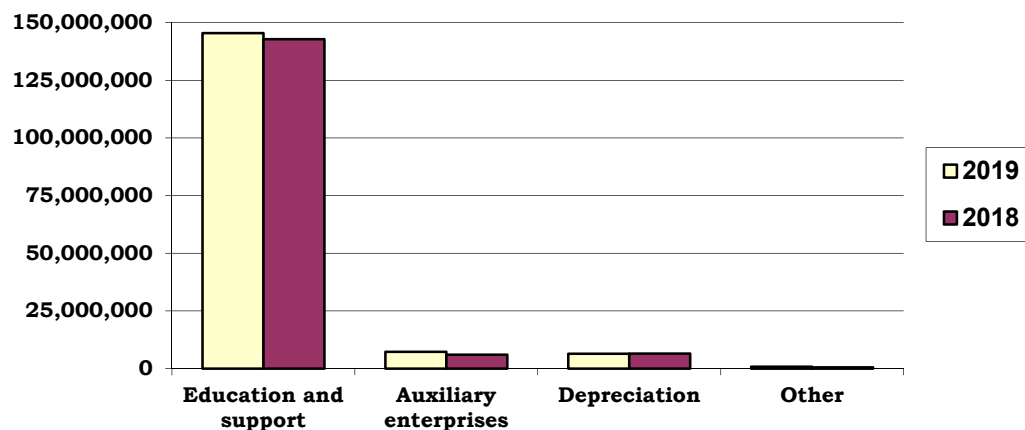
- ◆ Tuition and fees, net of scholarship allowances, increased approximately \$2.2 million or 6%. This increase was caused by a .43% enrollment increase in non-career advantage credits. Career Advantage credits decreased by 1.9% during the fiscal year, but the College only charges local schools 25% of its regular tuition rate for those credits. The tuition rate also increased by 3.4% from \$151 to \$156. Non-credit tuition revenue and online technology fee revenues also increased from the previous fiscal year. Scholarship allowances that decrease the student's tuition and fees cost decreased by \$800,000 or 4%. For financial reporting purposes, scholarship allowances reduce tuition revenue.
- ◆ The College facilitates training to new employees of area businesses under the Iowa Industrial New Jobs Training Program. The revenue from these training projects decreased \$1.6 million or 13.5%. The College sold \$11.855 million in New Jobs Training Certificates during the fiscal year.
- ◆ Miscellaneous revenue increased \$8.4 million or 70%. The College started several construction projects and capitalized \$6.2 million more in buildings and equipment in the current fiscal year. The College books a miscellaneous revenue to offset capital asset purchases.
- ◆ Federal appropriations decreased approximately \$500,000 or 9.4%, which can be attributed to a decrease in federal grant awards. Auxiliary revenue remained relatively flat.
- ◆ Interest income increased by \$589,000 or 63%. The College continues to see higher rates of returns on its investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Operating Expenses

| | Year ended June 30 | |
|-------------------------------------|-----------------------|-----------------------|
| | 2019 | 2018 |
| Education and support: | | |
| Liberal arts and sciences | \$ 29,624,332 | \$ 29,081,921 |
| Career and technical | 35,940,464 | 34,821,156 |
| Adult education | 15,433,318 | 14,853,308 |
| Cooperative services | 7,147,718 | 8,987,933 |
| Administration | 3,920,798 | 3,668,311 |
| Student services | 12,257,411 | 11,924,092 |
| Learning resources | 3,255,537 | 3,146,747 |
| Physical plant | 19,300,192 | 17,635,460 |
| General institution | 18,545,592 | 18,683,860 |
| Auxiliary enterprises | 7,250,541 | 6,011,804 |
| Loan cancellations and bad debts | 656,691 | 439,768 |
| Administrative and collection costs | 112,724 | 74,168 |
| Depreciation | 6,452,474 | 6,466,961 |
| Total | <u>\$ 159,897,792</u> | <u>\$ 155,795,489</u> |

Total Expenses



In fiscal year 2019, operating expenses increased by approximately \$4.1 million or 2.7%. The following factors explain some of the change:

- ◆ Faculty and staff received a 3.5% salary increase in FY19 and health insurance costs increased by 1%.
- ◆ Auxiliary enterprise expense increased by \$1.2 million or 20%.
- ◆ Net pension liability adjustments were relatively flat. The nature of these liabilities may cause large operating expense fluctuations in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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 | |
|---|--------------------|-----------------|
| | 2019 | 2018 |
| Cash provided by (used in): | | |
| Operating activities | \$ (74,293,976) | \$ (76,381,973) |
| Noncapital financing activities | 90,954,140 | 82,743,708 |
| Capital and related financing activities | (14,631,486) | (6,587,375) |
| Investing activities | (1,473,667) | 11,936,672 |
| Net increase in cash | 555,011 | 11,711,032 |
| Cash and short-term pooled investments, beginning of the year | 67,510,234 | 55,799,201 |
| Cash and short-term pooled investments, end of the year | \$ 68,065,245 | \$ 67,510,233 |

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

Cash used in operating activities decreased by \$2 million. While College expenses increased, those increases were offset by increases in operating revenues.

Cash provided by noncapital financing activities increased \$8.2 million. Increases in state appropriations, property tax collections and proceeds from bonds accounted for the increase in non-capital financing activities.

Cash used in capital and related financing activities increased by \$8 million. The College started several construction projects during the fiscal year.

The cash provided by investing activities decreased \$10.4 million. The College has seen increased investment returns and decreased the amount in the pooled investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

CAPITAL ASSETS

At June 30, 2019, the College had approximately \$154.8 million invested in capital assets, net of accumulated depreciation of \$88.7 million. Depreciation charges totaled \$6.4 million for FY2019. Details of capital assets are shown below.

Capital Assets, Net, at Year-End

| | June 30 | |
|-----------------------------------|----------------|----------------|
| | 2019 | 2018 |
| Land | \$ 8,892,253 | \$ 8,774,562 |
| Buildings | 128,700,636 | 132,560,244 |
| Construction in progress | 4,829,453 | 982,171 |
| Improvements other than buildings | 6,519,669 | 6,925,112 |
| Equipment and vehicles | 5,927,733 | 5,636,232 |
| Total | \$ 154,869,744 | \$ 154,878,321 |

The College appropriates approximately \$1.3 million annually for computer equipment and technology upgrades for the computer labs, networks and classrooms. The College also plans to spend an estimated \$1.5 million annually for maintenance on the buildings and grounds.

The College has an approved \$.09 per thousand levy for instructional equipment. This levy results in the College receiving an additional \$4.1 million per year for instructional equipment.

DEBT

At June 30, 2019, the College had \$68.01 million in debt outstanding, a decrease of \$4.6 million from 2018. The table below summarizes these amounts by type.

Outstanding Debt

| | June 30 | |
|----------------------------------|---------------|---------------|
| | 2019 | 2018 |
| Certificates payable | \$ 48,545,000 | \$ 47,735,000 |
| Plant fund capital notes payable | 19,465,000 | 24,890,000 |
| Total | \$ 68,010,000 | \$ 72,625,000 |

The College also anticipates selling \$10.72 million of New Job Training Program certificates in late 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

ECONOMIC FACTORS

There are many economic factors and challenges that will affect the future operations of Des Moines Area Community College. Some of the issues that may impact the College are:

- ◆ The Iowa Legislative support for Community Colleges has increased slightly during the last two fiscal year. For the fiscal year ending June 30, 2019, the College received \$33.9 million. For fiscal year 2020, the College will receive \$35 million in state general aid. For future budget years, the College is not overly optimistic regarding state general aid. Aggressive and prudent budget management and pre-planning for anticipated expense reductions have allowed the College to deal with revenue losses without significant impact on operations that would affect the student experience.
- ◆ In the fiscal year ended June 30, 2019, the College experienced an enrollment increase of .43%. For the fall term of the fiscal year ending June 30, 2020, the College experienced a 1% enrollment decrease. The current fiscal year budget had been adopted with flat enrollment during budget development. The College is somewhat optimistic that enrollment may be flattening out.
- ◆ There continues to be positive indicators for business and workforce growth in central Iowa and 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 new job training activity; and there is potential to provide additional training to area business and industry. Iowa Industrial New Jobs Training projects totaled over \$11 million for 2019. One area of concern is the Ag Industry, and the college will continue to monitor that to determine what effect it will have on funding.
- ◆ Facilities at the College require constant expansion, maintenance, and upkeep. The lack of facility capacity hampers the College in its efforts to grow some current programs or add programs that are needed in the area's economy. The College started several building projects during the fiscal year. The projects include; a Student Center at the Urban Campus, a remodel and addition to the Automotive Building on the Ankeny Campus, and an expansion of the multi-purpose recreation facilities at the Boone Campus. 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 rapidly, presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost. During the past fiscal year the College identified funds to update student computer labs at all campuses. The update process will continue during fiscal year 2020.

The College anticipates the current fiscal year (FY2020) will be much like the last and will maintain a close watch over resources, expenses and opportunities to maintain the College's ability to react to known and unknown issues coming next year.

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 Position

June 30, 2019

| | <u>College</u> | <u>Foundation</u> |
|--|--------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and short-term pooled investments (Note 2) | \$ 68,065,245 | \$ 2,381,627 |
| Pooled investments (Note 2) | 4,000,000 | 16,819,040 |
| Receivables: | | |
| Accounts, net of allowance of \$313,785 | 22,324,972 | 2,072,087 |
| Succeeding year property tax | 30,099,739 | - |
| Iowa Industrial New Jobs Training Program | 7,558,702 | - |
| Due from other governments | 1,199,668 | - |
| Inventories (Note 3) | 305,759 | - |
| Prepaid expenses | 296,352 | 51,500 |
| Total current assets | <u>133,850,437</u> | <u>21,324,254</u> |
| Noncurrent assets: | | |
| Receivables | | |
| Iowa Industrial New Jobs Training Program | 29,985,792 | - |
| Capital assets, net of accumulated depreciation (Note 4) | <u>154,869,744</u> | <u>-</u> |
| Total noncurrent assets | <u>184,855,536</u> | <u>-</u> |
| Total assets | <u>318,705,973</u> | <u>21,324,254</u> |
| Deferred outflows of resources | | |
| Pension related deferred outflows | \$ 12,215,514 | \$ |
| OPEB related deferred outflows | <u>1,683,794</u> | <u>-</u> |
| Total deferred outflows of resources | <u>13,899,308</u> | <u>-</u> |

DES MOINES AREA COMMUNITY COLLEGE

Statement of Net Position (Continued)

June 30, 2019

| | <u>College</u> | <u>Foundation</u> |
|---|-----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | \$ 3,234,599 | \$ - |
| Payable to Des Moines Area Community College | - | 3,925,361 |
| Salaries and benefits payable | 4,685,354 | - |
| Self-funded health claims payable | 6,903,830 | - |
| Accrued interest payable | 161,717 | - |
| Unearned revenue: | | |
| Tuition | 14,250,566 | - |
| Iowa Industrial New Jobs Training Program | 10,704,293 | - |
| Net pension liability (Notes 5, 8 & 10) | 1,124,627 | - |
| OPEB liability payable (Notes 5 & 11) | 789,955 | - |
| Deposits held in custody for others | 2,989,066 | - |
| Certificates payable (Note 5) | 6,344,236 | - |
| Plant fund capital loan notes payable (Note 5) | 3,200,366 | - |
| Total current liabilities | <u>54,388,609</u> | <u>3,925,361</u> |
| Noncurrent liabilities (Note 5): | | |
| Compensated absences | 1,820,500 | - |
| Unearned revenue, Iowa Industrial New Jobs Training Program | 16,187,906 | - |
| Net pension liability (Notes 8 & 10) | 44,490,385 | - |
| OPEB liability payable (Note 11) | 19,994,508 | - |
| Certificates payable (Note 5) | 42,456,749 | - |
| Plant fund capital loan notes payable (Note 5) | 17,616,830 | - |
| Total noncurrent liabilities | <u>142,566,878</u> | <u>-</u> |
| Total liabilities | <u>196,955,487</u> | <u>3,925,361</u> |
| Deferred inflows of resources | | |
| Unavailable property tax revenue | 30,099,739 | - |
| Pension related deferred inflows | 2,114,761 | - |
| OPEB related deferred inflows | 370,377 | - |
| Total deferred inflows of resources | <u>32,584,877</u> | <u>-</u> |
| Net position | | |
| Net investment in capital assets | 135,404,744 | - |
| Restricted: | | |
| Nonexpendable: | | |
| Cash reserve | 755,088 | - |
| Scholarships and fellowships | - | 4,839,860 |
| Expendable: | | |
| Scholarships and fellowships | 335,553 | - |
| Loans | 59,093 | - |
| Other | 2,943,425 | 10,417,445 |
| Unrestricted | (36,432,986) | 2,141,588 |
| Commitments (Note 4 & 6) | | |
| Total net position | <u>\$ 103,064,917</u> | <u>\$ 17,398,893</u> |

