

Des Moines Area Community College

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

June 30, 2014

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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	2017
Kevin Halterman	Vice President	2017
Fred Buie	Member	2017
Madelyn Tursi	Member	2015
James Knott	Member	2017
Jeff Hall	Member (Resigned, June 2014)	2015
Wayne Rouse	Member	2015
Cheryl Langston	Member	2015
Carl Metzger	Member	2015
Felix Gallagher	Member (Appointed, July 2014)	2015
Community College		
Robert Denson	President/CEO	
Kim Linduska	Executive Vice President, Academic Affairs	
Greg Martin	Vice President, Business Services	
Ben Voaklander	Controller	
Carolyn Farlow	Board Secretary	



INDEPENDENT AUDITOR'S REPORT

To the 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, 2014, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the component unit were not audited in accordance with *Governmental 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, 2014, 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 schedule of funding progress for the retiree health plan on page 34 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 second paragraph of this report, the financial statements for the nine years ended June 30, 2013 (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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, 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 4, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 4, 2014

Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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, 2014. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ College operating revenues decreased approximately \$5.9 million or 8.9%. The decrease primarily resulted from decreases in the Iowa Industrial New Jobs Training Program and miscellaneous revenues. Training revenues to the College under the Iowa Industrial New Jobs Training Program decreased \$7.3 million or 43%. The decrease can be attributed to the size of the bond sales and the amount of withholding collected on the previous bond sales. Miscellaneous revenues were also down \$2.4 million or 21.6%. The decrease in miscellaneous revenues can be attributed to the fact that construction related donations have decreased significantly from the previous year.
- ◆ College operating expenses decreased by \$140,000 or 0.1%. The decrease in operating expenses was the result of the College's enrollment being down 4%, and the College instituting budget cuts equaling approximately \$3 million. Instructional costs for Liberal Arts and Sciences, Vocational Technical, and Adult Education increased a total of \$4.7 million or 6.6%. Instructional costs were up due to an increase in outside grant funding. Cooperative services decreased \$6.1 million or 54%. This decrease was primarily a timing issue related to reimbursements made from the Iowa Industrial New Jobs Training Program. Physical Plant costs increased approximately \$900,000 or 5.4% as a result of increased capacity added through the completion of several construction projects. General institution costs decreased by \$1.7 million or 10%.
- ◆ The College's net position increased by \$6.0 million. The net investment in capital assets increased approximately \$5.3 million as a result of \$9.4 million in assets being capitalized, \$4.7 million of depreciation, and the retirement of \$1.2 million in related debt. Unexpended funds in the plant fund increased by approximately \$1.1 million. The increase resulted from the College completing and having less expense for the Southridge Center, remodeling Building 1 on the Ankeny Campus and a second floor addition at the Hunziker Center in Ames. The net position related to the College's early retirement plan increased by \$169,000. The major component of the early retirement is the net OPEB liability, which increased by \$739,000. The other restricted decreased by \$950,000 as a result of the equipment replacement funds being used due to cuts in the operating budgets. The unrestricted net position increased by \$800,000.

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 a schedule of funding progress for the retiree health plan.

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.

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

REPORTING THE COLLEGE FINANCIAL ACTIVITIES

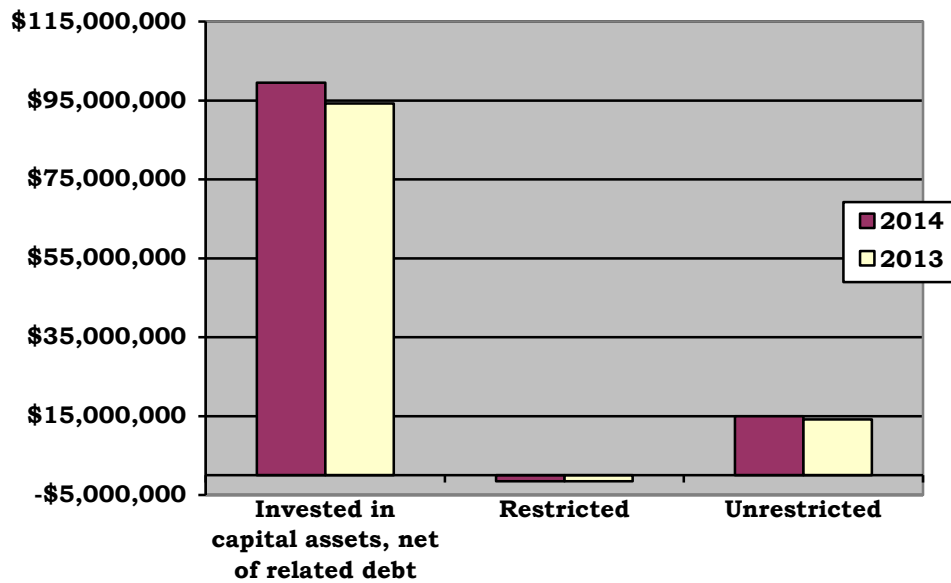
The Statement of Net Position

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 (assets less liabilities). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net 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	
	2014	2013
Current assets	\$ 130,305,849	\$ 122,288,480
Other assets	39,049,826	43,146,634
Capital assets, net of accumulated depreciation	103,810,096	99,737,001
Total assets	273,165,771	265,172,115
Current liabilities	53,815,352	53,955,947
Noncurrent liabilities	82,880,328	79,917,819
Total liabilities	136,695,680	133,873,766
Deferred inflows of resources	23,560,518	24,441,267
Net position:		
Net investment in capital assets	99,520,096	94,257,001
Restricted	(1,546,965)	(1,538,221)
Unrestricted	14,936,442	14,138,302
Total net position	\$ 112,909,573	\$ 106,857,082

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Comparison of Net Position



The largest portion of the College's net position (88%) 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 (-1.0%) includes resources that are subject to external restrictions. The remaining net position (13%) is the unrestricted net position that can be used to meet the College's obligations as they come due.

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 nonoperating, and the expenses incurred by the College, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the College.

In general, a public college, such as Des Moines Area Community College, will report an operating loss since the financial reporting model classifies state appropriations, Pell grants and property tax as nonoperating revenues. Operating revenues are received for providing goods and services to the students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

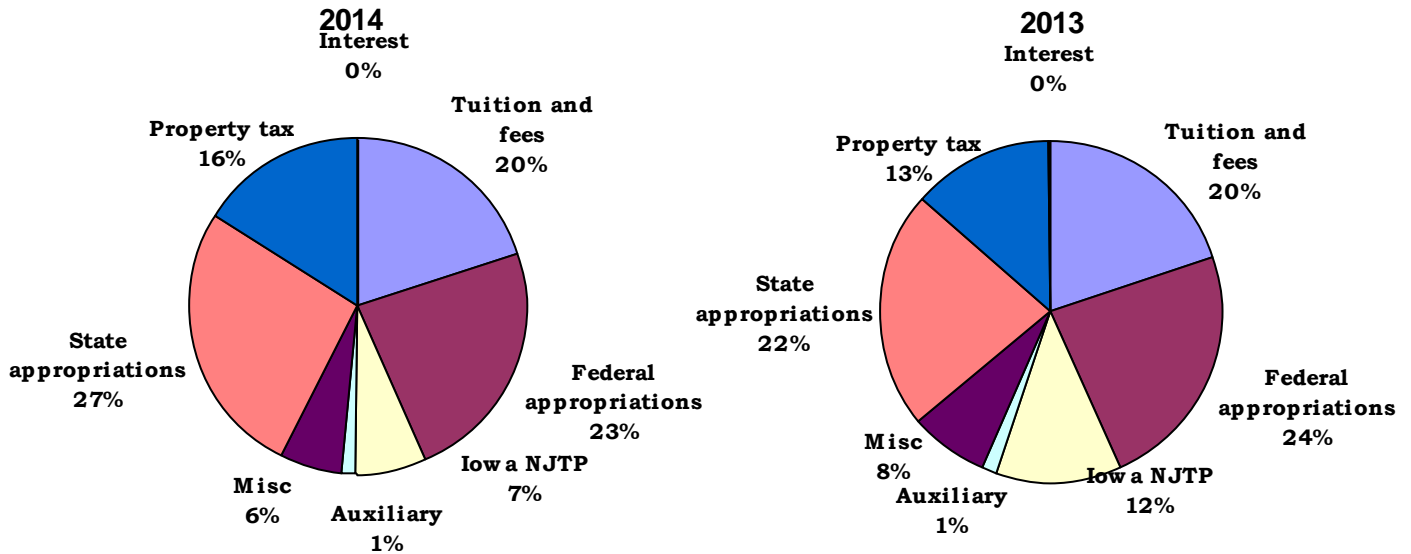
Changes in Net Position

	Year ended June 30	
	2014	2013
Operating revenues:		
Tuition and fees	\$ 30,713,637	\$ 29,310,494
Federal appropriations	9,215,254	6,968,061
Iowa Industrial New Jobs Training Program	9,922,594	17,253,987
Auxiliary enterprises revenue	2,206,567	2,025,926
Miscellaneous	8,753,487	11,155,865
Total operating revenues	60,811,539	66,714,333
Total operating expenses	142,637,610	142,778,175
Operating loss	(81,826,071)	(76,063,842)
Nonoperating revenues, (expenses) and transfers		
State appropriations	40,541,936	33,037,238
Pell grant	26,099,217	27,500,726
Property tax	24,333,254	19,857,656
Interest and investment income	165,060	224,557
Loss on disposition of capital assets	(644,617)	(4,080)
Interest on indebtedness	(2,510,516)	(3,031,493)
Transfers from agency funds	(105,772)	38,380
Net nonoperating revenues and transfers	87,878,562	77,622,984
Increase in net position	6,052,491	1,559,142
Net position beginning of year	106,857,082	105,297,940
Net position end of year	\$ 112,909,573	\$ 106,857,082

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, with an increase in net position of \$6.0 million at the end of the fiscal year. This increase is the net result of a \$1.1 million increase in the unexpended plant fund, a \$364,000 decrease in the general restricted funds, a \$800,000 million increase in the general unrestricted funds, and a \$4.6 million increase in capital assets, net of related debt.

Total Revenues by Source



In fiscal year 2014, operating revenues decreased by approximately \$5.9 million or 8.9%. The decrease was primarily a result of the following changes:

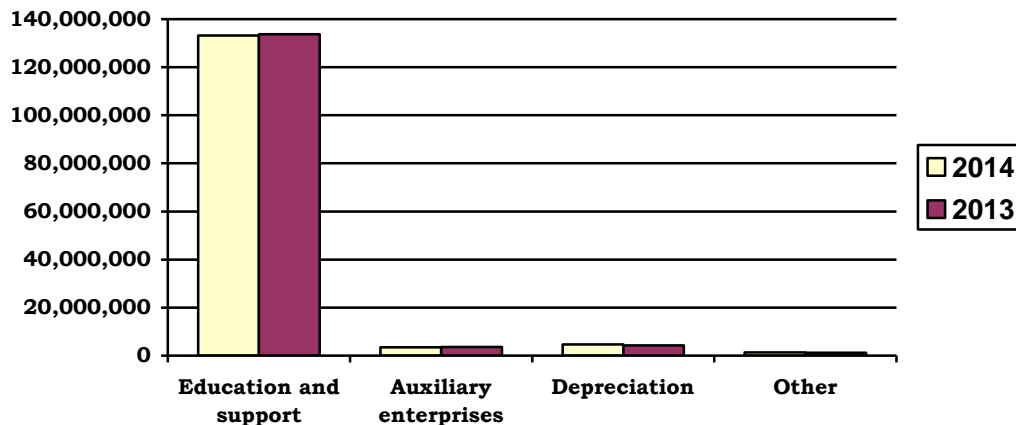
- ◆ Tuition and fees, net of scholarship allowances, increased approximately \$1.4 million or 4.8%. This increase was caused by a decrease in the number of credit hours taught of 4%. The enrollment decrease was offset by an increase in the tuition rate of 2.3% from \$133 to \$136. The enrollment decrease and the tuition rate increase combined to decrease tuition and fees revenue by \$1 million or 2%. Scholarship allowances that decrease the student's tuition and fees cost, decreased by \$1.5 million or 5.2%. For financial reporting purposes, scholarship allowances reduce tuition revenue.
- ◆ The College provides training to new employees of area businesses under the Iowa Industrial New Jobs Training Program. The revenue from these training projects decreased \$7.3 million or 43%. Despite the economic conditions, the College sold \$9.125 million in New Jobs Training Certificates during the fiscal year. This number has remained steady for the third straight year, with \$12.7 million being sold in 2013 and \$10 million in 2012.
- ◆ Miscellaneous revenue decreased \$2.4 million or 21.6%, which can be attributed to the college receiving a smaller amount of donations towards construction projects in the current fiscal year.
- ◆ Federal appropriations increased approximately \$2.2 million or 32%, which can be attributed to increases in Federal grant awards. Auxiliary revenue was almost identical to what it had been the year before.

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Operating Expenses

	Year ended June 30	
	2014	2013
Education and support:		
Liberal arts and sciences	\$ 28,391,020	\$ 28,124,131
Vocational technical	31,349,202	31,204,667
Adult education	16,530,400	12,274,924
Cooperative services	5,266,822	11,424,337
Administration	3,753,093	3,506,157
Student services	11,301,896	9,796,023
Learning resources	3,111,963	3,165,477
Physical plant	18,281,260	17,356,729
General institution	15,183,219	16,889,053
Auxiliary enterprises	3,447,538	3,544,972
Loan cancellations and bad debts	1,231,123	1,109,522
Administrative and collection costs	97,697	91,766
Depreciation	4,692,377	4,290,417
Total	<u>\$ 142,637,610</u>	<u>\$ 142,778,175</u>

Total Expenses



In fiscal year 2014, operating expenses decreased by approximately \$140,565 or 0.1%. The following factors explain some of the changes:

- ◆ Enrollment decreased by 4%, and the College responded by eliminating \$3 million of operating and part-time salary expenses from the operating budget of the College.
- ◆ The cost of bad debts increased by \$121,601 or 11%. The larger write off is attributed to the large growth in enrollment during 2009-2011. The College writes bad debt off after the debt is two years old.

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

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	
	2014	2013
Cash provided by (used in):		
Operating activities	\$ (67,190,736)	\$ (69,672,292)
Noncapital financing activities	89,067,574	74,854,774
Capital and related financing activities	(10,922,753)	(15,953,663)
Investing activities	2,565,075	9,445,064
Net increase (decrease) in cash	13,519,160	(1,326,117)
Cash and short-term pooled investments, beginning of the year	48,687,331	50,013,448
Cash and short-term pooled investments, end of the year	\$ 62,206,491	\$ 48,687,331

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 \$2.5 million. The decrease was attributed to a decrease in tuition revenue as a result of a 4% decline in enrollment.

Cash provided by noncapital financing activities increased \$14.2 million. The increase is the result of increased funding from the State of Iowa, and increase in the overall property tax levy during 2014.

Cash used in capital and related financing activities decreased \$5.0 million over the prior year. The decrease was the result of the College spending less on construction projects.

The cash provided by investing activities decreased \$6.9 million. The College has decreased the amount maintained in pooled investments.

**Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

CAPITAL ASSETS

At June 30, 2014, the College had approximately \$104 million invested in capital assets, net of accumulated depreciation of \$67.6 million. Depreciation charges totaled \$4.7 million for FY2014. Details of capital assets are shown below.

Capital Assets, Net, at Year-End

	June 30	
	2014	2013
Land	\$ 7,451,348	\$ 7,232,796
Buildings	84,752,520	69,478,040
Construction in progress	911,070	12,104,414
Improvements other than buildings	6,304,327	6,763,393
Leased equipment	34,660	59,126
Equipment and vehicles	4,356,171	4,099,232
Total	\$ 103,810,096	\$ 99,737,001

Planned capital expenditures for the fiscal year ending June 30, 2014 and beyond include a new Student Center/YMCA on the Ankeny Campus, and an addition the Iowa Culinary Institute in Building 7 on the Ankeny Campus. The College appropriates approximately \$1.25 million annually for computer equipment and technology upgrades for the computer labs, networks and classrooms. The College also plans to spend an estimated \$1.4 million annually for maintenance on the buildings and grounds. In September 2013, the voters approved to continue the plant fund levy for another ten years through 2025. The \$.2025 per thousand levy generates approximately \$7.25 million per year for the College.

The College has an approved \$.06 per thousand levy for instructional equipment. This levy results in the College receiving an additional \$2 million per year for instructional equipment. The voters also approved continuing the equipment levy for ten more years through 2025.

DEBT

At June 30, 2014, the College had \$69.1 million in debt outstanding, a decrease of \$670,000 from 2013. The table below summarizes these amounts by type.

Outstanding Debt

	June 30	
	2014	2013
Certificates payable	\$ 64,815,000	\$ 64,295,000
Notes payable	1,065,000	2,095,000
Revenue bonds payable	3,225,000	3,385,000
Total	\$ 69,105,000	\$ 69,775,000

The College does not anticipate issuing any debt during the fiscal year ending June 30, 2015, except for the sale of approximately \$10 million in new jobs training certificates. The College does anticipate issuing new debt after July 1, 2015, to finance the cost of the new Student Center/YMCA.

Des Moines Area Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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 Legislature has continued to support Iowa's community colleges. For the fiscal year ended June 30, 2014, the College received \$31.8 million in state general aid. For the fiscal year ending June 30, 2015, the College has been allocated \$33.7 million. The College is anticipating that this amount will remain at the same level for the year ending on June 30, 2016. For future budget years, the College is cautiously optimistic regarding state general aid. Aggressive and prudent budget management, pre-planning for anticipated expense reductions, and enrollment increases have allowed the College to deal with revenue losses without significant impact on operations that would affect the student experience.
- ◆ Past reductions in state aid to the College have put pressure on students by increasing tuition rates. In the fiscal year ended June 30, 2014, the College actually experienced an enrollment decrease of 4.0%. For the Fall Term of the fiscal year ending June 30, 2015 the College experienced a 3.0% enrollment decrease. The budget had been adjusted by 3% during budget development, so the College did not have to cut expenditures. Even though the College has not been able to maintain large enrollment increases, the enrollment levels still average a 5 percent growth rate. Within these enrollment numbers there are still many positives with several departments actually experiencing increases and certain market segments increasing.
- ◆ 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 job training activity; and there is potential to provide additional training to area business and industry. Iowa Industrial New Jobs Training projects totaled over \$9 million for 2014.
- ◆ 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 needs to reduce the size of the list of students waiting to get into programs, or aggressively recruit students into those programs if the College is to meet business and student demands. 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.