Exhibit B

DES MOINES AREA COMMUNITY COLLEGE

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2019

| | <u>College</u> | <u>Foundation</u> |
|---|-----------------------|----------------------|
| Operating revenues: | | |
| Tuition and fees, net of scholarship allowances of \$19,006,059 | \$ 41,907,117 | \$ - |
| Federal appropriations | 4,836,788 | - |
| Iowa Industrial New Jobs Training Program | 10,030,932 | - |
| Auxiliary enterprises revenue | 2,231,801 | - |
| Contributions | - | 3,541,198 |
| Miscellaneous | 20,635,132 | - |
| Total operating revenues | <u>79,641,770</u> | <u>3,541,198</u> |
| Operating expenses: | | |
| Education and support | | |
| Liberal arts and sciences | 29,624,332 | - |
| Career and technical | 35,940,464 | - |
| Adult education | 15,433,318 | - |
| Cooperative services | 7,147,718 | - |
| Administration | 3,920,798 | 58,495 |
| Student services | 12,257,411 | - |
| Learning resources | 3,255,537 | - |
| Physical plant | 19,300,192 | - |
| General institution | 18,545,592 | - |
| Auxiliary enterprises | 7,250,541 | - |
| Scholarships and grants | - | 5,977,396 |
| Fund raising | - | 176,050 |
| Loan cancellations and bad debts | 656,691 | - |
| Administrative and collection costs | 112,724 | - |
| Depreciation | 6,452,474 | - |
| Total operating expenses | <u>159,897,792</u> | <u>6,211,941</u> |
| Operating (loss) | (80,256,022) | (2,670,743) |
| Nonoperating revenues (expenses): | | |
| State appropriations | 42,568,572 | - |
| Pell grant | 17,897,726 | - |
| Property tax | 30,152,549 | - |
| Interest and investment income | 1,526,333 | 1,019,654 |
| Loss on disposition of capital assets | (1,793,279) | - |
| Interest on indebtedness | (2,021,636) | - |
| Net nonoperating revenues (expenses) | <u>88,330,265</u> | <u>1,019,654</u> |
| Change in net position | 8,074,243 | (1,651,089) |
| Transfers from agency funds | 29,717 | - |
| Total change in net position | 8,103,960 | (1,651,089) |
| Net position, beginning of year | <u>94,960,957</u> | <u>19,049,982</u> |
| Net position, end of year | <u>\$ 103,064,917</u> | <u>\$ 17,398,893</u> |

Exhibit C**DES MOINES AREA COMMUNITY COLLEGE**

Statement of Cash Flows

Year Ended June 30, 2019

| | |
|---|-----------------------------|
| Cash flows from operating activities: | |
| Tuition and fees | \$ 38,295,977 |
| Federal appropriations | 4,585,031 |
| Iowa Industrial New Jobs Training Program | 8,841,772 |
| Payments to employees for salaries and benefits | (104,324,571) |
| Payments to suppliers for goods and services | (44,561,278) |
| Auxiliary enterprise receipts | 2,231,801 |
| Other receipts | 20,637,292 |
| | <u> </u> |
| Net cash used in operating activities | (74,293,976) |
| Cash flows from noncapital financing activities: | |
| State appropriations | 43,305,178 |
| Pell grant | 17,897,726 |
| Property tax | 30,152,549 |
| Net agency fund activity | 139,857 |
| Proceeds from certificates payable | 11,855,000 |
| Principal paid on debt | (11,045,000) |
| Interest paid | (1,351,170) |
| | <u> </u> |
| Net cash provided by noncapital financing activities | 90,954,140 |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | (8,237,178) |
| Principal paid on debt | (5,425,000) |
| Interest paid | (969,308) |
| | <u> </u> |
| Net cash used in capital and related financing activities | (14,631,486) |
| Cash flows from investing activities | |
| Interest on investments | 1,526,333 |
| Net change in pooled investments | (3,000,000) |
| | <u> </u> |
| Net cash used in investing activities | (1,473,667) |
| Net increase in cash and short-term pooled investments | 555,011 |
| Cash and short-term pooled investments at beginning of year | <u>67,510,234</u> |
| Cash and short-term pooled investments at end of year | <u>\$ 68,065,245</u> |

Exhibit C**DES MOINES AREA COMMUNITY COLLEGE**

Statement of Cash Flows (Continued)

Year Ended June 30, 2019

| | |
|---|-------------------------------|
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ <u>(80,256,022)</u> |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation | 6,452,474 |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (3,132,796) |
| Increase in Iowa Industrial New Jobs Training Program receivables | (2,360,791) |
| Increase in due from and due to other governments | (251,757) |
| Decrease in prepaid expenses | 7,191 |
| Increase in inventories | (36,286) |
| Increase in accounts payable | 1,705,080 |
| Increase in salaries and benefits payable | 1,844,422 |
| Increase in unearned revenues | 693,288 |
| Decrease in net pension liability | (1,181,760) |
| Increase in OPEB liability | 583,212 |
| Increase in deferred outflows of resources | (199,672) |
| Increase in deferred inflows of resources | 1,837,281 |
| Decrease in deposits held in custody for others | 2,160 |
| Total Adjustments | <u>5,962,046</u> |
| Net cash used in operating activities | \$ <u><u>(74,293,976)</u></u> |

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

Organization and Function

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.

The Foundation is a non-profit organization which reports under accounting standards established by the Financial Accounting Standards Board (FASB). The Foundation's financial statements were prepared in accordance with the provisions of the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting for these differences. The Foundation reports net assets, which is equivalent to net position reported by the College. Copies of the Foundation's financial statements may be obtained by contacting the Foundation.

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 resources to be classified for accounting and reporting purposes into the following net position categories/components:

Net Investment in Capital Assets: 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, 2019

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

Financial Statement Presentation (continued)

Restricted Net Position:

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

Expendable – Net position 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 Position: Net position 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. Substantially all unrestricted net position is designated for academic and general programs of the College.

The basic financial statements (i.e. the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows) report information on all of the activities of the College. For the most part, 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, 2019

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.

The Budgetary Comparison Schedule of Expenditures – Budget to Actual provides a comparison of the budget to actual expenditures for those funds and/or levies required to be budgeted. Since the College uses Business Type Activities reporting this budgetary comparison information is included as supplementary information.

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.

The College's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Schedules presented in the supplementary information are reported using the current financial resources measurement focus and the modified accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

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, 2019

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (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 reported as a deferred inflow of resources 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, 2019 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.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the College after the measurement date but before the end of the College's reporting period.

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, 2019

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

Unearned Revenue – Unearned revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose. Unearned 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, 2019.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Tuition and Fees – Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Auxiliary Enterprise Revenues – Auxiliary enterprise revenues primarily represent revenues generated by the career education, central stores and athletics funds.

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 Non-operating Activities – Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Position, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Non-operating activities include state appropriations, Pell grants, 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, 2019

NOTE 2 CASH AND POOLED INVESTMENTS

The College's cash and deposits (money market accounts and certificates of deposit) at June 30, 2019 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, 2019, the College's cash and short-term pooled investments are as follows:

| | | |
|---|----|-------------------|
| Deposits | | |
| Cash | \$ | 31,490,640 |
| Investments | | |
| Nonnegotiable certificates of deposit, short term | | 9,000,000 |
| Iowa Schools Joint Investment Trust Diversified Portfolio and Money Market | | <u>27,574,605</u> |
| Total cash and short-term pooled investments | \$ | <u>68,065,245</u> |

As of June 30, 2019, the College's pooled investments are as follows:

| | | |
|--|----|------------------|
| Investments | | |
| Nonnegotiable certificates of deposit, long term | \$ | <u>4,000,000</u> |
| Total pooled investments | \$ | <u>4,000,000</u> |

The College uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The investments in Iowa Schools Joint Investment Trust (ISJIT) are valued at an amortized cost. There were no limitations or restrictions on withdrawals for the ISJIT investments.

Foundation

The College Foundation (Foundation) categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The Foundation has the following recurring fair value measurement as of June 30, 2019:

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 CASH AND POOLED INVESTMENTS (continued)

Foundation (continued)

| <u>Investments</u> | <u>Fair Value</u> |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 2,381,627 |
| Money market funds | 2,231,228 |
| Mutual funds | 14,487,067 |
| Corporate bonds and notes | 100,745 |
| | <u>\$ 19,200,667</u> |

Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The investments listed above have quoted prices in active markets and are Level 1 inputs.

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

Credit risk. The College's investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

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.

NOTE 3 INVENTORIES

The College's inventories at June 30, 2019 are as follows:

| <u>Type</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| Supplies and materials | \$ 52,646 |
| Merchandise held for resale | 253,113 |
| Total | <u>\$ 305,759</u> |

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 CAPITAL ASSETS

A summary of the change in capital assets for the year ended June 30, 2019 is as follows:

| | Balance beginning of year | Additions | Transfers | Deletions | Balance end of year |
|---|---------------------------------|---------------------|---------------------|---------------------|------------------------|
| Capital assets not being depreciated | | | | | |
| Land | \$ 8,774,562 | \$ 227,291 | \$ - | \$ 109,600 | \$ 8,892,253 |
| Construction in progress | 982,171 | 4,474,834 | (627,552) | - | 4,829,453 |
| Total capital assets not being depreciated | <u>9,756,733</u> | <u>4,702,125</u> | <u>(627,552)</u> | <u>109,600</u> | <u>13,721,706</u> |
| Capital assets being depreciated | | | | | |
| Buildings | 191,561,869 | 2,318,524 | - | 1,808,873 | 192,071,520 |
| Improvements other than buildings | 18,909,217 | - | - | - | 18,909,217 |
| Equipment and vehicles | 18,649,439 | 1,844,081 | - | 1,575,441 | 18,918,079 |
| Total capital assets being depreciated | <u>229,120,525</u> | <u>4,162,605</u> | <u>-</u> | <u>3,384,314</u> | <u>229,898,816</u> |
| Less accumulated depreciation for | | | | | |
| Buildings | 59,001,625 | 4,633,051 | - | 263,792 | 63,370,884 |
| Improvements other than buildings | 11,984,105 | 405,443 | - | - | 12,389,548 |
| Equipment and vehicles | 13,013,207 | 1,413,980 | - | 1,436,841 | 12,990,346 |
| Total accumulated depreciation | <u>83,998,937</u> | <u>6,452,474</u> | <u>-</u> | <u>1,700,633</u> | <u>88,750,778</u> |
| Total capital assets being depreciated, net | <u>145,121,588</u> | <u>(2,289,869)</u> | <u>-</u> | <u>1,683,681</u> | <u>141,148,038</u> |
| Capital assets, net | <u>\$ 154,878,321</u> | <u>\$ 2,412,256</u> | <u>\$ (627,552)</u> | <u>\$ 1,793,281</u> | <u>\$ 154,869,744</u> |