The College anticipates the current fiscal year (FY2015) 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, 2014

	<u>College</u>	<u>Foundation</u>
Assets		
Current assets:		
Cash and short-term pooled investments (Note 2)	\$ 62,206,491	\$ 1,320,151
Pooled investments (Note 2)	14,365,000	9,438,268
Receivables:		
Accounts, net of allowance of \$313,785	15,205,086	8,261
Succeeding year property tax	23,560,518	-
Iowa Industrial New Jobs Training Program	11,822,956	-
Due from other governments	2,789,328	-
Inventories (Note 3)	336,897	-
Prepaid expenses	19,573	5,610
Total current assets	<u>130,305,849</u>	<u>10,772,290</u>
Noncurrent assets:		
Receivables		
Iowa Industrial New Jobs Training Program	38,787,542	-
Cash value of life insurance	262,284	-
Capital assets, net of accumulated depreciation (Note 4)	<u>103,810,096</u>	<u>306,906</u>
Total noncurrent assets	<u>142,859,922</u>	<u>306,906</u>
Total assets	<u>\$ 273,165,771</u>	<u>\$ 11,079,196</u>

DES MOINES AREA COMMUNITY COLLEGE

Statement of Net Position (Continued)

June 30, 2014

	<u>College</u>	<u>Foundation</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 3,184,049	\$ 2,595
Payable to Des Moines Area Community College	-	16,235
Salaries and benefits payable	5,022,137	-
Self-funded health claims payable	1,936,036	-
Accrued interest payable	200,007	-
Unearned revenue:		
Tuition	13,774,179	-
Iowa Industrial New Jobs Training Program and other	12,891,471	-
Early retirement pension cost and OPEB liability payable (Notes 11 and 12)	1,242,233	-
Deposits held in custody for others	1,987,343	-
Capital lease payable (Note 6)	26,509	-
Certificates payable (Note 5)	12,322,899	-
Notes payable and certificates of participation (Note 5)	1,228,489	-
	<u>53,815,352</u>	<u>18,830</u>
Noncurrent liabilities (Note 5 and 6):		
Compensated absences	1,722,200	-
Unearned revenue, Iowa Industrial New Jobs Training Program and other	17,342,717	-
Early retirement pension cost and OPEB liability payable (Notes 11 and 12)	8,025,746	-
Capital lease payable	11,462	-
Certificates payable	52,755,271	-
Notes payable	3,022,932	-
	<u>82,880,328</u>	<u>-</u>
	<u>136,695,680</u>	<u>18,830</u>
Total liabilities		
Deferred Inflows of Resources		
Unavailable property tax revenue	23,560,518	-
	<u>23,560,518</u>	<u>-</u>
Net position		
Net investment in capital assets	99,520,096	-
Restricted:		
Nonexpendable:		
Cash reserve	755,088	-
Scholarships and fellowships	-	4,011,500
Expendable:		
Scholarships and fellowships	200,217	-
Loans	106,260	-
Plant fund	560,819	-
Early retirement	(7,258,244)	-
Other	4,088,895	-
Unrestricted	14,936,442	7,048,866
Commitments (Notes 4, 7, 11, 12 and 13)		
	<u>\$ 112,909,573</u>	<u>\$ 11,060,366</u>

Exhibit B

DES MOINES AREA COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2014

	College	Foundation
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$26,844,407	\$ 30,713,637	\$ -
Federal appropriations	9,215,254	-
Iowa Industrial New Jobs Training Program	9,922,594	-
Auxiliary enterprises revenue	2,206,567	-
Contributions	-	1,575,795
Miscellaneous	8,753,487	-
Total operating revenues	60,811,539	1,575,795
Operating expenses:		
Education and support		
Liberal arts and sciences	28,391,020	-
Vocational technical	31,349,202	-
Adult education	16,530,400	-
Cooperative services	5,266,822	-
Administration	3,753,093	64,854
Student services	11,301,896	-
Learning resources	3,111,963	-
Physical plant	18,281,260	-
General institution	15,183,219	-
Auxiliary enterprises	3,447,538	-
Scholarships and grants	-	1,047,071
Fund raising	-	75,586
Loan cancellations and bad debts	1,231,123	-
Administrative and collection costs	97,697	-
Depreciation	4,692,377	14,499
Total operating expenses	142,637,610	1,202,010
Operating income (loss)	(81,826,071)	373,785
Nonoperating revenues (expenses):		
State appropriations	40,541,936	-
Pell grant	26,099,217	-
Property tax	24,333,254	-
Interest and investment income	165,060	1,452,415
Loss on disposition of capital assets	(644,617)	-
Interest on indebtedness	(2,510,516)	-
Net nonoperating revenues (expenses)	87,984,334	1,452,415
Change in net position	6,158,263	1,826,200
Transfers from agency funds	(105,772)	-
Total change in net position	6,052,491	1,826,200
Net position, beginning of year	106,857,082	9,234,166
Net position, end of year	\$ 112,909,573	\$ 11,060,366

DES MOINES AREA COMMUNITY COLLEGE

Statement of Cash Flows
Year Ended June 30, 2014

Cash flows from operating activities:	
Tuition and fees	\$ 33,595,760
Federal appropriations	9,691,340
Iowa Industrial New Jobs Training Program	16,380,093
Payments to employees for salaries and benefits	(93,707,665)
Payments to suppliers for goods and services	(44,112,449)
Auxiliary enterprise receipts	2,206,567
Other receipts	8,755,618
	<hr/>
Net cash used in operating activities	(67,190,736)
Cash flows from noncapital financing activities:	
State appropriations	39,692,039
Pell grant	26,138,158
Property tax	24,333,254
Net agency fund activity	286,567
Proceeds from certificates payable	9,125,000
Principal paid on debt	(8,605,000)
Interest paid	(1,902,444)
	<hr/>
Net cash provided by noncapital financing activities	89,067,574
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(9,410,089)
Leased assets	(25,156)
Principal paid on debt	(1,190,000)
Interest paid	(297,508)
	<hr/>
Net cash used in capital and related financing activities	(10,922,753)
Cash flows from investing activities:	
Interest on investments	165,060
Net change in pooled investments	2,400,015
	<hr/>
Net cash provided by investing activities	2,565,075
Net decrease in cash and short-term pooled investments	13,519,160
Cash and short-term pooled investments at beginning of year	48,687,331
Cash and short-term pooled investments at end of year	\$ <u>62,206,491</u>

DES MOINES AREA COMMUNITY COLLEGE

Statement of Cash Flows (Continued)

Year Ended June 30, 2014

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(81,826,071)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,692,377
Changes in assets and liabilities:	
Decrease in accounts receivable	3,191,399
Decrease in Iowa Industrial New Jobs Training Program receivables	3,133,393
Decrease in due from and due to other governments	476,086
Decrease in prepaid expenses	348,291
Increase in inventories	(20,378)
Decrease in accounts payable	(1,767,884)
Increase in salaries and benefits payable unearned	2,989,729
Increase in other post employment benefits	3,014,830
Decrease in early retirement payable	738,644
Decrease in deposits held in custody for others	(2,163,283)
	<u>2,131</u>
Total adjustments	<u>14,635,335</u>
Net cash used in operating activities	\$ <u><u>(67,190,736)</u></u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

Organization and Function

The Des Moines Area Community College (the College) is a publicly supported, post-secondary, two-year institution established and operated as an area community college by Merged Area XI, as provided in Chapter 260C of the Code of Iowa. The College offers programs of adult and continuing education, lifelong learning, community education, and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. It also offers up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. The College maintains campuses in Ankeny, Boone, Carroll, Des Moines, Newton, and West Des Moines and has its administrative offices in Ankeny. The College is governed by a Board of Directors whose members are elected from each director district within Merged Area XI.

In fulfilling the responsibilities assigned to it by law, the College offers a comprehensive educational program and support services to fulfill local and state needs. The College serves primarily students from the state of Iowa.

Reporting Entity

For financial reporting purposes, the College has included all funds, organizations, agencies, boards, commissions, and authorities. The College has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (a) the ability of the College to impose its will on that organization, or (b) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the College.

The Des Moines Area Community College Foundation (the Foundation) qualifies as a component unit according to the Governmental Accounting Standards Board criteria. The Foundation is a nonprofit corporation controlled by a separate board of directors whose goal is to provide support to the College. Although the College does not control the timing or amount of the receipts from the Foundation, the majority of the resources that are held by the Foundation are used for the benefit of the College.

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 FASB No. 117, Financial Statements of Not-for-Profit Organizations. 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 that resources be classified for accounting and reporting purposes into the following four 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, 2014

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 that is not subject to externally-imposed stipulations. Examples include: student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Unrestricted net position is primarily used 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. 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, 2014

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, 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, 2014

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

Assets, Liabilities 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 deferred and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2014 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. No interest costs were capitalized during the year ended June 30, 2014.

Capital assets are defined by the College as assets with initial, individual costs in excess of \$5,000 and estimated useful lives in excess of two years.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-40
Improvements other than buildings	10-40
Equipment and vehicles	4-10

The College does not capitalize or depreciate library books. The value of each book falls below the capital asset threshold and the balance was deemed immaterial to the financial statements.

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

Unearned Revenue – Deferred 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. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, advanced student tuition, and deferred administrative and training revenue for NJTP projects.

Compensated Absences – College employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2014.

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.

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

Summer Session – The College operates summer sessions during May, June, and July. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the summer session class schedule.

Income Taxes – The College is exempt from federal income taxes under the provisions of Section 115 of the Internal Revenue Code as a political subdivision of the State of Iowa. As such, the College is subject to federal income taxes only on any net unrelated business income under the provisions of Section 511 of the Internal Revenue Code.

Insurance Coverage – The College does not participate in a public entity risk pool. The College does carry commercial insurance coverage associated with all applicable risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Operating and 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, 2014

NOTE 2 CASH AND POOLED INVESTMENTS

The College's cash and deposits (money market accounts and certificates of deposit) at June 30, 2014 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, 2014, the College's cash and short-term pooled investments are as follows:

Deposits	
Cash	\$ 31,727,595
Investments	
Iowa Schools Joint Investment Trust Diversified Portfolio and Money Market	<u>30,478,896</u>
Total cash and short-term pooled investments	<u>\$62,206,491</u>

As of June 30, 2014, the College's pooled investments are as follows:

Deposits	
Nonnegotiable certificates of deposit	<u>\$14,365,000</u>

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

Credit risk. The College's investments in the Iowa Schools Joint Investment Trust at June 30, 2014 were rated AAAM 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.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 INVENTORIES

The College's inventories at June 30, 2014 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 76,376
Merchandise held for resale	<u>260,521</u>
Total	<u>\$ 336,897</u>

NOTE 4 CAPITAL ASSETS

A summary of the change in capital assets for the year ended June 30, 2014 is as follows:

	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance end of year</u>
Capital assets not being depreciated					
Land	\$ 7,232,796	\$ 304,552	\$ -	\$ 86,000	\$ 7,451,349
Construction in progress	<u>12,104,414</u>	<u>911,070</u>	<u>(12,104,414)</u>	<u>-</u>	<u>911,070</u>
Total capital assets not being depreciated	<u>19,337,210</u>	<u>1,215,622</u>	<u>(12,104,414)</u>	<u>86,000</u>	<u>8,362,419</u>
Capital assets being depreciated					
Buildings	110,958,384	6,660,499	12,104,414	655,100	129,068,197
Improvements other than buildings	16,478,260	-	-	-	16,478,260
Leased Equipment	122,330	-	-	-	122,330
Equipment and vehicles	<u>16,360,258</u>	<u>1,533,968</u>	<u>-</u>	<u>483,239</u>	<u>17,410,986</u>
Total capital assets being depreciated	<u>143,919,232</u>	<u>8,194,467</u>	<u>12,104,414</u>	<u>1,138,339</u>	<u>163,079,773</u>
Less accumulated depreciation for					
Buildings	41,480,344	3,037,898	-	202,565	44,315,677
Improvements other than buildings	9,714,867	459,066	-	-	10,173,933
Leased Equipment	63,204	24,466	-	-	87,670
Equipment and vehicles	<u>12,261,026</u>	<u>1,170,947</u>	<u>-</u>	<u>377,157</u>	<u>13,054,816</u>
Total accumulated depreciation	<u>63,519,441</u>	<u>4,692,377</u>	<u>-</u>	<u>579,722</u>	<u>67,632,096</u>
Total capital assets being depreciated, net	<u>80,399,791</u>	<u>3,502,090</u>	<u>12,104,414</u>	<u>558,617</u>	<u>95,447,678</u>
Capital assets, net	<u>\$ 99,737,001</u>	<u>\$ 4,717,712</u>	<u>\$ -</u>	<u>\$ 644,617</u>	<u>\$ 103,810,096</u>

Construction in progress at June 30, 2014 includes costs for the softball field at Boone and the completion of DMACC Blvd at Ankeny. The College has entered into agreements for these projects totaling approximately \$1,320,000 of which approximately \$910,000 has been completed. The approximate total for completion is \$410,000.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 CHANGES IN NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended June 30, 2014 is as follows:

	<u>Compensated absences</u>	<u>Unearned revenue, NJTP and other</u>	<u>Early Retirement and OPEB payable</u>	<u>Certificates payable</u>	<u>Revenue bonds and Notes payable</u>	<u>Total</u>
Balance, beginning of year	\$1,615,500	\$26,910,082	\$10,692,618	\$64,295,000	\$5,480,000	\$108,993,200
Additions	109,200	11,227,859	2,851,388	9,125,000	-	22,574,803
Reductions	<u>2,500</u>	<u>7,903,753</u>	<u>4,276,027</u>	<u>8,605,000</u>	<u>1,190,000</u>	<u>21,977,280</u>
	1,722,200	30,234,188	9,267,979	64,815,000	4,290,000	109,590,723
Less net unamortized discount and premium	<u>-</u>	<u>-</u>	<u>-</u>	<u>(263,170)</u>	<u>38,579</u>	<u>(224,591)</u>
Balance, end of year	1,722,200	30,234,188	9,267,979	65,078,170	4,251,421	109,815,314
Less current portion	<u>-</u>	<u>12,891,471</u>	<u>1,242,233</u>	<u>12,322,899</u>	<u>1,228,489</u>	<u>27,685,092</u>
Total noncurrent liabilities	<u>\$1,722,200</u>	<u>\$17,342,717</u>	<u>\$ 8,025,746</u>	<u>\$52,755,271</u>	<u>\$3,022,932</u>	<u>\$ 82,130,222</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, 2014:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1,230,000	238,878	1,468,878
2016	170,000	193,646	363,646
2017	175,000	184,934	359,934
2018	180,000	175,309	355,309
2019	185,000	164,959	349,959
2020-2024	1,055,000	643,169	1,698,169
2025-2029	<u>1,295,000</u>	<u>267,665</u>	<u>1,562,665</u>
Total	<u>\$ 4,290,000</u>	<u>\$ 1,868,560</u>	<u>\$6,158,560</u>

Revenue bonds and notes payable consisted of the following at June 30, 2014:

Tax-exempt notes payable dated December 1, 2004, with interest rates between 3.45 and 3.55%	1,065,000
Tax-exempt revenue bonds dated May 29, 2009 with Interest rates between 4.25% and 6.70%	<u>3,225,000</u>
	<u>\$ 4,290,000</u>

**Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

The tax-exempt revenue bonds totaling \$3,225,000 are payable over thirty years. The proceeds of the bonds were used to purchase student housing units on the Boone Campus. It is anticipated that rental revenue from these units will be sufficient to retire the principal and interest on the bonds. As a requirement of the borrowing, the College is required to maintain a Debt Service Reserve Fund in an amount approximating the annual debt service requirements. Interest on the revenue bonds, notes payable and certificates of participation is payable semiannually, while principal payments are due annually. Total interest cost on the revenue bonds and notes payable during the year ended June 30, 2014 was \$277,628.

Certificates Payable

Pursuant to agreements dated from 2007 to 2014, the College issued certificates totaling \$64,815,000 at June 30, 2014 with interest rates ranging from 0.45% to 5.50% 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>
2015	9,675,000	2,147,956	11,822,956
2016	10,440,000	1,821,813	12,261,813
2017	11,130,000	1,452,427	12,582,427
2018	10,160,000	1,051,876	11,211,876
2019	7,520,000	685,071	8,205,071
2020 - 2024	<u>15,890,000</u>	<u>859,365</u>	<u>16,749,365</u>
Total	<u>\$64,815,000</u>	<u>\$8,018,508</u>	<u>\$72,833,508</u>

Since inception, the College has administered 622 projects, with 108 currently receiving project funding. Of the remaining projects, 411 have been completed and closed and 103 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, 2014 was \$2,216,220.

NOTE 6 CAPITAL LEASES

The College leases two copiers under capital leases which expire in November 2015. The capital leases provide the College with the option of purchasing the copiers at the end of the lease. The interest rate for the leases is 5.25%. Management expects that the copiers will be purchased at the end of the capital leases. The minimum lease payments for the capital leases are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	26,509	1,362	27,871
2016	<u>11,462</u>	<u>151</u>	<u>11,613</u>
Total	<u>\$ 37,971</u>	<u>\$ 1,513</u>	<u>\$ 39,484</u>

Total principal and interest for all capital leases was \$25,156 and \$2,715 for the year ended June 30, 2014.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - 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>
2015	176,353
2016	147,577
2017	<u>153,528</u>
Total	<u>\$ 477,458</u>

Total rent expense for all operating leases were approximately \$158,706 for the year ended June 30, 2014.

NOTE 8 - 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>
2015	46,120
2016	28,593
2017	28,493
Thereafter	<u>50,152</u>
Total	<u>\$ 153,358</u>

Total rent income for all operating leases were approximately \$69,438 for the year ended June 30, 2014.

NOTE 9 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)

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

Plan members are required to contribute 5.95% of their annual covered salary, and the College is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The College's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$2,465,811, \$2,376,751, and \$2,158,186, respectively, equal to the required contributions for each year.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

**NOTE 10 TEACHERS INSURANCE AND ANNUITY ASSOCIATION - COLLEGE RETIREMENT
EQUITIES FUND (TIAA-CREF)**

The College also contributes to the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, each employee is to contribute 5.95% and the College is required to contribute 8.93%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2014 were \$2,927,531 and \$1,950,595 respectively.