Construction in progress at June 30, 2019 includes the remodel and expansion of the Automotive Building and the Oralabor Road Entrance Project on the Ankeny Campus; the new Student Center and Remodel of Building 1 as well as the new Evelyn Davis Center Building on the Urban Campus; the Multi-Purpose Recreation Facility expansion on the Boone Campus; as well as other miscellaneous smaller projects. The College has entered into agreements for these projects totaling approximately \$31,300,000 of which approximately \$2,000,000 has been completed.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 CHANGES IN NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended June 30, 2019 is as follows:

| | Compensated absences | Unearned revenue, NJTP and other | OPEB liability | Early Retirement and Net Pension Liability | Certificates Payable | Plant Fund Capital Loan Notes Payable | Total |
|--|-------------------------|--|----------------------|---|-------------------------|---|-----------------------|
| Balance, beginning of year | \$ 1,786,500 | \$ 25,720,568 | \$ 20,201,251 | \$ 46,796,772 | \$ 47,735,000 | \$ 24,890,000 | \$ 167,130,091 |
| Additions | 35,000 | 12,714,534 | 2,530,885 | - | 11,855,000 | - | 27,135,419 |
| Reductions | 1,000 | 11,542,903 | 1,947,673 | 1,181,760 | 11,045,000 | 5,425,000 | 31,143,336 |
| | <u>1,820,500</u> | <u>26,892,199</u> | <u>20,784,463</u> | <u>45,615,012</u> | <u>48,545,000</u> | <u>19,465,000</u> | <u>163,122,174</u> |
| Less net unamortized discount and premium | - | - | - | - | (255,985) | (1,352,196) | (1,608,181) |
| Balance, end of year | 1,820,500 | 26,892,199 | 20,784,463 | 45,615,012 | 48,800,985 | 20,817,196 | 164,730,355 |
| Less current portion | - | 10,704,293 | 789,955 | 1,124,627 | 6,344,236 | 3,200,366 | 22,163,477 |
| Total noncurrent liabilities | <u>\$ 1,820,500</u> | <u>\$ 16,187,906</u> | <u>\$ 19,994,508</u> | <u>\$ 44,490,385</u> | <u>\$ 42,456,749</u> | <u>\$ 17,616,830</u> | <u>\$ 142,566,878</u> |

Revenue Bonds and Notes Payable

The College has issued revenue bonds and notes payable for the purchase and construction of College properties as allowed by Section 260C.19 and Section 260C.58 of the Code of Iowa. Details of the scheduled maturities for the College's revenue bonds and notes payable at June 30, 2019 are as follows:

| <u>Year ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|---------------------|----------------------|
| 2020 | \$ 2,975,000 | \$ 717,650 | \$ 3,692,650 |
| 2021 | 3,065,000 | 628,400 | 3,693,400 |
| 2022 | 3,175,000 | 521,125 | 3,696,125 |
| 2023 | 3,285,000 | 410,000 | 3,695,000 |
| 2024 | 3,415,000 | 278,600 | 3,693,600 |
| 2025 | 3,550,000 | 142,000 | 3,692,000 |
| Total | <u>\$ 19,465,000</u> | <u>\$ 2,697,775</u> | <u>\$ 22,162,775</u> |

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

Plant fund capital loan notes payable consisted of the following at June 30, 2019:

| | |
|--|-----------------------------|
| Plant fund capital loan notes payable dated July 30, 2015, with interest rates between 2.00% and 4.00% | \$ <u>19,465,000</u> |
| Total | \$ <u><u>19,465,000</u></u> |

The plant fund capital loan notes totaling \$19,465,000 are payable over six years. The proceeds of the notes were used to pay for the various costs of the building projects for the College. Interest on the notes payable is payable semiannually, while principal payments are due annually.

Total interest cost on the plant fund capital loan notes payable during the year ended June 30, 2019 was \$969,309.

Certificates Payable

Pursuant to agreements dated from 2012 to 2018, the College issued certificates totaling \$48,545,000 at June 30, 2019 with interest rates ranging from 1.80% to 3.50% 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> |
|----------------------------|------------------|-----------------|---------------|
| 2020 | \$ 6,280,000 | \$ 1,278,702 | \$ 7,558,702 |
| 2021 | 7,255,000 | 1,140,937 | 8,395,937 |
| 2022 | 7,435,000 | 964,334 | 8,399,334 |
| 2023 | 6,715,000 | 775,188 | 7,490,188 |
| 2024 | 5,665,000 | 597,281 | 6,262,281 |
| 2025-2028 | 15,195,000 | 931,704 | 16,126,704 |
| Total | \$ 48,545,000 | \$ 5,688,146 | \$ 54,233,146 |

Since inception, the College has administered 773 projects, with 119 currently receiving project funding. Of the remaining projects, 566 have been completed and closed and 88 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.

Total interest costs on the certificates during the year ended June 30, 2019 was \$1,268,510.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 non-cancelable terms in excess of one year are as follows:

| <u>Year ending June 30</u> | <u>Amount</u> |
|----------------------------|-------------------|
| 2020 | \$ 174,025 |
| 2021 | 136,000 |
| 2022 | 130,000 |
| 2023 | 100,000 |
| 2024 | 100,000 |
| 2025-2028 | 350,000 |
| Total | <u>\$ 990,025</u> |

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> |
|----------------------------|-------------------|
| 2020 | \$ 297,949 |
| 2021 | 211,470 |
| 2022 | 149,345 |
| 2023 | 131,207 |
| 2024 | 65,230 |
| Total | <u>\$ 855,201</u> |

Total rent income for all operating leases was approximately \$481,000 for the year ended June 30, 2019.

NOTE 8 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Plan Description – IPERS membership is mandatory for employees of the College except for those covered by another retirement system. Employees of the College are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary. For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) (continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the College contributed 9.44% of covered payroll, for a total rate of 15.73%.

The College's contributions to IPERS for the year ended June 30, 2019 were \$3,436,953.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the College reported a liability of \$28,307,818 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the College's collective proportion was 0.447466%, which was an increase of 0.011575% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the College recognized pension expense of \$3,956,699. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) (continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 155,208 | \$ 639,802 |
| Changes of assumptions | 4,038,285 | |
| Net difference between projected and actual earnings on IPERS' investments | | 777,808 |
| Changes in proportion and differences between College contributions and the College's proportionate share of contributions | 818,645 | 31,360 |
| College contributions subsequent to the measurement date | 3,436,953 | |
| Total | \$ 8,449,091 | \$ 1,448,970 |

\$3,436,953 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ending June 30</u> | <u>Amount</u> |
|----------------------------|---------------|
| 2020 | \$ 2,270,287 |
| 2021 | 1,197,954 |
| 2022 | (59,180) |
| 2023 | 135,459 |
| 2024 | 18,648 |
| Total | \$ 3,563,168 |

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|---|
| Rate of inflation (effective June 30, 2017) | 2.60% per annum. |
| Rate of salary increase (effective June 30, 2017) | 3.25 to 16.25% average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 2017) | 7.00% compounded annually, net of investment expense, including inflation. |
| Wage growth (effective June 30, 2017) | 3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation. |

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------|-------------------------|---|
| Domestic equity | 22% | 6.01% |
| International equity | 15.0 | 6.48 |
| Global smart beta equity | 3.0 | 6.23 |
| Core plus fixed income | 27.0 | 1.97 |
| Public credit | 3.5 | 3.93 |
| Public real assets | 7.0 | 2.91 |
| Cash | 1.0 | (0.25) |
| Private equity | 11.0 | 10.81 |
| Private real assets | 7.5 | 4.14 |
| Private credit | 3.0 | 3.11 |
| Total | <u>100.0%</u> | |

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the College will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

| | 1 % Decrease (6.00%) | Discount Rate (7.00%) | 1 % Increase (8.00%) |
|--|-------------------------|--------------------------|-------------------------|
| College's proportionate share of the net pension liability | \$ 48,044,056 | \$ 28,307,818 | \$ 11,752,048 |

IPERS Fiduciary Net Position – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 TEACHERS INSURANCE AND ANNUITY ASSOCIATION

The College contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program, which is a defined contribution pension plan. TIAA 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. Benefit terms, including contribution requirements, for TIAA are established and specified by the plan with TIAA and in accordance with the Code of Iowa. For each employee in the pension plan, the College is required to contribute 9.44% of annual salary, including overtime pay, to an individual employee account. Each employee is required to contribute 6.29%. Contributions made by both the College and employees vest immediately. For the year ended June 30, 2019 employee contributions totaled \$1,977,892 and the College recognized pension expense of \$2,968,410.

NOTE 10 PENSION COSTS - EARLY RETIREMENT

Plan Administration – The College administers an Early Retirement Cash Benefit Plan (Plan) providing a one-time cash benefit to retired employees under certain conditions. The College does not issue a separate report that includes financial statements and required supplementary information for the Plan.

Benefits Provided – Individuals who are employed by Des Moines Area Community College and are eligible to receive a one-time cash benefit upon retirement if they are at least 55 years old and have been employed for a minimum of ten years prior to retirement. Upon initial eligibility, the employee has an eligibility period that ends after seven years. The benefit is 70% of the employee’s annual salary during the year of retirement, plus an additional 2% of salary for each year of service beyond ten.

Plan Membership – as of July 1, 2019, plan membership consisted of the following:

| | |
|---|-----|
| Inactive members currently receiving benefits | 41 |
| Active members | 817 |
| Total | 858 |

Investment Policy – The College’s obligation is unfunded at June 30, 2019. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73.

Sensitivity of the Total Pension Liability to Changes in the Discount Rate – The following presents the total pension liability, calculated using the current discount rate of 3.87%, as well as the total pension liability calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current rate:

| | 1 % Decrease | Current Discount Rate | 1 % Increase |
|-------------------------|---------------|--------------------------|---------------|
| | 2.87% | 3.87% | 4.87% |
| Total Pension Liability | \$ 18,057,309 | \$ 17,307,194 | \$ 16,601,668 |

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 PENSION COSTS - EARLY RETIREMENT(continued)

Pension Expense

| Pension Expense | Measurement Period Ending June 30, 2019 |
|---|--|
| Service Cost | \$ 1,288,568 |
| Interest on Total Pension Liability | 520,449 |
| Recognition of Deferred (Inflows)/Outflows of Resources | |
| Economic/Demographic (Gains)/Losses | 64,725 |
| Assumption Changes | <u>(20,677)</u> |
| Pension Expense | <u><u>1,853,065</u></u> |

Expected Remaining Service Lives – Under GASB 73, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total Pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

The amortization period for the July 1, 2018 to June 30, 2019 measurement period was determined as follows:

| | Number of | Expected Remaining Service Lives |
|--|-----------|--|
| As of July 1, 2018 | | |
| Active Members | 817 | 7.150 |
| Inactive Members | 41 | 0.000 |
| Weighted Average Rounded to the Nearest Tenth | | 6.8 |

Deferred Inflows and Outflows of Resources – Under GASB 73, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total Pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. As of June 30, 2019, the deferred inflows and outflows of resources are as follows:

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|--|----------------------------------|-----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 459,280 |
| Changes of assumptions | <u>(665,791)</u> | <u>1,167,029</u> |
| Total | <u><u>\$ (665,791)</u></u> | <u><u>\$ 1,626,309</u></u> |

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 PENSION COSTS - EARLY RETIREMENT(continued)

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in future years' pension expense as follows:

| Year ending June 30: | Annual Recognition |
|-------------------------|-----------------------|
| 2019 | \$ 44,048 |
| 2020 | 44,048 |
| 2021 | 44,048 |
| 2022 | 44,048 |
| 2023 | 44,048 |
| Thereafter | 740,278 |
| Total | \$ 960,518 |

Schedule of Deferred Inflows and Outflows of Resources

| | Original Amount | Date Established (Measurement Date) | Original Recognition Period * | Amount Recognized in Expense June 30, 2019 | Balance of Deferred Inflows June 30, 2019 | Balance of Deferred Outflows June 30, 2019 |
|--|--------------------|--|-------------------------------------|---|--|---|
| Economic/ Demographic (Gains)/Losses | \$ 353,711 | 6/30/2018 | 6.8 | \$ 52,016 | - | \$ 301,695 |
| | 195,712 | 6/30/2016 | 15.4 | 12,709 | - | 157,585 |
| | | | | \$ 64,725 | \$ - | \$ 459,280 |
| Assumption Changes | \$ (780,583) | 6/30/2018 | 6.8 | \$ (114,792) | \$ (665,791) | - |
| | 1,449,374 | 6/30/2016 | 15.4 | 94,115 | - | 1,167,029 |
| | | | | \$ (20,677) | \$ (665,791) | \$ 1,167,029 |

*Economic/demographic (gains) and losses along with assumption changes are recognized over a closed period equal to the weighted average of expected remaining service lives for all active and inactive members.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Administration – The College administers an Other Postemployment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired employees and their dependents under certain conditions. The College does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan.

Benefits Provided – Individuals who are employed by the College and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement if they are age 55 with 10 years of service or are eligible to receive IPERS or TIAA-CREF retirement benefits. Coverage during retirement continues in the group health and dental plans. Employees covered by the plan make contributions toward the plan premiums, but employees participating in the early retirement program may have a single premium paid by the College.