NOTE 11 PENSION COSTS - EARLY RETIREMENT

The College offers a voluntary early retirement plan to full-time and certain part-time staff. Employees who are 55 years of age or older and have at least 10 years of continuous service with the College are eligible for early retirement remuneration. A staff member who accepts early retirement, effective June 30, will receive cash benefits on July 1 and January 1 of the following fiscal year. An employee who accepts early retirement, effective December 31, will receive cash benefits on January 1 and July 1 of the following fiscal year. The cash benefit ranges from 70% to 100% of the eligible employee's salary at retirement, based upon the employee's years of service. All employees who retire under the early retirement plan receive paid health insurance benefits to age 65 (see Note 12).

The liability at June 30, 2014 for early retirement cash benefits totaled \$2,919,820. The early retirement cash benefit is funded on a pay-as-you-go basis through property tax levies. The College's early retirement expense related to the cash benefit for the year ended June 30, 2014 was \$2,112,744.

At June 30, 2014, the potential liability, if all employees accepted early retirement when eligible, is approximately \$15,516,000.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (OPEB)

The College operates a single-employer retiree benefit plan which provides medical, prescription drug, and dental benefits (healthcare benefits) for retirees and their spouses and dependents. There are 809 active and 118 retired members in the plan. Participants must be age 55 or older at retirement.

The medical and prescription drug coverage is provided through a self-funded insurance plan and is administered by a third party. The dental plan is self-insured and is administered by a third party. The College pays the cost of the single medical premium, until the retiree qualifies for Medicare, for retirees who elect to remain in one of the College's group plans. This results in an Other Post Employment Benefit, OPEB, liability. The contribution requirements of plan members are established and may be amended by the College. The College currently finances the retiree benefit plan on a pay-as-you-go basis.

The College's annual OPEB cost is calculated based on the annual required contribution, ARC, of the College, an amount actuarially determined in accordance with Governmental Accounting Standards Board, GASB, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the College's annual OPEB cost for June 30, 2014, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Annual required contribution, ARC	\$	2,064,745
Interest on net OPEB obligation		412,059
Adjustment to annual required contribution		(536,116)
Annual OPEB cost	\$	1,940,688
Contributions made		(1,202,044)
Decrease in accrued expenses		(303,636)
Increase in net OPEB obligation	\$	435,008
Net OPEB obligation, beginning of year		8,241,173
Net OPEB obligation, end of year	\$	8,676,181

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the College contributed \$1,202,044 to the plan. The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

<u>Fiscal year</u> <u>Ended June 30,</u>	<u>Annual</u> <u>OPEB cost</u>	<u>Percentage of</u> <u>annual OPEB</u> <u>cost contributed</u>	<u>Net OPEB</u> <u>obligation</u>
2012	2,185,152	54.6	7,384,177
2013	1,953,589	61.8	8,241,173
2014	1,940,688	62.0	8,676,181

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$15,624,465 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$15,624,465. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$49,499,000, and the ratio of the UAAL to the covered payroll was 32.0%. As of June 30, 2014 there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the College's funding policy. The projected annual medical trend rate is 6% and the projected annual dental trend rate is 5%. The ultimate medical trend rate is 5% and the ultimate dental trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook.

Projected claim costs of the medical plan are approximately \$850 per month for retirees. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)**

Required Supplementary Information

Year Ended June 30,	Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2009	July 1, 2008	\$ --	\$16,805	\$16,805	0.0%	\$41,268	40.7%
2010	July 1, 2008	\$ --	\$16,805	\$16,805	0.0%	\$46,835	35.9%
2011	July 1, 2010	\$ --	\$17,893	\$17,893	0.0%	\$45,987	38.9%
2012	July 1, 2010	\$ --	\$17,893	\$17,893	0.0%	\$54,610	32.8%
2013	July 1, 2012	\$ --	\$15,624	\$15,624	0.0%	\$49,559	31.5%
2014	July 1, 2012	\$ --	\$15,624	\$15,624	0.0%	\$48,499	32.0%

See note 12 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

Des Moines Area Community College
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL
Year ended June 30, 2014

<u>Funds/Levy</u>	<u>Original budget</u>	<u>Actual</u>	<u>Variance between actual and budget</u>
Unrestricted	\$ <u>102,628,391</u>	\$ <u>107,195,606</u>	\$ (4,567,215)
Restricted			
Unemployment	200,000	163,363	36,637
Insurance	4,605,000	5,134,149	(529,149)
Early retirement	3,232,037	2,112,744	1,119,293
Equipment replacement	3,182,049	3,686,753	(504,704)
Other	<u>38,798,928</u>	<u>28,154,338</u>	<u>10,644,590</u>
Total restricted	<u>50,018,014</u>	<u>39,251,347</u>	<u>10,766,667</u>
Total unrestricted/restricted	152,646,405	146,446,953	6,199,452
Plant	<u>16,157,648</u>	<u>15,448,886</u>	<u>708,762</u>
Total	<u>\$168,804,053</u>	<u>\$161,895,839</u>	<u>\$ 6,908,214</u>

See accompanying independent auditor's report

Des Moines Area Community College
NOTE TO BUDGETARY REPORTING
Year ended June 30, 2014

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

For the year ended June 30, 2014, the College's expenditures did not exceed the amount budgeted.

See accompanying independent auditor's report

DES MOINES AREA COMMUNITY COLLEGE

Assets, Liabilities and Fund Balances

June 30, 2014

Assets	Current funds		Loan funds	Plant Funds		Agency funds	Adjustments	Totals
	Unrestricted	Restricted		Unexpended	Investment in plant			
Cash and short-term pooled investments	\$ 23,370,295	\$ 39,530,790	\$ (4,931)	\$ (2,634,760)	\$ -	\$ 1,945,097	\$ -	\$ 62,206,491
Pooled investments	-	14,365,000	-	-	-	-	-	14,365,000
Receivables:								
Accounts, net of allowance of \$313,785	14,794,008	227,303	111,191	5,560	-	67,024	-	15,205,086
Succeeding year property tax	7,259,530	9,041,458	-	7,259,530	-	-	-	23,560,518
Iowa Industrial New Jobs Training Program	-	50,610,498	-	-	-	-	-	50,610,498
Due from other governments	418,857	1,468,669	-	886,106	-	15,696	-	2,789,328
Due from other funds	-	-	-	3,225,000	-	-	(3,225,000)	-
Inventories	336,897	-	-	-	-	-	-	336,897
Prepaid expenses	-	19,573	-	-	-	-	-	19,573
Cash value of life insurance	262,284	-	-	-	-	-	-	262,284
	<u>46,441,871</u>	<u>115,263,291</u>	<u>106,260</u>	<u>8,741,436</u>	<u>0</u>	<u>2,027,817</u>	<u>(3,225,000)</u>	<u>169,355,675</u>
Capital assets:								
Land	-	-	-	-	7,451,349	-	-	7,451,349
Buildings	-	-	-	-	129,068,197	-	-	129,068,197
Improvements other than buildings	-	-	-	-	16,478,260	-	-	16,478,260
Equipment and vehicles	-	-	-	-	17,410,986	-	-	17,410,986
Leased equipment	-	-	-	-	122,330	-	-	122,330
Construction in progress	-	-	-	-	911,070	-	-	911,070
Accumulated depreciation	-	-	-	-	-	-	(67,632,096)	(67,632,096)
Total assets	<u>\$ 46,441,871</u>	<u>\$ 115,263,291</u>	<u>\$ 106,260</u>	<u>\$ 8,741,436</u>	<u>\$ 171,442,192</u>	<u>\$ 2,027,817</u>	<u>\$ (70,857,096)</u>	<u>\$ 273,165,771</u>

DES MOINES AREA COMMUNITY COLLEGE

Assets, Liabilities and Fund Balances (Continued)

June 30, 2014

Liabilities and Fund Balances	Current funds		Loan funds	Plant Funds		Agency funds	Adjustments	Totals
	Unrestricted	Restricted		Unexpended	Investment in plant			
Liabilities:								
Accounts payable	\$ 1,558,155	\$ 688,801	\$ -	\$ 892,869	\$ -	\$ 44,224	\$ -	\$ 3,184,049
Salaries and benefits payable	4,172,467	843,170	-	2,000	-	4,500	-	5,022,137
Self-funded health claims payable	-	1,936,036	-	-	-	-	-	1,936,036
Accrued interest payable	16,392	180,533	-	3,082	-	-	-	200,007
Other	13,774,179	30,234,188	-	-	-	-	-	44,008,367
Early retirement pension costs payable	-	591,798	-	-	-	-	-	591,798
Deposits held in custody for others	13,950	-	-	-	-	1,973,393	-	1,987,343
Compensated absences	1,487,500	207,000	-	22,000	-	5,700	-	1,722,200
Due to other funds	-	-	-	-	3,225,000	-	(3,225,000)	-
Capital lease payable	37,971	-	-	-	-	-	-	37,971
Certificates payable	-	65,078,170	-	-	-	-	-	65,078,170
Revenue bonds and notes payable	3,185,285	-	-	1,136	1,065,000	-	-	4,251,421
Net OPEB liability	-	7,937,537	-	-	-	-	738,644	8,676,181
Total liabilities	24,245,899	107,697,233	-	921,087	4,290,000	2,027,817	(2,486,356)	136,695,680
Deferred inflows of resources								
Succeeding year property tax	7,259,530	9,041,458	-	7,259,530	-	-	-	23,560,518
Fund balances:								
Net investment in capital assets	-	-	-	-	167,152,192	-	(67,632,096)	99,520,096
Restricted:								
Nonexpendable:								
Cash reserve	-	755,088	-	-	-	-	-	755,088
Expendable:								
Scholarships and fellowships	-	200,217	-	-	-	-	-	200,217
Loans	-	-	106,260	-	-	-	-	106,260
Plant fund	-	-	-	560,819	-	-	-	560,819
Early retirement	-	(6,519,600)	-	-	-	-	(738,644)	(7,258,244)
Other	-	4,088,895	-	-	-	-	-	4,088,895
Unrestricted	14,936,442	-	-	-	-	-	-	14,936,442
Total fund balances	14,936,442	(1,475,400)	106,260	560,819	167,152,192	-	(68,370,740)	112,909,573
Total liabilities and fund balances	\$ 46,441,871	115,263,291	106,260	8,741,436	171,442,192	2,027,817	(70,857,096)	273,165,771

DES MOINES AREA COMMUNITY COLLEGE

Schedule 3

Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2014

	Current operating funds			Loan funds	Plant funds			Adjustments	Totals
	Unrestricted	Restricted	Total		Unexpended	Retirement of indebtedness	Investment in plant		
Revenues and other additions:									
Tuition and fees	\$ 56,661,293	\$ 896,751	\$ 57,558,044	\$ -	\$ -	\$ -	\$ -	\$ (26,844,407)	\$ 30,713,637
Federal appropriations	2,129,949	33,184,522	35,314,471	-	-	-	-	-	35,314,471
Iowa Industrial New Jobs Training Program	-	9,922,594	9,922,594	-	-	-	-	-	9,922,594
State appropriations	32,299,151	6,956,679	39,255,830	-	1,286,106	-	-	-	40,541,936
Property tax	7,136,685	10,060,929	17,197,614	-	5,861,209	1,274,431	-	-	24,333,254
Auxiliary enterprises revenue	2,283,470	-	2,283,470	-	-	-	-	(76,903)	2,206,567
Interest and investment income	52,191	112,869	165,060	-	-	-	-	-	165,060
Expended for plant assets (including \$1,261,536 in current operating fund expenditures)	-	-	-	-	-	-	9,410,089	(9,410,089)	-
Retirement of indebtedness	-	-	-	-	-	-	1,190,000	(1,190,000)	-
Miscellaneous	7,515,894	815,833	8,331,727	-	681,074	-	-	(259,314)	8,753,487
Total revenues and other additions	108,078,633	61,950,177	170,028,810	-	7,828,389	1,274,431	10,600,089	(37,780,713)	151,951,006
Expenditures and other deductions:									
Education and support:									
Liberal arts and sciences	28,204,146	-	28,204,146	-	-	-	-	186,874	28,391,020
Vocational technical	30,033,720	1,109,136	31,142,856	-	-	-	-	206,346	31,349,202
Adult education	5,722,566	10,699,028	16,421,594	-	-	-	-	108,806	16,530,400
Cooperative services	-	5,232,155	5,232,155	-	-	-	-	34,667	5,266,822
Administration	3,798,212	-	3,798,212	-	-	-	-	(45,119)	3,753,093
Student services	9,752,974	1,474,531	11,227,505	-	-	-	-	74,391	11,301,896
Learning resources	3,001,012	90,468	3,091,480	-	-	-	-	20,483	3,111,963
Physical plant	7,866,394	4,496,083	12,362,477	-	6,025,901	-	-	(107,118)	18,281,260
General institution	9,361,226	5,898,896	15,260,122	-	-	-	-	(76,903)	15,183,219
Scholarships and grants	-	26,844,407	26,844,407	-	-	-	-	(26,844,407)	-
Total education and support	97,740,250	55,844,704	153,584,954	-	6,025,901	-	-	(26,441,980)	133,168,875
Auxiliary enterprises	3,447,538	-	3,447,538	-	-	-	-	-	3,447,538
Expended for plant assets	404,316	857,219	1,261,535	-	8,148,554	-	-	(9,410,089)	-
Administrative and collection costs	97,697	-	97,697	-	-	-	-	-	97,697
Retirement of indebtedness	-	-	-	-	-	1,190,000	-	(1,190,000)	-
Loan cancellations and bad debts	1,210,298	-	1,210,298	20,825	-	-	-	-	1,231,123
Interest on indebtedness	209,865	2,216,220	2,426,085	-	-	84,431	-	-	2,510,516
Depreciation	-	-	-	-	-	-	-	4,692,377	4,692,377
Disposition of capital assets	-	-	-	-	-	-	1,224,339	(579,722)	644,617
Total expenditures and other deductions	103,109,964	58,918,143	162,028,107	20,825	14,174,455	1,274,431	1,224,339	(32,929,414)	145,792,743
Transfers among funds:									
Non-mandatory transfers	(4,170,529)	(3,396,464)	(7,566,993)	5,000	7,456,221	-	-	-	(105,772)
See accompanying independent auditor's report		(364,430)	433,710	- 395,825)	1,110,155	-	9,375,750	(4,851,299)	6,052,491
Fund balances at beginning of year	14,138,302	(364,847)	13,773,455	122,085	(549,336)	-	157,776,442	(64,265,564)	106,857,082

DES MOINES AREA COMMUNITY COLLEGE

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

Year ended June 30, 2014

	Education			Support					Education and Support
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Adminis-tration	Student Services	Learning Resources	Physical Plant	General Institution	Total
Revenues:									
Tuition and fees	\$ 39,907,837	\$ 11,918,549	\$ 3,960,512	\$ 6,430	\$ 20,877	\$ -	\$ -	\$ 847,088	\$ 56,661,293
Federal appropriations	-	959,695	603,538	42,680	-	-	-	456,520	2,062,433
State appropriations	-	-	370,633	-	-	-	-	31,928,018	32,298,651
Property tax	-	-	-	-	-	-	-	7,136,685	7,136,685
Interest income	-	-	-	-	-	-	-	51,768	51,768
Miscellaneous	450,140	3,009,063	131,544	210,754	30,243	7,985	442,962	1,587,723	5,870,414
	40,357,977	15,887,307	5,066,227	259,864	51,120	7,985	442,962	42,007,802	104,081,244
Allocation of support services	28,904,635	8,126,565	5,738,533	(259,864)	(51,120)	(7,985)	(442,962)	(42,007,802)	-
Total revenues	69,262,612	24,013,872	10,804,760	-	-	-	-	-	104,081,244
Expenditures:									
Salaries and benefits	26,648,256	28,001,218	3,979,026	2,672,532	9,151,336	2,664,380	4,911,177	6,803,052	84,830,977
Services	507,366	435,095	1,014,458	971,756	371,129	76,837	1,921,387	1,924,799	7,222,827
Materials and supplies	824,028	1,347,642	664,412	122,809	176,358	256,320	1,025,765	504,496	4,921,830
Travel	196,856	240,515	51,092	27,393	46,728	3,475	7,571	70,382	644,012
Expended for plant assets	-	18,286	-	-	-	-	305,225	80,805	404,316
Scholarships	-	-	-	-	-	-	-	-	-
Bad Debt	914,143	296,155	-	-	-	-	-	-	1,210,298
Miscellaneous	27,640	9,250	13,578	101,419	7,423	-	494	58,497	218,301
	29,118,289	30,348,161	5,722,566	3,895,909	9,752,974	3,001,012	8,171,619	9,442,031	99,452,561
Allocation of support services	23,155,985	6,510,326	4,597,234	(3,895,909)	(9,752,974)	(3,001,012)	(8,171,619)	(9,442,031)	-
Total expenditures	52,274,274	36,858,487	10,319,800	-	-	-	-	-	99,452,561
Excess (deficiency) of revenues over (under) expenditures									
	16,988,338	(12,844,615)	484,960	-	-	-	-	-	4,628,683
Transfers:									
Non-mandatory transfers	(133,754)	(293,497)	(16,269)	12,759	33,815	-	(4,265,468)	274,776	(4,387,638)
Total transfers	(133,754)	(293,497)	(16,269)	12,759	33,815	-	(4,265,468)	274,776	(4,387,638)
Net increase (decrease) for the year	\$ 16,854,584	\$ (13,138,112)	\$ 468,691	\$ 12,759	\$ 33,815	\$ -	\$ (4,265,468)	\$ 274,776	241,045
Fund balance at beginning of year									10,341,430
Fund balance at end of year									\$ 10,582,475