Plan Membership – as of July 1, 2018, plan membership consisted of the following:

| | |
|---|-----|
| Inactive members currently receiving benefits | 142 |
| Active members | 817 |
| Total | 959 |

Investment Policy – The College’s obligation is unfunded at July 1, 2018. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of the GASB Statement No. 75.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

| | |
|---|--|
| Rate of inflation (effective June 30, 2019) | 3.00% per annum. |
| Rate of salary increase (effective June 30, 2019) | 3.50% per annum |
| Discount rate (effective June 30, 2019) | 3.87% per annum |
| Healthcare cost trend rate (effective June 30, 2019) | 5.00% for medical and dental for all years |

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Total OPEB Liability

| | As of July 1, 2018 |
|--|---------------------------|
| Actuarial Present Value of Future Benefits | |
| Retired - Employees | \$ 3,806,271 |
| Retired - Spouses/Dependents | 143,748 |
| Actives - Employees | 25,501,718 |
| Actives - Spouses/Dependents | 375,624 |
| Total | \$ 29,827,361 |
| Total OPEB Liability | |
| Retired - Employees | \$ 3,806,271 |
| Retired - Spouses/Dependents | 143,748 |
| Actives - Employees | 16,181,939 |
| Actives - Spouses/Dependents | 238,027 |
| Total | \$ 20,369,985 |

The Total OPEB Liability of the College at June 30, 2019 is projected to be \$20,784,463.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, so the Net Fiduciary Position is \$0 and the Net OPEB Liability would be equal to the Total OPEB Liability.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5.0%, as well as the total OPEB liability calculated using a rate that is 1% lower (4.0%) or 1% higher (6.0%) than the current rate:

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (OPEB)(continued)

| | 1% Decrease to 4.0% | Current Healthcare Cost Trend Rate 5.0% | 1% Increase to 6.0% |
|----------------------|------------------------|---|------------------------|
| Total OPEB Liability | \$ 19,150,384 | \$ 20,784,463 | \$ 22,640,462 |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability, calculated using the current discount rate of 3.87%, as well as the total OPEB liability calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current rate:

| | 1% Decrease 2.87% | Current Discount Rate 3.87% | 1% Increase 4.87% |
|----------------------|-------------------------|--------------------------------------|-------------------------|
| Total OPEB Liability | \$ 22,137,957 | \$ 20,784,463 | \$ 19,542,137 |

OPEB Expense

| | Fiscal Year Ending June 30, 2019 |
|---|---|
| OPEB Expense | |
| Service Cost | \$ 1,135,322 |
| Interest on Total OPEB Liability | 802,774 |
| Recognition of Deferred (Inflows)/Outflows of Resources | |
| Economic/Demographic (Gains)/Losses | 75,037 |
| Assumption Changes | 150,891 |
| OPEB Expense | \$ 2,164,024 |

Expected Remaining Service Lives – Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (OPEB)(continued)

The amortization period for the July 1, 2018 to June 30, 2019 measurement period was determined as follows.

| | Number of | Expected Remaining |
|--|-----------|-----------------------|
| As of July 1, 2018 | Members | Service Lives |
| Active Members | 817 | 9.219 |
| Inactive Members | 142 | 0.000 |
| Weighted Average Rounded to the Nearest Tenth | | 7.9 |

Deferred Inflows and Deferred Outflows of Resources Related to OPEB – Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. At June 30, 2019, the College reported deferred inflows and outflows of resources related to OPEB from the following resources:

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|--|----------------------------------|-----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 517,752 |
| Changes of assumptions | (370,377) | 1,166,042 |
| Total | <u>\$ (370,377)</u> | <u>\$ 1,683,794</u> |

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| Year ending | Annual |
|-------------|---------------------|
| June 30: | Recognition |
| 2020 | \$ 225,928 |
| 2021 | 225,928 |
| 2022 | 225,928 |
| 2023 | 225,928 |
| 2024 | 225,928 |
| Thereafter | <u>183,777</u> |
| Total | <u>\$ 1,313,417</u> |

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (OPEB)(continued)

Schedule of Deferred Inflows and Outflows of Resources

| | Original Amount | Date Established (Measurement Date) | Original Recognition Period * | Amount Recognized in Expense June 30, 2019 | Balance of Deferred Inflows June 30, 2019 | Balance of Deferred Outflows June 30, 2019 |
|--|--------------------|--|-------------------------------------|---|--|---|
| Economic/ Demographic (Gains)/Losses | \$ 592,789 | 6/30/2019 | 7.9 | \$ 75,037 | \$ - | \$ 517,752 |
| | | | | <u>\$ 75,037</u> | <u>\$ -</u> | <u>\$ 517,752</u> |
| Assumption Changes (Gains)/Losses | \$ (424,055) | 6/30/2019 | 7.9 | \$ (53,678) | \$ (370,377) | \$ - |
| | 1,575,180 | 6/30/2018 | 7.7 | 204,569 | - | 1,166,042 |
| | | | | <u>\$ 150,891</u> | <u>\$ (370,377)</u> | <u>\$ 1,166,042</u> |

*Economic/demographic (gains) and losses along with assumption changes are recognized over a closed period equal to the weighted average of expected remaining service lives for all active and inactive members.

NOTE 12 TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

College Tax Abatements – The College provides tax abatements for industrial new jobs training projects with the tax increment financing as provided for in section 403.19 of the Code of Iowa and/or state income tax withholding as provided for in section 260E.5 of the Code of Iowa. For those types of projects, the College enters into agreements with employers which require the College, after employers meet the terms of the agreements, to pay the employers for the costs of on-the-job training not to exceed 50% of the annual gross payroll costs for up to one year of the new jobs. No other commitments were made by the College as part of these agreements.

For the year ended June 30, 2019, the College had no abatements of property tax and \$11,581,888 of state income tax withholding under the projects.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 12 TAX ABATEMENTS (continued)

Tax Abatements of Other Entities – Property tax revenues of the College were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

| Entity | Tax Abatement Program | Amount of Tax Abated |
|------------------------|---|-------------------------|
| City of Altoona | Other tax abatement program | \$ 19,664 |
| City of Ames | Other tax abatement program | 23,901 |
| City of Ankeny | Other tax abatement program | 35,351 |
| City of Ankeny | Urban renewal and economic development projects | 251 |
| Audubon County | Other tax abatement program | 1,407 |
| City of Baxter | Other tax abatement program | 473 |
| City of Bondurant | Other tax abatement program | 2,760 |
| City of Boone | Urban renewal and economic development projects | 3,576 |
| Boone County | Urban renewal and economic development projects | 20,483 |
| City of Cambridge | Other tax abatement program | 9,517 |
| City of Carlisle | Other tax abatement program | 3,829 |
| City of Carroll | Other tax abatement program | 303 |
| City of Clive | Other tax abatement program | 19,436 |
| City of Colfax | Other tax abatement program | 95 |
| City of Colo | Other tax abatement program | 3,624 |
| City of Coon Rapids | Other tax abatement program | 1,389 |
| City of Dallas Center | Other tax abatement program | 346 |
| City of Dallas Center | Urban renewal and economic development projects | 1,275 |
| City of De Soto | Other tax abatement program | 1,570 |
| City of Des Moines | Other tax abatement program | 237,891 |
| City of Earlham | Urban renewal and economic development projects | 1,725 |
| City of Elkhart | Urban renewal and economic development projects | 1,719 |
| City of Glidden | Other tax abatement program | 37 |
| City of Grimes | Other tax abatement program | 7,365 |
| City of Guthrie Center | Other tax abatement program | 2 |
| City of Halbur | Other tax abatement program | 376 |
| Hardin County | Other tax abatement program | 5,321 |
| City of Huxley | Other tax abatement program | 14,531 |
| City of Indianola | Other tax abatement program | 6,912 |
| City of Johnston | Other tax abatement program | 62,937 |
| City of Kellogg | Urban renewal and economic development projects | 9,250 |
| City of Knoxville | Other tax abatement program | 9,342 |
| City of Luther | Other tax abatement program | 289 |
| City of Madrid | Other tax abatement program | 235 |
| Mahaska County | Other tax abatement program | 406 |
| City of Manning | Other tax abatement program | 4,383 |
| City of Manning | Urban renewal and economic development projects | 169 |
| City of Mitchellville | Other tax abatement program | 1,306 |
| City of Nevada | Other tax abatement program | 4,325 |
| City of Newton | Other tax abatement program | 5,093 |

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 12 TAX ABATEMENTS (continued)

| | | |
|-------------------------|---|--------|
| City of Norwalk | Other tax abatement program | 22,920 |
| City of Panora | Other tax abatement program | 188 |
| City of Panora | Urban renewal and economic development projects | 230 |
| City of Patterson | Other tax abatement program | 218 |
| City of Pella | Other tax abatement program | 75 |
| City of Perry | Other tax abatement program | 2,115 |
| City of Perry | Urban renewal and economic development projects | 35 |
| City of Pleasant Hill | Other tax abatement program | 144 |
| City of Pleasantville | Other tax abatement program | 455 |
| City of Pleasantville | Urban renewal and economic development projects | 454 |
| City of Polk City | Other tax abatement program | 7,608 |
| Polk County | Other tax abatement program | 20,247 |
| City of Prairie City | Other tax abatement program | 1,080 |
| City of Slater | Other tax abatement program | 719 |
| City of Story City | Other tax abatement program | 894 |
| City of Story City | Urban renewal and economic development projects | 5,256 |
| City of Stuart | Other tax abatement program | 2,025 |
| City of Sully | Other tax abatement program | 760 |
| City of Templeton | Other tax abatement program | 1,329 |
| City of Urbandale | Other tax abatement program | 7,579 |
| City of Van Meter | Other tax abatement program | 3,505 |
| City of Van Meter | Urban renewal and economic development projects | 3,988 |
| City of Waukee | Other tax abatement program | 5,601 |
| City of West Des Moines | Other tax abatement program | 40,019 |
| City of Windsor Heights | Other tax abatement program | 1,649 |
| City of Winterset | Other tax abatement program | 10,556 |

NOTE 13 SUBSEQUENT EVENT

The College issued \$40,000,000 of Plant Fund Capital Loan Notes on July 30, 2019. The notes will be used to finance the remodel and expansion of the Automotive Building on the Ankeny Campus, the new Student Center and Remodel of Building 1 on the Urban Campus and the Multi-Purpose Recreation Facility expansion on the Boone Campus.

NOTE 14 PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

REQUIRED SUPPLEMENTARY INFORMATION

See accompanying independent auditor's report.

**Des Moines Area Community College
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Iowa Public Employees' Retirement System
For the Last Five Years*
(In Thousands)**

Required Supplementary Information

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-----------|-----------|-----------|-----------|-----------|
| College's proportion of the net pension liability | 0.447466% | 0.435891% | 0.436377% | 0.434554% | 0.413451% |
| College's proportionate share of the net pension liability | \$ 28,308 | \$ 28,776 | \$ 27,214 | \$ 21,604 | \$ 16,733 |
| College's covered-employee payroll | \$ 36,408 | \$ 33,654 | \$ 32,243 | \$ 31,037 | \$ 29,980 |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 77.75% | 85.51% | 84.40% | 69.61% | 55.81% |
| IPERS' net position as a percentage of the total pension liability | 83.62% | 82.21% | 81.82% | 85.19% | 87.61% |

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is completed, the College will present information for those years for which information is available.

DES MOINES AREA COMMUNITY COLLEGE

Schedule of College Contributions

Iowa Public Employee's Retirement System

For the Last Ten Years

(In Thousands)

Required Supplementary Information

| | Years ended June 30, | | | | | | | | | |
|---|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Statutory required contribution | \$ 3,437 | 3,005 | 2,879 | 2,772 | 2,677 | 2,466 | 2,377 | 2,158 | 1,766 | 1,569 |
| Contributions in relation to the statutorily required contribution | (3,437) | (3,005) | (2,879) | (2,772) | (2,677) | (2,466) | (2,377) | (2,158) | (1,766) | (1,569) |
| Contribution deficiency (excess) | \$ - | - | - | - | - | - | - | - | - | - |
| College's covered-employee payroll | \$ 36,408 | 33,654 | 32,243 | 31,037 | 29,980 | 27,613 | 27,414 | 26,743 | 25,406 | 23,588 |
| Contributions as a percentage of covered-employee payroll | 9.44% | 8.93% | 8.93% | 8.93% | 8.93% | 8.93% | 8.67% | 8.07% | 6.95% | 6.65% |

Des Moines Area Community College
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2019

CHANGES OF BENEFIT TERMS:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

CHANGES OF ASSUMPTIONS:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of a quadrennial experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

**Des Moines Area Community College
Schedule of the College's Early Retirement Pension Liability**

**Early Retirement
For the Last Three Years *
(In Thousands)**

Required Supplementary Information

| | 2019 | 2018 | 2017 |
|--|------------|------------|------------|
| Total pension liability | \$ 17,307 | \$ 18,021 | \$ 18,701 |
| College's covered-employee payroll | \$ 53,585 | \$ 53,765 | \$ 51,947 |
| Total pension liability as a percentage of the covered-employee payroll | 32.30% | 33.52% | 36.00% |

* In accordance with GASB Statement No. 73, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10 year trend is completed, the College will present information for those years for which information is available.