DES MOINES AREA COMMUNITY COLLEGE

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

Year ended June 30, 2014

	<u>Bookstore</u>	<u>Career education</u>	<u>Cafeteria/ vending</u>	<u>Student Housing</u>	<u>Athletics</u>	<u>Capitol Medical</u>	<u>Other</u>	<u>Total</u>
Revenues and other additions:								
Sales and services	\$ -	\$ 653,352	\$ 530,086	\$ 898,541	\$ -	\$ 88,314	\$ 113,177	\$ 2,283,470
Student fee allocations	-	309,554	-	18,480	411,482	-	9,050	748,566
State Support	-	500	-	-	-	-	-	500
Interest income	-	-	-	423	-	-	-	423
Federal appropriations	-	-	-	67,516	-	-	-	67,516
Miscellaneous	<u>175,000</u>	<u>517,152</u>	<u>76,849</u>	<u>6,195</u>	<u>14,601</u>	<u>3,982</u>	<u>103,135</u>	<u>896,914</u>
Total revenues and other additions	<u>175,000</u>	<u>1,480,558</u>	<u>606,935</u>	<u>991,155</u>	<u>426,083</u>	<u>92,296</u>	<u>225,362</u>	<u>3,997,389</u>
Expenditures and other deductions:								
Salaries and benefits	-	530,013	294,154	135,032	234,992	-	28,064	1,222,255
Services	-	229,644	38,830	219,144	65,435	59,750	94,353	707,156
Materials and supplies	-	343,257	1,202	32,237	44,416	2,695	15,193	439,000
Travel	-	152,134	186	-	131,681	-	1,301	285,302
Purchases for resale	-	303,005	238,417	-	-	-	5,884	547,306
Expended for plant assets	-	-	-	-	-	-	-	-
Bad debts	-	-	-	-	-	-	-	-
Interest on debt	-	-	-	209,865	-	-	-	209,865
Miscellaneous	<u>-</u>	<u>146,940</u>	<u>76,016</u>	<u>-</u>	<u>14,941</u>	<u>-</u>	<u>8,622</u>	<u>246,519</u>
Total expenditures and other deductions	<u>-</u>	<u>1,704,993</u>	<u>648,805</u>	<u>596,278</u>	<u>491,465</u>	<u>62,445</u>	<u>153,417</u>	<u>3,657,403</u>
Transfers among funds (non-mandatory)	<u>-</u>	<u>314,432</u>	<u>68,554</u>	<u>(266,200)</u>	<u>65,290</u>	<u>-</u>	<u>35,033</u>	<u>217,109</u>
Net increase (decrease) for the year	175,000	89,997	26,684	128,677	(92)	29,851	106,978	557,095
Fund balances at beginning of year	<u>2,126,651</u>	<u>\$ 202,009</u>	<u>\$ 83,925</u>	<u>\$ 902,465</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ 481,730</u>	<u>3,796,872</u>
Fund balances at end of year	<u>\$ 2,301,651</u>	<u>\$ 292,006</u>	<u>\$ 110,609</u>	<u>\$ 1,031,142</u>	<u>\$ -</u>	<u>\$ 29,851</u>	<u>\$ 588,708</u>	<u>\$ 4,353,967</u>

DES MOINES AREA COMMUNITY COLLEGE
 Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Restricted Funds
 Year ended June 30, 2014

	<u>Scholarship</u>	<u>Equipment replacement</u>	<u>Iowa Employment Solutions</u>	<u>Insurance and Tort</u>	<u>Early retirement</u>	<u>Unemployment compensation</u>	<u>Cash reserve</u>	<u>Grants and contracts</u>	<u>Iowa Industrial New Jobs Training Programs</u>	<u>Other</u>	<u>Total</u>
Revenues and other additions:											
Tuition and fees	\$ 188,178	\$ -	\$ 32,852	\$ -	\$ -	\$ -	\$ -	\$ 18,501	\$ 113,140	\$ 544,080	\$ 896,751
Federal appropriations	26,377,065	-	898,018	-	-	-	-	5,909,439	-	-	33,184,522
Iowa Industrial New Jobs Training Program	-	-	-	-	-	-	-	-	9,922,594	-	9,922,594
State appropriations	-	-	-	-	-	-	-	3,027,864	480,304	3,448,511	6,956,679
Property tax	-	3,171,866	-	4,833,053	1,784,300	271,710	-	-	-	-	10,060,929
Gifts and Grants	320	-	-	-	-	-	-	747,108	-	-	747,428
Interest income	-	-	-	-	-	-	-	-	-	112,869	112,869
Miscellaneous	1,982	12,649	24,055	61,792	-	-	-	437,580	-	(469,653)	68,405
Total revenues and other additions	<u>26,567,545</u>	<u>3,184,515</u>	<u>954,925</u>	<u>4,894,845</u>	<u>1,784,300</u>	<u>271,710</u>	<u>-</u>	<u>10,140,492</u>	<u>10,516,038</u>	<u>3,635,807</u>	<u>61,950,177</u>
Expenditures and other deductions:											
Salaries and benefits	-	-	557,574	467,210	2,112,744	163,363	-	3,981,764	968,196	543,751	8,794,602
Services	-	526,050	382,638	4,271,684	-	-	-	1,927,818	6,125,701	232,415	13,466,306
Materials and supplies	-	2,103,192	10,291	199,087	-	-	-	648,639	92,414	323,691	3,377,314
Travel	-	1,381	1,470	19,930	-	-	-	136,775	23,768	26,772	210,096
Expended for plant assets	-	403,995	-	176,238	-	-	-	82,158	-	194,829	857,220
Interest on indebtedness	-	-	-	-	-	-	-	-	2,216,220	-	2,216,220
Scholarships and grants	26,815,627	-	-	-	-	-	-	-	-	-	26,815,627
Private scholarships	-	-	-	-	-	-	-	28,780	-	-	28,780
Miscellaneous	-	8,077	-	-	-	-	-	3,130,876	13,025	-	3,151,978
Total expenditures and other deductions	<u>26,815,627</u>	<u>3,042,695</u>	<u>951,973</u>	<u>5,134,149</u>	<u>2,112,744</u>	<u>163,363</u>	<u>-</u>	<u>9,936,810</u>	<u>9,439,324</u>	<u>1,321,458</u>	<u>58,918,143</u>
Excess (deficiency) of revenues over (under) expenditures for the year	(248,082)	141,820	2,952	(239,304)	(328,444)	108,347	-	203,682	1,076,714	2,314,349	3,032,034
Transfers among funds:											
Mandatory transfers	-	-	-	-	-	-	-	-	-	-	-
Non-mandatory transfers	266,613	(566,913)	(1)	-	898,697	(1)	-	(346,735)	(1,076,714)	(2,571,410)	(3,396,464)
Net increase (decrease) for the year	18,531	(425,093)	2,951	(239,304)	570,253	108,346	-	(143,053)	-	(257,061)	(364,430)
Fund balances (deficit) at beginning of year	181,686	1,487,919	2,760	(577,242)	(7,089,853)	(11,248)	755,088	122,034	-	4,017,886	(1,110,970)
Fund balances (deficit) at end of year	<u>\$ 200,217</u>	<u>\$ 1,062,826</u>	<u>\$ 5,711</u>	<u>\$ (816,546)</u>	<u>\$ (6,519,600)</u>	<u>\$ 97,098</u>	<u>\$ 755,088</u>	<u>\$ (21,019)</u>	<u>\$ -</u>	<u>\$ 3,760,825</u>	<u>\$ (1,475,400)</u>

See accompanying independent auditor's report

DES MOINES AREA COMMUNITY COLLEGE

Changes in Deposits Held in Custody for Others - Agency Funds

Year ended June 30, 2014

	<u>Student activities</u>	<u>Specially funded activities</u>	<u>Iowa Workforce Development</u>	<u>Community College Athletic Conference</u>	<u>Student clubs and organizations</u>	<u>Iowa Innovation Gateway</u>	<u>National Postsecondary Agricultural Student Organization</u>	<u>Other</u>	<u>Total</u>
Balances, beginning of year	\$ 279,230	\$ 266,185	\$ 68,174	\$ 68,233	\$ 286,945	\$ 11,982	\$ 20,112	\$ 133,337	\$ 1,134,198
Additions:									
Tuition and fees	407,254	42,500	-	-	12,584	-	-	-	462,338
State appropriations	-	100,000	-	-	-	-	-	-	100,000
Federal funds	-	81,838	40,583	-	-	-	-	-	122,421
Sales and services	61,462	-	-	-	6,374	-	-	-	67,836
Interest on investments	-	-	-	-	-	-	-	-	-
Other	165,999	672,145	-	255,761	148,477	12,000	178,577	78,893	1,511,852
Transfers in	224,629	33,851	-	-	146,472	-	-	-	404,952
Total additions	<u>859,344</u>	<u>930,334</u>	<u>40,583</u>	<u>255,761</u>	<u>313,907</u>	<u>12,000</u>	<u>178,577</u>	<u>78,893</u>	<u>2,669,399</u>
Deductions:									
Salaries and benefits	12,801	110,362	24,241	148,264	31,768	-	54,477	55,816	437,729
Services	154,782	593,200	83,496	30,048	45,088	6,852	76,903	-	990,369
Materials and supplies	134,247	49,647	1,020	6,081	54,235	208	8,204	-	253,642
Travel	14,686	33,162	-	5,473	87,731	-	11,527	-	152,579
Cost of goods sold	73,500	-	-	-	11,912	-	-	-	85,412
Scholarships	1,935	-	-	-	1,550	-	-	-	3,485
Expended for plant assets	-	-	-	-	-	-	-	-	-
Other	-	2,340	-	48,517	69,435	5,000	-	-	125,292
Transfers out	294,827	12,277	-	-	7,861	-	-	-	314,965
Total deductions	<u>686,778</u>	<u>800,988</u>	<u>108,757</u>	<u>238,383</u>	<u>309,580</u>	<u>12,060</u>	<u>151,111</u>	<u>55,816</u>	<u>2,363,473</u>
Net additions and deductions	<u>172,566</u>	<u>129,346</u>	<u>(68,174)</u>	<u>17,378</u>	<u>4,327</u>	<u>(60)</u>	<u>27,466</u>	<u>23,077</u>	<u>305,926</u>
Balances, end of year	\$ <u>451,796</u>	\$ <u>395,531</u>	\$ <u>-</u>	\$ <u>85,611</u>	\$ <u>291,272</u>	\$ <u>11,922</u>	\$ <u>47,578</u>	\$ <u>156,414</u>	\$ <u>1,440,124</u>