Des Moines Area Community College
Schedule of Changes in College's Total OPEB Liability, Related Ratios and Notes
For the Last Two Years

Required Supplementary Information

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Service cost | \$ 1,135,322 | \$ 1,157,330 |
| Interest cost | 802,774 | 723,101 |
| Difference between expected and actual experiences | 592,789 | - |
| Changes in assumptions | (424,055) | 1,575,180 |
| Benefit payments | (1,523,618) | (1,440,371) |
| Net change in total OPEB liability | 583,212 | 2,015,240 |
| Total OPEB liability beginning of year, as restated | 20,201,251 | 18,186,011 |
| Total OPEB liability end of year | <u>\$ 20,784,463</u> | <u>\$ 20,201,251</u> |
| | | |
| Covered-Employee payroll | \$ 53,584,895 | \$ 53,765,153 |
| | | |
| Total OPEB liability as a percentage of the covered-employee payroll | 38.79% | 37.57% |

CHANGES OF BENEFIT TERMS:

There were no significant changes in benefit terms.

CHANGES OF ASSUMPTIONS:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

| | |
|--------------------------|-------|
| Year ended June 30, 2019 | 3.87% |
| Year ended June 30, 2018 | 3.58% |
| Year ended June 30, 2017 | 5.00% |

OTHER SUPPLEMENTARY INFORMATION

Des Moines Area Community College
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL
 Year ended June 30, 2019

| <u>Funds/Levy</u> | <u>Original budget</u> | <u>Actual</u> | <u>Variance between actual and budget</u> |
|-------------------------------|----------------------------|-----------------------|---|
| Unrestricted | \$ 109,241,917 | \$ 108,138,461 | \$ 1,103,456 |
| Restricted | | | |
| Unemployment | 120,000 | 77,384 | 42,616 |
| Insurance | 7,735,000 | 5,582,300 | 2,152,700 |
| Early retirement | 2,936,000 | 2,281,585 | 654,415 |
| Equipment replacement | 4,022,902 | 3,866,538 | 156,364 |
| Other | 36,797,841 | 27,777,335 | 9,020,506 |
| Total restricted | <u>51,611,743</u> | <u>39,585,142</u> | <u>12,026,601</u> |
| Total unrestricted/restricted | 160,853,660 | 147,723,603 | 13,130,057 |
| Plant | <u>35,328,336</u> | <u>18,588,069</u> | <u>16,740,267</u> |
| Total | <u>\$ 196,181,996</u> | <u>\$ 166,311,672</u> | <u>\$ 29,870,324</u> |

Note to Budgetary Reporting:

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the College on a basis consistent with U.S. generally accepted 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, Scholarships and Grants Accounts, Loan Funds, Endowment Funds and Agency Funds.

For the year ended June 30, 2019, the College's expenditures did not exceed the amount budgeted.

DES MOINES AREA COMMUNITY COLLEGE

Assets, Liabilities and Fund Balances

June 30, 2019

| Assets | Current funds | | Nonoperating funds | | | | | Adjustments | Totals |
|---|----------------------------------|--------------------------------|--------------------|----------------------|------------------------|---------------------|------------------------|-----------------------|--------|
| | General unrestricted funds | General restricted funds | Loan funds | Plant Funds | | Agency funds | | | |
| | | | | Unexpended | Investment in plant | | | | |
| Cash and short-term pooled investments | \$ 19,598,741 | \$ 46,526,957 | \$ 27,832 | \$ (1,056,348) | \$ - | \$ 2,968,063 | \$ - | \$ 68,065,245 | |
| Pooled investments | - | 4,000,000 | - | - | - | - | - | 4,000,000 | |
| Receivables: | | | | | | | | | |
| Accounts, net of allowance of \$313,785 | 16,603,546 | 1,166,928 | 31,261 | 4,506,014 | - | 17,223 | - | 22,324,972 | |
| Succeeding year property tax | 9,341,484 | 11,416,771 | - | 9,341,484 | - | - | - | 30,099,739 | |
| Iowa Industrial New Jobs Training Program | - | 37,544,494 | - | - | - | - | - | 37,544,494 | |
| Due from other governments | 102,613 | 1,097,055 | - | - | - | - | - | 1,199,668 | |
| Inventories | 305,759 | - | - | - | - | - | - | 305,759 | |
| Prepaid expenses | 65,890 | 230,462 | - | - | - | - | - | 296,352 | |
| | <u>46,018,033</u> | <u>101,982,667</u> | <u>59,093</u> | <u>12,791,150</u> | <u>-</u> | <u>2,985,286</u> | <u>-</u> | <u>163,836,229</u> | |
| Capital assets: | | | | | | | | | |
| Land | - | - | - | - | 8,892,253 | - | - | 8,892,253 | |
| Buildings | - | - | - | - | 192,071,520 | - | - | 192,071,520 | |
| Improvements other than buildings | - | - | - | - | 18,909,217 | - | - | 18,909,217 | |
| Equipment and vehicles | - | - | - | - | 18,918,079 | - | - | 18,918,079 | |
| Construction in progress | - | - | - | - | 4,829,453 | - | - | 4,829,453 | |
| Accumulated depreciation | - | - | - | - | - | - | (88,750,778) | (88,750,778) | |
| Total assets | <u>46,018,033</u> | <u>101,982,667</u> | <u>59,093</u> | <u>12,791,150</u> | <u>243,620,522</u> | <u>2,985,286</u> | <u>(88,750,778)</u> | <u>318,705,973</u> | |
| Deferred outflows of resources: | | | | | | | | | |
| Pension related deferred outflows | - | - | - | - | - | - | 12,215,514 | 12,215,514 | |
| OPEB related deferred outflows | - | - | - | - | - | - | 1,683,794 | 1,683,794 | |
| Total deferred outflows | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,899,308</u> | <u>13,899,308</u> | |
| Total assets and deferred outflows of resources | <u>\$ 46,018,033</u> | <u>\$ 101,982,667</u> | <u>\$ 59,093</u> | <u>\$ 12,791,150</u> | <u>\$ 243,620,522</u> | <u>\$ 2,985,286</u> | <u>\$ (74,851,470)</u> | <u>\$ 332,605,281</u> | |

DES MOINES AREA COMMUNITY COLLEGE

Assets, Liabilities and Fund Balances (Continued)

June 30, 2019

| Liabilities, Deferred Inflows of Resources and Fund Balances | Current funds | | Nonoperating funds | | | | | Adjustments | Totals |
|--|----------------------------------|--------------------------------|--------------------|---------------|------------------------|-----------------|-----------------|----------------|--------|
| | General unrestricted funds | General restricted funds | Loan funds | Plant Funds | | Agency funds | | | |
| | | | | Unexpended | Investment in plant | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ 715,972 | \$ 544,447 | \$ - | \$ 1,955,379 | \$ - | \$ 18,801 | \$ - | \$ 3,234,599 | |
| Salaries and benefits payable | 4,497,154 | 185,000 | - | 2,000 | - | 1,200 | - | 4,685,354 | |
| Self-funded health claims payable | - | 6,903,830 | - | - | - | - | - | 6,903,830 | |
| Accrued interest payable | - | 104,854 | - | 56,863 | - | - | - | 161,717 | |
| Revenue: | | | | | | | | | |
| Other | 14,250,566 | 26,892,199 | - | - | - | - | - | 41,142,765 | |
| Early retirement pension costs payable | - | 1,124,627 | - | - | - | - | 16,182,567 | 17,307,194 | |
| Deposits held in custody for others | 23,781 | - | - | - | - | 2,965,285 | - | 2,989,066 | |
| Compensated absences | 1,567,000 | 227,000 | - | 26,500 | - | - | - | 1,820,500 | |
| Certificates payable | - | 48,800,985 | - | - | - | - | - | 48,800,985 | |
| Plant fund capital loan notes payable | - | - | - | 1,352,196 | 19,465,000 | - | - | 20,817,196 | |
| Net pension liability | - | - | - | - | - | - | 28,307,818 | 28,307,818 | |
| Net OPEB liability | - | 2,632,369 | - | - | - | - | 18,152,094 | 20,784,463 | |
| Total liabilities | 21,054,473 | 87,415,311 | - | 3,392,938 | 19,465,000 | 2,985,286 | 62,642,479 | 196,955,487 | |
| Deferred inflows of resources | | | | | | | | | |
| Succeeding year property tax | 9,341,484 | 11,416,771 | - | 9,341,484 | - | - | - | 30,099,739 | |
| Pension related deferred inflows | - | - | - | - | - | - | 2,114,761 | 2,114,761 | |
| OPEB related deferred inflows | - | - | - | - | - | - | 370,377 | 370,377 | |
| Total deferred inflows of resources | 9,341,484 | 11,416,771 | - | 9,341,484 | - | - | 2,485,138 | 32,584,877 | |
| Fund balances: | | | | | | | | | |
| Net investment in capital assets | - | - | - | - | 224,155,522 | - | (88,750,778) | 135,404,744 | |
| Restricted: | | | | | | | | | |
| Nonexpendable: | | | | | | | | | |
| Cash reserve | - | 755,088 | - | - | - | - | - | 755,088 | |
| Expendable: | | | | | | | | | |
| Scholarships and fellowships | - | 335,553 | - | - | - | - | - | 335,553 | |
| Loans | - | - | 59,093 | - | - | - | - | 59,093 | |
| Plant fund | - | - | - | - | - | - | - | - | |
| Other | - | 2,943,425 | - | - | - | - | - | 2,943,425 | |
| Unrestricted | 15,622,076 | (883,481) | - | 56,728 | - | - | (51,228,309) | (36,432,986) | |
| Total fund balances | 15,622,076 | 3,150,585 | 59,093 | 56,728 | 224,155,522 | - | (139,979,087) | 103,064,917 | |
| Total liabilities, deferred inflows or resources and fund balances | \$ 46,018,033 | \$ 101,982,667 | \$ 59,093 | \$ 12,791,150 | \$ 243,620,522 | \$ 2,985,286 | \$ (74,851,470) | \$ 332,605,282 | |

DES MOINES AREA COMMUNITY COLLEGE
Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2019

| | <u>Current operating funds</u> | | | <u>Loan funds</u> | <u>Plant Funds</u> | | | <u>Adjustments</u> | <u>Totals</u> |
|---|--------------------------------|-------------------|--------------------|-----------------------|--------------------|---------------------------------------|--------------------------------|---------------------|--------------------|
| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> | | <u>Unexpended</u> | <u>Retirement of indebtedness</u> | <u>Investment in plant</u> | | |
| Revenues and other additions: | | | | | | | | | |
| Tuition and fees | \$ 59,312,461 | \$ 1,600,715 | \$ 60,913,176 | \$ - | \$ - | \$ - | \$ - | \$ (19,006,059) | \$ 41,907,117 |
| Federal appropriations | 435,276 | 22,299,238 | 22,734,514 | - | - | - | - | - | 22,734,514 |
| Iowa Industrial New Jobs Training Program | - | 10,030,932 | 10,030,932 | - | - | - | - | - | 10,030,932 |
| State appropriations | 34,482,977 | 7,424,846 | 41,907,823 | - | 660,749 | - | - | - | 42,568,572 |
| Property tax | 8,783,141 | 12,568,648 | 21,351,789 | - | 2,622,634 | 6,178,126 | - | - | 30,152,549 |
| Auxiliary enterprises revenue | 2,296,228 | - | 2,296,228 | - | - | - | - | (64,427) | 2,231,801 |
| Interest and investment income | 497,037 | 1,029,296 | 1,526,333 | - | - | - | - | - | 1,526,333 |
| Expended for plant assets (including \$1,653,356 in current operating fund expenditures) | - | - | - | - | - | - | 8,237,177 | (8,237,177) | - |
| Retirement of indebtedness | - | - | - | - | - | - | 5,425,000 | (5,425,000) | - |
| Proceeds from sale of bonds | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 8,706,406 | 4,741,543 | 13,447,949 | - | 7,470,896 | - | - | (283,713) | 20,635,132 |
| Total revenues and other additions | 114,513,526 | 59,695,218 | 174,208,744 | - | 10,754,279 | 6,178,126 | 13,662,177 | (33,016,376) | 171,786,950 |
| Expenditures and other deductions: | | | | | | | | | |
| Education and support: | | | | | | | | | |
| Liberal arts and sciences | 29,186,804 | - | 29,186,804 | - | - | - | - | 437,528 | 29,624,332 |
| Vocational technical | 32,563,303 | 2,846,347 | 35,409,650 | - | - | - | - | 530,814 | 35,940,464 |
| Adult education | 6,731,679 | 8,473,702 | 15,205,381 | - | - | - | - | 227,937 | 15,433,318 |
| Cooperative services | - | 7,042,151 | 7,042,151 | - | - | - | - | 105,567 | 7,147,718 |
| Administration | 3,909,132 | - | 3,909,132 | - | - | - | - | 11,666 | 3,920,798 |
| Student services | 11,509,133 | 567,247 | 12,076,380 | - | - | - | - | 181,031 | 12,257,411 |
| Learning resources | 3,207,455 | - | 3,207,455 | - | - | - | - | 48,082 | 3,255,537 |
| Physical plant | 8,329,617 | 5,178,732 | 13,508,349 | - | 5,826,122 | - | - | (34,279) | 19,300,192 |
| General institution | 11,224,843 | 7,385,176 | 18,610,019 | - | - | - | - | (64,427) | 18,545,592 |
| Scholarships and grants | - | 19,006,059 | 19,006,059 | - | - | - | - | (19,006,059) | - |
| Total education and support | 106,661,966 | 50,499,414 | 157,161,380 | - | 5,826,122 | - | - | (17,562,140) | 145,425,362 |
| Auxiliary enterprises | 7,250,541 | - | 7,250,541 | - | - | - | - | - | 7,250,541 |
| Expended for plant assets | 760,904 | 892,452 | 1,653,356 | - | 6,583,821 | - | - | (8,237,177) | - |
| Administrative and collection costs | 112,724 | - | 112,724 | - | - | - | - | - | 112,724 |
| Retirement of indebtedness | - | - | - | - | - | 5,425,000 | - | (5,425,000) | - |
| Loan cancellations and bad debts | 646,919 | - | 646,919 | 9,772 | - | - | - | - | 656,691 |
| Interest on indebtedness | - | 1,268,510 | 1,268,510 | - | - | 753,126 | - | - | 2,021,636 |
| Depreciation | - | - | - | - | - | - | - | 6,452,474 | 6,452,474 |
| Disposition of capital assets | - | - | - | - | - | - | 3,493,915 | (1,700,636) | 1,793,279 |
| Total expenditures and other deductions | 115,433,054 | 52,660,376 | 168,093,430 | 9,772 | 12,409,943 | 6,178,126 | 3,493,915 | (26,472,479) | 163,712,707 |
| Excess(deficiency) of revenues over(under) expenditures | (919,528) | 7,034,842 | 6,115,314 | (9,772) | (1,655,664) | - | 10,168,262 | (6,543,897) | 8,074,243 |
| Transfers among funds: | | | | | | | | | |
| Non-mandatory transfers | 115,869 | (5,131,272) | (5,015,403) | 5,000 | 5,040,121 | - | - | (1) | 29,717 |
| Net increase (decrease) for the year | (803,659) | 1,903,570 | 1,099,911 | (4,772) | 3,384,457 | - | 10,168,262 | (6,543,898) | 8,103,960 |
| Fund balances at beginning of year | 16,425,735 | 1,247,015 | 17,672,750 | 63,865 | (3,327,729) | - | 244,252,257 | (163,700,186) | 94,960,957 |
| Fund balances at end of year | \$ 15,622,076 | \$ 3,150,585 | \$ 18,772,661 | \$ 59,093 | \$ 56,728 | \$ - | \$ 254,420,519 | \$ (170,244,084) | \$ 103,064,917 |

DES MOINES AREA COMMUNITY COLLEGE

Revenues, Expenditures, and Changes in Fund Balances - Unrestricted Fund

Year ended June 30, 2019

| | Education | | | Support | | | | | Education and Support Total |
|---|---------------------------|------------------------|-------------------|------------------|-------------------|--------------------|-------------------|---------------------|-----------------------------|
| | Liberal Arts and Sciences | Vocational Technical | Adult Education | Adminis-tration | Student Services | Learning Resources | Physical Plant | General Institution | |
| Revenues: | | | | | | | | | |
| Tuition and fees | \$ 36,945,739 | \$ 16,013,124 | \$ 6,333,886 | \$ 2,088 | \$ 17,494 | \$ - | \$ - | \$ 130 | \$ 59,312,461 |
| Federal appropriations | - | - | - | 25,985 | - | - | - | 384,238 | 410,223 |
| State appropriations | - | 26,004 | 276,121 | - | - | 449 | - | 34,177,403 | 34,479,977 |
| Property tax | - | - | - | - | - | - | - | 8,783,141 | 8,783,141 |
| Interest income | - | - | - | - | - | - | - | 488,084 | 488,084 |
| Miscellaneous | 459,954 | 339,355 | 94,509 | 88,401 | 9,640 | 2,884 | 419,789 | 2,300,528 | 3,715,060 |
| | <u>37,405,693</u> | <u>16,378,483</u> | <u>6,704,516</u> | <u>116,474</u> | <u>27,134</u> | <u>3,333</u> | <u>419,789</u> | <u>46,133,524</u> | <u>107,188,946</u> |
| Allocation of support services | 29,025,290 | 12,234,068 | 5,440,896 | (116,474) | (27,134) | (3,333) | (419,789) | (46,133,524) | - |
| Total revenues | <u>66,430,983</u> | <u>28,612,551</u> | <u>12,145,412</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>107,188,946</u> |
| Expenditures: | | | | | | | | | |
| Salaries and benefits | 27,534,029 | 30,403,128 | 3,653,461 | 2,930,545 | 10,868,719 | 2,891,286 | 5,597,692 | 7,649,102 | 91,527,962 |
| Services | 377,059 | 505,740 | 2,384,771 | 891,623 | 366,134 | 107,216 | 1,690,246 | 2,666,620 | 8,989,409 |
| Materials and supplies | 940,863 | 1,411,608 | 597,230 | 53,770 | 210,543 | 203,179 | 1,027,247 | 741,426 | 5,185,866 |
| Travel | 268,009 | 210,770 | 84,581 | 27,845 | 37,507 | 5,774 | 14,069 | 105,446 | 754,001 |
| Expended for plant assets | - | 19,840 | 14,205 | 13,331 | - | - | 579,025 | 90,452 | 716,853 |
| Scholarships | - | - | - | - | - | - | - | 3,648 | 3,648 |
| Bad debt | 479,036 | 167,883 | - | - | - | - | - | - | 646,919 |
| Miscellaneous | 66,844 | 32,057 | 11,636 | 118,073 | 26,230 | - | 363 | 58,601 | 313,804 |
| | <u>29,665,840</u> | <u>32,751,026</u> | <u>6,745,884</u> | <u>4,035,187</u> | <u>11,509,133</u> | <u>3,207,455</u> | <u>8,908,642</u> | <u>11,315,295</u> | <u>108,138,462</u> |
| Allocation of support services | 24,224,308 | 10,210,469 | 4,540,935 | (4,035,187) | (11,509,133) | (3,207,455) | (8,908,642) | (11,315,295) | - |
| Total expenditures | <u>53,890,148</u> | <u>42,961,495</u> | <u>11,286,819</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>108,138,462</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>12,540,835</u> | <u>(14,348,944)</u> | <u>858,593</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(949,516)</u> |
| Transfers: | | | | | | | | | |
| Non-mandatory transfers | (578) | 14,858 | (40,768) | - | 63,426 | - | 706,306 | 458,554 | 1,201,798 |
| Total transfers | <u>(578)</u> | <u>14,858</u> | <u>(40,768)</u> | <u>-</u> | <u>63,426</u> | <u>-</u> | <u>706,306</u> | <u>458,554</u> | <u>1,201,798</u> |
| Net increase (decrease) for the year | \$ <u>12,540,257</u> | \$ <u>(14,334,086)</u> | \$ <u>817,825</u> | \$ <u>-</u> | \$ <u>63,426</u> | \$ <u>-</u> | \$ <u>706,306</u> | \$ <u>458,554</u> | <u>252,282</u> |
| Fund balances at beginning of year | | | | | | | | | 11,637,101 |
| Fund balances at end of year | | | | | | | | | \$ <u>11,889,383</u> |

DES MOINES AREA COMMUNITY COLLEGE

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

Year ended June 30, 2019

| | <u>Career Education</u> | <u>Vending</u> | <u>Student Housing</u> | <u>Athletics</u> | <u>Newton Leased Space</u> | <u>Trail Point</u> | <u>Other</u> | <u>Total</u> |
|---|-----------------------------|-------------------|----------------------------|------------------|------------------------------------|--------------------|---------------------|---------------------|
| Revenues and other additions: | | | | | | | | |
| Sales and services | \$ 741,254 | \$ 113,100 | \$ 914,405 | \$ 7,499 | \$ 305,328 | \$ 99,541 | \$ 115,101 | \$ 2,296,228 |
| Student fee allocations | 535,096 | - | 23,890 | 527,850 | 2,150 | - | 119,062 | 1,208,048 |
| State support | 3,000 | - | - | - | - | - | - | 3,000 |
| Interest income | - | - | 8,953 | - | - | - | - | 8,953 |
| Federal appropriations | - | - | 25,053 | - | - | - | - | 25,053 |
| Miscellaneous | 579,768 | 134,702 | 18,642 | 10 | 2,760 | 2,793,179 | 254,237 | 3,783,298 |
| Total revenues and other additions | <u>1,859,118</u> | <u>247,802</u> | <u>990,943</u> | <u>535,359</u> | <u>310,238</u> | <u>2,892,720</u> | <u>488,400</u> | <u>7,324,580</u> |
| Expenditures and other deductions: | | | | | | | | |
| Salaries and benefits | 702,993 | 30,979 | 210,571 | 209,465 | 172,892 | 1,417,617 | 110,985 | 2,855,502 |
| Services | 497,993 | 22,612 | 331,863 | 87,228 | 613,261 | 459,454 | 333,727 | 2,346,138 |
| Materials and supplies | 223,939 | 12,965 | 24,277 | 125,111 | 58,959 | 85,298 | 38,334 | 568,883 |
| Travel | 224,840 | 46 | - | 121,333 | - | 4,727 | 15,390 | 366,336 |
| Purchases for resale | 358,702 | 36,523 | - | - | - | - | - | 395,225 |
| Expended for plant assets | 10,500 | - | - | - | - | 33,551 | - | 44,051 |
| Bad debts | - | - | - | - | - | - | - | - |
| Interest on debt | - | - | - | - | - | - | - | - |
| Miscellaneous | 208,277 | 94,255 | - | 22,637 | 3,919 | 27,439 | 361,930 | 718,457 |
| Total expenditures and other deductions | <u>2,227,244</u> | <u>197,380</u> | <u>566,711</u> | <u>565,774</u> | <u>849,031</u> | <u>2,028,086</u> | <u>860,366</u> | <u>7,294,592</u> |
| Excess(deficiency) of revenues over(under) expenditures | <u>(368,126)</u> | <u>50,422</u> | <u>424,232</u> | <u>(30,415)</u> | <u>(538,793)</u> | <u>864,634</u> | <u>(371,966)</u> | <u>29,988</u> |
| Transfers among funds (non-mandatory) | <u>953,259</u> | <u>8,101</u> | <u>(1,099,959)</u> | <u>(5,779)</u> | <u>-</u> | <u>(856,125)</u> | <u>(85,425)</u> | <u>(1,085,928)</u> |
| Net increase (decrease) for the year | <u>585,133</u> | <u>58,523</u> | <u>(675,727)</u> | <u>(36,194)</u> | <u>(538,793)</u> | <u>8,509</u> | <u>(457,391)</u> | <u>(1,055,940)</u> |
| Fund balances at beginning of year | <u>119,338</u> | <u>273,398</u> | <u>902,060</u> | <u>36,194</u> | <u>(434,539)</u> | <u>156,388</u> | <u>3,735,794</u> | <u>4,788,633</u> |
| Fund balances at end of year | <u>\$ 704,471</u> | <u>\$ 331,921</u> | <u>\$ 226,333</u> | <u>\$ -</u> | <u>\$ (973,332)</u> | <u>\$ 164,897</u> | <u>\$ 3,278,403</u> | <u>\$ 3,732,693</u> |

DES MOINES AREA COMMUNITY COLLEGE

Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Restricted Funds

Year ended June 30, 2019

| | Scholarship | Equipment Replacement | Iowa Employment Solutions | Insurance and Tort | Early Retirement | Unemployment Compensation | Cash Reserve | Grants and Contracts | Iowa Industrial New Jobs Training Programs | Other | Total |
|--|-------------|-----------------------|---------------------------|--------------------|------------------|---------------------------|--------------|----------------------|--|--------------|--------------|
| Revenues and other additions: | | | | | | | | | | | |
| Tuition and fees | \$ 218,532 | \$ 5,250 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 749,656 | \$ 11,625 | \$ 615,652 | \$ 1,600,715 |
| Federal appropriations | 18,233,550 | - | 1,195,189 | - | - | - | - | 2,870,499 | - | - | 22,299,238 |
| Iowa Industrial New Jobs Training Program | - | - | - | - | - | - | - | - | 10,030,932 | - | 10,030,932 |
| State appropriations | - | 115,888 | - | 142,169 | 112,553 | 2,070 | - | 3,479,338 | - | 3,572,828 | 7,424,846 |
| Property tax | - | 3,911,425 | - | 4,795,262 | 3,792,292 | 69,669 | - | - | - | - | 12,568,648 |
| Gifts and grants | - | - | - | - | - | - | - | 1,811,572 | - | - | 1,811,572 |
| Interest and investment income | - | - | - | - | - | - | - | - | 1,029,296 | - | 1,029,296 |
| Miscellaneous | 700 | 35,155 | 1,898 | 27,130 | (4,416) | - | - | 2,132 | 10 | 2,867,362 | 2,929,971 |
| Total revenues and other additions | 18,452,782 | 4,067,718 | 1,197,087 | 4,964,561 | 3,900,429 | 71,739 | - | 8,913,197 | 11,071,863 | 7,055,842 | 59,695,218 |
| Expenditures and other deductions: | | | | | | | | | | | |
| Salaries and benefits | - | - | 684,950 | 403,568 | 2,281,585 | 77,384 | - | 6,408,963 | 1,143,238 | 1,378,109 | 12,377,797 |
| Services | - | 777,604 | 433,083 | 5,028,154 | - | - | - | 1,738,673 | 6,854,604 | 660,248 | 15,492,366 |
| Materials and supplies | 117 | 1,800,257 | 26,500 | 150,578 | - | - | - | 403,638 | 488,486 | 481,737 | 3,351,313 |
| Travel | - | 603 | 2,902 | - | - | - | - | 176,043 | 31,232 | 32,710 | 243,490 |
| Expended for plant assets | - | 767,511 | - | - | - | - | - | 3,000 | - | 121,941 | 892,452 |
| Interest on indebtedness | - | - | - | - | - | - | - | - | 1,268,510 | - | 1,268,510 |
| Scholarships and grants | 18,738,556 | - | - | - | - | - | - | 86,121 | - | 181,382 | 19,006,059 |
| Private scholarships | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 97 | - | 125 | - | - | - | - | 18,009 | - | 10,158 | 28,389 |
| Total expenditures and other deductions | 18,738,770 | 3,345,975 | 1,147,560 | 5,582,300 | 2,281,585 | 77,384 | - | 8,834,447 | 9,786,070 | 2,866,285 | 52,660,376 |
| Excess (deficiency) of revenues over (under) expenditures for the year | (285,988) | 721,743 | 49,527 | (617,739) | 1,618,844 | (5,645) | - | 78,750 | 1,285,793 | 4,189,557 | 7,034,842 |
| Transfers among funds: | | | | | | | | | | | |
| Mandatory transfers | - | - | - | - | - | - | - | - | - | - | - |
| Non-mandatory transfers | 266,592 | (520,563) | (58,474) | 250,000 | 15,672 | - | - | (85,140) | (1,285,793) | (3,713,566) | (5,131,272) |
| Net increase (decrease) for the year | (19,396) | 201,180 | (8,947) | (367,739) | 1,634,516 | (5,645) | - | (6,390) | - | 475,991 | 1,903,570 |
| Fund balances(deficit) at beginning of year | 354,949 | 883,178 | 24,509 | (23,642) | (2,110,798) | 114,127 | 755,088 | (9,428) | - | 1,259,032 | 1,247,015 |
| Fund balances(deficit) at end of year | \$ 335,553 | \$ 1,084,358 | \$ 15,562 | \$ (391,381) | \$ (476,282) | \$ 108,482 | \$ 755,088 | \$ (15,818) | \$ - | \$ 1,735,023 | \$ 3,150,585 |

DES MOINES AREA COMMUNITY COLLEGE

Changes in Deposits Held in Custody for Others - Agency Funds

Year ended June 30, 2019

| | <u>Student activities</u> | <u>Special funded activities</u> | <u>Iowa Workforce Development</u> | <u>Community College Athletic Conference</u> | <u>Student clubs and organizations</u> | <u>Other</u> | <u>Total</u> |
|------------------------------|-------------------------------|--|---|--|--|-------------------|---------------------|
| Balance, beginning of year | \$ 485,626 | \$ 317,419 | \$ - | \$ 163,971 | \$ 350,980 | \$ 202,966 | \$ 1,520,962 |
| Additions: | | | | | | | |
| Tuition and fees | 355,974 | - | - | - | - | - | 355,974 |
| State appropriations | - | - | - | - | - | - | - |
| Federal funds | - | 47,176 | 37,676 | - | - | - | 84,852 |
| Sales and services | 26,602 | 23,415 | - | - | 6,594 | - | 56,611 |
| Interest on investments | - | - | - | - | - | - | - |
| Other | 117,389 | 660,240 | - | 375,612 | 169,909 | 72,053 | 1,395,203 |
| Transfers in | 91,907 | 62,637 | - | - | 85,611 | - | 240,155 |
| Total additions | <u>591,872</u> | <u>793,468</u> | <u>37,676</u> | <u>375,612</u> | <u>262,114</u> | <u>72,053</u> | <u>2,132,795</u> |
| Deductions: | | | | | | | |
| Salaries and benefits | 7,981 | 7,334 | 1,305 | 188,596 | - | 36,513 | 241,729 |
| Services | 92,939 | 393,814 | 35,830 | 47,573 | 72,033 | - | 642,189 |
| Materials and supplies | 154,302 | 102,679 | 232 | 17,311 | 76,899 | - | 351,423 |
| Travel | 3,596 | 220,457 | 309 | 8,063 | 61,379 | - | 293,804 |
| Cost of goods sold | 45,049 | - | - | - | 2,822 | - | 47,871 |
| Scholarships | - | 5,000 | - | - | 468 | - | 5,468 |
| Expended for plant assets | 9,800 | 5,461 | - | - | - | - | 15,261 |
| Other | 8,518 | 7,824 | - | 77,681 | 6,332 | - | 100,355 |
| Transfers out | 256,804 | 4,431 | - | - | 8,635 | - | 269,870 |
| Total deductions | <u>578,989</u> | <u>747,000</u> | <u>37,676</u> | <u>339,224</u> | <u>228,568</u> | <u>36,513</u> | <u>1,967,970</u> |
| Net additions and deductions | <u>12,883</u> | <u>46,468</u> | <u>-</u> | <u>36,388</u> | <u>33,546</u> | <u>35,540</u> | <u>164,825</u> |
| Balances, end of year | <u>\$ 498,509</u> | <u>\$ 363,887</u> | <u>\$ -</u> | <u>\$ 200,359</u> | <u>\$ 384,526</u> | <u>\$ 238,506</u> | <u>\$ 1,685,787</u> |

Schedule 8

DES MOINES AREA COMMUNITY COLLEGE

Credit and Contact Hours

For the period from August 24, 2018 through August 23, 2019

| Category | Contact hours | | | Total |
|--------------------------------------|--|-------------------------|---------------------------------|------------------|
| | Credit hours eligible for aid | Eligible for aid | Not eligible for aid | |
| Arts and sciences | 321,820 | 5,931,888 | - | 5,931,888 |
| Vocational education | 110,426 | 2,500,272 | - | 2,500,272 |
| Adult education/continuing education | - | 1,068,730 | 43,224 | 1,111,954 |
| Related services and activities | - | - | - | - |
| Total | 432,246 | 9,500,890 | 43,224 | 9,544,114 |

DES MOINES AREA COMMUNITY COLLEGE

Taxes and Intergovernmental Revenues

(Excluding the Agency Funds)

For the Last Ten Years

| | Years ended June 30, | | | | | | | | | |
|----------------------|----------------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Local (property tax) | \$ 30,152,549 | \$ 27,282,408 | \$ 27,996,241 | \$ 24,905,167 | \$ 23,561,603 | \$ 24,333,253 | \$ 19,857,656 | \$ 19,779,534 | \$ 18,089,665 | \$ 17,532,643 |
| State | 42,568,572 | 41,790,288 | 41,942,149 | 42,447,764 | 42,315,794 | 40,541,436 | 33,037,238 | 28,720,739 | 29,051,616 | 27,090,659 |
| Federal | 22,734,514 | 24,140,494 | 23,948,913 | 28,349,064 | 32,320,757 | 35,314,471 | 34,468,787 | 39,980,889 | 42,465,427 | 39,944,241 |
| Total | \$ 95,455,635 | \$ 93,213,190 | \$ 93,887,303 | \$ 95,701,995 | \$ 98,198,154 | \$ 100,189,160 | \$ 87,363,681 | \$ 88,481,162 | \$ 89,606,708 | \$ 84,567,543 |

DES MOINES AREA COMMUNITY COLLEGE

Current Fund Revenues by Source

and Expenditures by Function

For the Last Ten Years

| | Years ended June 30, | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Revenues: | | | | | | | | | | |
| Tuition and fees | \$ 60,913,176 | \$ 59,450,084 | \$ 56,812,281 | \$ 56,082,724 | \$ 55,497,150 | \$ 57,558,044 | \$ 57,611,546 | \$ 61,763,642 | \$ 59,906,044 | \$ 52,668,767 |
| Property tax | 21,351,789 | 19,086,163 | 20,155,662 | 17,440,485 | 16,305,177 | 17,197,614 | 12,980,395 | 12,989,120 | 11,550,038 | 11,279,076 |
| Federal appropriations | 22,734,514 | 24,140,494 | 23,948,913 | 28,349,064 | 32,320,757 | 35,314,471 | 34,468,787 | 39,980,889 | 42,465,427 | 39,944,241 |
| State appropriations | 41,907,823 | 41,135,166 | 41,282,896 | 41,777,023 | 41,462,061 | 39,255,830 | 31,709,683 | 28,566,347 | 28,382,697 | 26,610,659 |
| Interest income from investments | 1,526,333 | 936,672 | 407,187 | 214,866 | 185,744 | 165,060 | 224,557 | 367,933 | 712,496 | 792,264 |
| Iowa Industrial New Jobs Training Program | 10,030,932 | 11,593,051 | 9,652,203 | 8,047,866 | 13,635,607 | 9,922,594 | 17,253,987 | 18,214,126 | 11,466,792 | 14,051,594 |
| Auxiliary enterprises revenue | 2,296,228 | 2,284,187 | 2,199,499 | 1,732,748 | 2,247,636 | 2,283,470 | 2,118,589 | 2,217,100 | 2,199,463 | 2,651,778 |
| Proceeds from sale of bonds | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 13,447,949 | 11,760,590 | 9,995,537 | 10,171,523 | 9,204,026 | 8,331,727 | 9,091,623 | 9,151,754 | 6,522,268 | 5,886,232 |
| Total | \$174,208,744 | \$ 170,386,407 | \$ 164,454,178 | \$ 163,816,299 | \$ 170,858,158 | \$ 170,028,810 | \$ 165,459,167 | \$ 173,250,911 | \$ 163,205,225 | \$ 153,884,611 |
| Expenditures | | | | | | | | | | |
| Liberal arts and sciences | \$ 29,665,840 | \$ 29,180,129 | \$ 28,585,988 | \$ 28,763,674 | \$ 29,513,883 | \$ 29,118,289 | \$ 28,767,926 | \$ 28,049,295 | \$ 26,265,239 | \$ 23,397,899 |
| Vocational technical | 35,715,660 | 34,883,526 | 34,607,269 | 34,127,073 | 33,531,331 | 31,629,541 | 31,404,396 | 31,177,970 | 29,734,690 | 28,073,906 |
| Adult education | 15,226,240 | 14,816,071 | 14,447,609 | 15,856,443 | 17,025,831 | 16,526,337 | 12,237,069 | 11,421,379 | 10,036,125 | 9,376,075 |
| Cooperative services | 7,042,151 | 8,915,303 | 6,766,371 | 4,553,284 | 9,447,573 | 5,232,155 | 11,348,114 | 13,536,302 | 5,929,199 | 8,084,678 |
| Administration | 4,035,187 | 3,791,371 | 3,891,486 | 3,876,910 | 4,002,173 | 3,895,909 | 3,650,186 | 3,670,320 | 3,571,180 | 3,839,613 |
| Student services | 12,076,380 | 11,835,687 | 11,461,316 | 11,465,838 | 11,102,412 | 11,227,505 | 9,730,664 | 8,989,529 | 8,800,990 | 7,747,604 |
| Learning resources | 3,217,955 | 3,121,318 | 3,112,975 | 3,249,642 | 3,254,168 | 3,091,480 | 3,144,357 | 3,030,744 | 2,910,249 | 2,929,197 |
| Physical plant | 14,087,374 | 13,121,389 | 12,660,186 | 12,556,889 | 12,321,904 | 12,843,940 | 12,349,361 | 12,612,339 | 10,441,362 | 8,013,448 |
| General institution | 19,501,533 | 19,650,424 | 20,191,339 | 18,440,140 | 15,867,283 | 15,744,921 | 17,823,668 | 18,205,034 | 20,267,851 | 17,109,638 |
| Auxiliary enterprises | 7,250,541 | 6,011,804 | 4,682,955 | 3,693,576 | 3,859,034 | 3,447,538 | 3,544,972 | 3,438,561 | 3,471,079 | 4,041,098 |
| Scholarships and grants | 19,006,059 | 19,809,893 | 18,601,681 | 20,954,242 | 24,326,291 | 26,844,407 | 28,301,052 | 33,061,080 | 34,717,959 | 29,629,518 |
| Interest on indebtedness | 1,268,510 | 1,323,155 | 1,445,722 | 1,460,843 | 1,959,968 | 2,426,085 | 2,926,002 | 3,258,937 | 3,391,773 | 3,547,259 |
| Total | \$ 168,093,430 | \$ 166,460,070 | \$ 160,454,897 | \$ 158,998,554 | \$ 166,211,851 | \$ 162,028,107 | \$ 165,227,767 | \$ 170,451,490 | \$ 159,537,696 | \$ 145,789,933 |

Des Moines Area Community College
Schedule of Expenditures of Federal Awards (SEFA)
Federal Expenditures for July 1, 2018 through June 30, 2019

| <u>Grantor</u> | <u>CFDA</u> <u>Number</u> | <u>Pass-through</u> <u>Entity Identifying</u> <u>Number</u> | <u>Federal</u> <u>Expenditures</u> | <u>New Loans &</u> <u>New Loan</u> <u>Guarantees</u> |
|--|------------------------------|---|---------------------------------------|--|
| Department of Education | | | | |
| Direct: | | | | |
| Federal Supplemental Educational Opportunity Grant | 84.007 | | \$ 349,805 | \$ - |
| Federal Work-study Program | 84.033 | | 365,941 | - |
| Federal Pell Grant Program | 84.063 | | 17,897,726 | - |
| Federal Pell Grant Administrative Fee | 84.063 | | 25,985 | - |
| Federal Direct Student Loans | 84.268 | | - | 25,070,026 |
| Total Student Financial Assistance Cluster | | | 18,639,457 | 25,070,026 |
| Direct Trio Grants: | | | | |
| Student Support Services FY18 Award | 84.042 | | 76,825 | - |
| Student Support Services FY19 Award | 84.042 | | 230,742 | - |
| Student Support Services-Grant Aid | 84.042 | | 10,650 | - |
| Upward Bound FY18 Award | 84.047 | | 42,608 | - |
| Upward Bound FY19 Award | 84.047 | | 206,353 | - |
| Childcare Access Means Parents in School | 84.335 | | 144,890 | - |
| Total Trio Grants | | | 712,068 | - |
| Indirect through Iowa Department of Education: | | | | |
| Adult Education-Adult Basic Education | 84.002 | G70027 | 456,675 | - |
| Adult Education-Adult Basic Education Teacher Training | 84.002 | G70027 | 19,049 | - |
| Adult Education-EL Civics | 84.002 | G70042 | 12,547 | - |
| Career and Technical Education-Vocational Education - Perkins Funds | 84.048 | G80189 | 795,894 | - |
| Career and Technical Education-Perkins Iowa FCCLA | 84.048 | SO0519 | 14,732 | - |
| Career and Technical Education-Perkins Iowa DECA | 84.048 | SO0219 | 4,128 | - |
| Career and Technical Education-Perkins Iowa FBLA | 84.048 | SO0419 | 11,077 | - |
| Career and Technical Education-Perkins Iowa HOSA | 84.048 | SO0719 | 6,754 | - |
| Career and Technical Education-Perkins Iowa PBL | 84.048 | SO0419 | 3,000 | - |
| Career and Technical Education-Perkins Iowa Skills USA | 84.048 | SO0919 | 7,485 | - |
| Total through Iowa Department of Education | | | 1,331,342 | - |
| Indirect through Iowa Department of Corrections: | | | | |
| Title I-Newton Correctional Facility | 84.048 | 50208 | 15,000 | - |
| Title I-Iowa Women's Institute for Women | 84.048 | 50169 | 15,624 | - |
| Career and Technical Education-Vocational Education - Perkins Funds NCF | 84.048 | 50208 | 9,400 | - |
| Career and Technical Education-Vocational Education - Perkins Funds ICIW | 84.048 | 50169 | 9,092 | - |
| Total through Iowa Department of Corrections | | | 49,116 | - |
| Indirect through Iowa Vocational Rehabilitation Services: | | | | |
| Vocational Rehabilitation Grants to States | 84.126 | 17-VRIN-01 | 101,410 | - |
| Total U.S. Department of Education | | | 20,833,393 | 25,070,026 |

Des Moines Area Community College
Schedule of Expenditures of Federal Awards (SEFA)
Federal Expenditures for July 1, 2018 through June 30, 2019

| <u>Grantor</u> | <u>CFDA Number</u> | <u>Pass-through Entity Identifying Number</u> | <u>Federal Expenditures</u> | <u>New Loans & New Loan Guarantees</u> |
|--|------------------------|---|---------------------------------|--|
| Department of Health & Human Services | | | | |
| Indirect through Iowa Department of Public Health Pregnancy Assistance Fund Program | 93.500 | 5888PAF01 | 4,993 | - |
| Indirect through University of Iowa National Institute of Health Cardiovascular Disease Research | 93.837 | 5R01HL119882-05 | 23,804 | - |
| Total Department of Health & Human Services | | | 28,798 | - |
| Department of Agriculture Food & Nutrition Services | | | | |
| Indirect through Kirkwood Community College State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | DMC2019FAET | 85,086 | - |
| Total Department of Agriculture Food & Nutrition Services | | | 85,086 | - |
| Social Security Administration | | | | |
| Direct: Ticket to Work | 96.008 | | 37,676 | - |
| Total Social Security Administration | | | 37,676 | - |
| National Science Foundation | | | | |
| Direct: Education and Human Resources - NSF Scholarships in STEM | 47.076 | | 65,341 | - |
| Indirect through Iowa State University Education and Human Resources | 47.076 | 1619654 - 42018089D | 26,497 | - |
| Indirect through Northwestern University Education and Human Resources | 47.076 | DUE-1821684 | 2,231 | - |
| Total National Science Foundation | | | 94,068 | - |

Des Moines Area Community College
Schedule of Expenditures of Federal Awards (SEFA)
Federal Expenditures for July 1, 2018 through June 30, 2019

| <u>Grantor</u> | <u>CFDA</u> <u>Number</u> | <u>Pass-through</u> <u>Entity Identifying</u> <u>Number</u> | <u>Federal</u> <u>Expenditures</u> | <u>New Loans &</u> <u>New Loan</u> <u>Guarantees</u> |
|---|------------------------------|---|---------------------------------------|--|
| Department of Labor | | | | |
| Direct: | | | | |
| YouthBuild 4 | 17.274 | | 62,121 | - |
| YouthBuild 5 | 17.274 | | 317,952 | - |
| Total Direct Department of Labor | | | 380,073 | - |
| Indirect through Hawkeye Community College | | | | |
| Trade Adjustment Assistance Community College & Career Training Grants Program | 17.282 | TC-26439-14-60-A-19 | 858 | - |
| Indirect through Iowa Workforce Development: | | | | |
| WIA Disability Employment Initiative | 17.207 | 16-W-PF-DE-03 | 221,481 | - |
| WIA Disability Employment Initiative | 17.207 | M509149 | 69,439 | - |
| WIOA Cluster | | | | |
| WIA/WIOA Central Iowa Workforce Development Board | | | | |
| WIA/WIOA Administration | 17.258 & 17.278 | 17-W-11-WI-OA | 62,172 | - |
| Workforce Investment Board | 17.278 | 17-W-11-WI-OA | 15,225 | - |
| WIA/WIOA Adult Program | 17.258 | 17-W-11-WI-OA | 424,890 | - |
| Workforce Investment Board | 17.259 | 17-W-11-WI-OA | 229 | - |
| WIA/WIOA Dislocated Workers | 17.278 | 17-W-11-WI-OA | 401,752 | - |
| Total WIOA Cluster | | | 904,269 | - |
| Total Indirect through Iowa Workforce Development | | | 1,195,189 | - |
| Total Department of Labor | | | 1,576,120 | - |
| Department of Transportation-Federal Motor Carrier Safety Administration | | | | |
| Direct: | | | | |
| FY2017 Commercial Motor Vehicle Operator Safety Training Project | 20.235 | FM-DTG-0054-17 | 2,300 | - |
| Total Department of Transportation | | | 2,300 | - |
| Corporation for National and Community Service | | | | |
| Indirect through Public Allies, Inc. and Corporation for National Community Service | | | | |
| AmeriCorp Program, Public Allies Iowa | 94.006 | 17-CX-01-2.1 | 80,799 | - |
| Total Corporation for National and Community Service | | | 80,799 | - |
| Total Federal Expenditures | | | \$ 22,738,240 | \$ 25,070,026 |

Des Moines Area Community College
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Des Moines Area Community College under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Des Moines Area Community College, it is not intended to and does not present the financial position, changes in financial position or cash flows of Des Moines Area Community College.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles on OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Des Moines Area Community College has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 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, 2019.



**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***

Board of Directors
Des Moines Area Community College
Ankeny, Iowa

We have audited, 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, the 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, 2019, and the related notes to financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 5, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Des Moines Area Community College
Ankeny, Iowa

Report on Compliance for Each Major Federal Program

We have audited Des Moines Area Community College's (the College) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. The College's major federal programs are identified in the summary of the independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 5, 2019

Des Moines Area Community College
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2019

Part I—Summary of the Independent Auditor's Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) No significant deficiencies or material weaknesses 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 or material weaknesses in internal control over the major programs were disclosed by the audit.
- (e) An unmodified 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 the Uniform Guidance, Section 200.515.
- (g) Major programs were as follows:
 - CFDA Number 84.007, 84.033, 84.063, 84.268 — Student Financial Assistance Cluster
 - CFDA Number 17.258, 17.259, 17.278 — WIOA Cluster
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Des Moines Area Community College qualified as a low-risk auditee.

**Des Moines Area Community College
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2019**

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

INTERNAL CONTROL DEFICIENCIES

None

INSTANCES OF NONCOMPLIANCE

No matters noted

Part III—Findings and Questioned Costs for Federal Awards

INTERNAL CONTROL DEFICIENCIES

None

INSTANCES OF NONCOMPLIANCE

No matters noted