Schedule 8

DES MOINES AREA COMMUNITY COLLEGE

Credit and Contact Hours

Year ended June 30, 2014

Category	Credit hours eligible for aid	Contact hours		Total
		Eligible for aid	Not eligible for aid	
Arts and sciences	370,003	6,796,185	-	6,796,185
Vocational education	88,086	2,052,089	-	2,052,089
Adult education/continuing education	-	900,553	132,876	1,033,429
Related services and activities	-	324,690	6,420	331,110
Total	458,089	10,073,517	139,296	10,212,813

DES MOINES AREA COMMUNITY COLLEGE

Taxes and Intergovernmental Revenues
(Excluding the Agency Funds)

For the Last Ten Years

	<u>Years ended June 30</u>									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Local (property tax)	\$ 24,333,253	\$ 19,857,656	\$ 19,779,534	18,089,665	\$ 17,532,643	\$ 16,455,262	\$ 16,513,769	\$ 18,092,410	\$ 16,880,081	\$ 14,137,997
State	40,541,436	33,037,238	28,720,739	29,051,616	27,090,659	31,991,978	29,847,275	26,443,984	24,341,715	22,826,135
Federal	35,246,954	34,468,787	39,980,889	42,465,427	39,944,241	21,734,414	19,277,833	16,061,228	13,037,134	13,144,456
Total	<u>\$ 100,121,643</u>	<u>\$ 87,363,681</u>	<u>88,481,162</u>	<u>\$ 89,606,708</u>	<u>\$ 84,567,543</u>	<u>\$ 70,181,654</u>	<u>\$ 65,638,877</u>	<u>\$ 60,597,622</u>	<u>\$ 54,258,930</u>	<u>\$ 50,108,588</u>

DES MOINES AREA COMMUNITY COLLEGE

Current Fund Revenues by Source
and Expenditures by Function

For the Last Ten Years

	Years ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Tuition and fees	\$ 57,558,044	\$ 57,611,546	\$ 61,763,642	\$ 59,906,044	\$ 52,668,767	\$ 42,969,791	\$ 38,275,282	\$ 34,751,937	\$ 34,660,651	\$ 32,869,111
Property tax	17,197,614	12,980,395	12,989,120	11,550,038	11,279,076	10,550,327	10,978,527	12,757,968	11,876,240	9,287,613
Federal appropriations	35,314,471	34,468,787	39,980,889	42,465,427	39,944,241	21,734,414	19,277,833	16,061,228	13,037,134	13,144,456
State appropriations	39,255,830	31,709,683	28,566,347	28,382,697	26,610,659	31,200,104	29,184,500	25,781,342	23,993,708	22,092,803
Interest income from investments	165,060	224,557	367,933	712,496	792,264	2,172,218	3,505,217	3,507,531	2,474,490	1,260,452
Iowa Industrial New Jobs Training Program	9,922,594	17,253,987	18,214,126	11,466,792	14,051,594	26,073,183	16,603,495	11,623,679	14,068,915	10,884,743
Auxiliary enterprises revenue	2,283,470	2,118,589	2,217,100	2,199,463	2,651,778	2,083,539	9,877,741	9,256,399	8,810,954	8,564,404
Proceeds from sale of bonds	-	-	-	-	-	3,960,000	-	-	-	-
Miscellaneous	8,331,727	9,091,623	9,151,754	6,522,268	5,886,232	4,995,593	4,007,622	3,932,010	3,287,833	2,510,089
Total	170,028,810	165,459,167	173,250,911	163,205,225	153,884,611	145,739,169	131,710,217	117,672,094	112,209,925	100,613,671
Expenditures:										
Liberal arts and sciences	\$ 29,118,289	\$ 28,767,926	\$ 28,049,295	\$ 26,265,239	\$ 23,397,899	\$ 22,010,606	\$ 19,913,375	\$ 17,783,316	\$ 16,319,487	\$ 14,790,786
Vocational technical	31,629,541	31,404,396	31,177,970	29,734,690	28,073,906	25,883,936	23,988,748	22,219,019	20,684,928	19,269,936
Adult education	16,526,337	12,237,069	11,421,379	10,036,125	9,376,075	9,354,727	9,255,757	7,997,480	8,029,461	7,751,028
Cooperative services	5,232,155	11,348,114	13,536,302	5,929,199	8,084,678	18,794,647	9,807,914	5,749,870	8,890,197	3,467,398
Administration	3,895,909	3,650,186	3,670,320	3,571,180	3,839,613	3,267,926	3,020,686	2,993,578	2,785,144	2,694,895
Student services	11,227,505	9,730,664	8,989,529	8,800,990	7,747,604	7,527,948	7,611,760	6,781,974	6,025,128	5,780,039
Learning resources	3,091,480	3,144,357	3,030,744	2,910,249	2,929,197	2,879,426	2,803,828	2,754,615	2,653,133	2,609,147
Physical plant	12,843,940	12,349,361	12,612,339	10,441,362	8,013,448	7,013,376	6,849,374	6,607,398	6,157,020	5,856,699
General institution	15,744,921	17,823,668	18,205,034	20,267,851	17,109,638	15,744,126	17,781,705	14,735,139	13,391,475	11,277,648
Auxiliary enterprises	3,657,403	3,544,972	3,438,561	3,471,079	4,041,098	7,433,336	10,504,665	9,808,600	8,644,019	8,617,642
Scholarships and grants	26,844,407	28,301,052	33,061,080	34,717,959	29,629,518	15,451,116	12,305,524	10,154,237	9,346,631	9,574,679
Interest on indebtedness	2,426,085	2,926,002	3,258,937	3,391,773	3,547,259	3,516,990	3,046,029	2,737,541	2,169,684	2,303,069
Loss on discontinued operations	-	-	-	-	-	-	578,792	-	-	-
Total	162,237,972	165,227,767	170,451,490	159,537,696	145,789,933	138,878,160	127,468,157	110,322,767	105,096,307	93,992,966

DES MOINES AREA COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal Grantor/Program Title	CFDA Number	Expenditures
United States Department of Education		
Direct:		
Federal Direct Student Loans	84.268	\$ 45,331,647
Federal Pell Grant Program	84.063	26,099,217
Federal Pell Grant Administrative Fee	84.063	42,680
Federal Supplemental Educational Opportunity Grant	84.007	376,679
Federal Teach Grant	84.379	2,642
Federal Work-study Program	84.033	357,688
Total Student Financial Assistance Cluster		72,210,554
Direct Trio Grants:		
Upward Bound FY13 Award	84.047	87,989
Upward Bound FY14 Award	84.047	179,949
Student Support Services FY11 Award	84.042	6
Student Support Services FY13 Award	84.042	61,014
Student Support Services FY14 Award	84.042	230,227
Student Support Services-Grant Aid	84.042A	12,600
Total Trio Grants		571,785
Indirect through Iowa Department of Education:		
Adult Education-Adult Basic Education	84.002	603,538
Adult Education-ABE Teacher Training	84.002	21,373
Adult Education-EL Civics Grant	84.002	71,354
Career and Technical Education-Vocational Education - Perkins Funds	84.048A	959,695
Career and Technical Education-Perkins FCCLA	84.048A	15,647
Career and Technical Education-Perkins HOSA	84.048A	12,827
Career and Technical Education-Perkins Skills USA	84.048A	16,084
Total through Iowa Department of Education		1,700,518

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

DES MOINES AREA COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards (Continued)

Year ended June 30, 2014

Federal Grantor/Program Title	CFDA Number	Expenditures
Indirect through Iowa Department of Corrections:		
Career and Technical Education-Perkins Newton Correctional Facility	84.048A	11,807
Career and Technical Education-Perkins Iowa Women's Institute for Women	84.048A	11,678
Title I-Newton Correctional Facility	84.013A	28,000
Title I-Iowa Women's Institute for Women	84.013A	26,401
Total through Iowa Department of Corrections		<u>77,886</u>
Indirect through Iowa Vocational Rehabilitation:		
Vocational Rehabilitation State Grants	84.126A	193,873
Total through Iowa Vocational Rehabilitation		<u>193,873</u>
Total U.S. Department of Education		<u>74,754,616</u>
National Science Foundation		
Direct:		
Collaborative Research: GSE/RES-Diverse Young Women	47.076	15,250
Technicians in Engineering, Automation and Machinery	47.076	13,558
Total National Science Foundation		<u>28,808</u>
U.S. Department of Agriculture Food & Nutrition		
Indirect through Iowa Workforce Development:		
Food Stamps/FAET	10.561	16,826
Food Stamps/FAET - Project Employment	10.561	37,281
Total U.S. Department of Agriculture Food & Nutrition		<u>54,107</u>
U.S. Department of Labor		
Direct:		
Trade Adjustments Assistance Community College & Career Training Grants Program	17.282	4,645,311
YouthBuild 2	17.274	107,140
YouthBuild 3	17.274	300,976
Total Direct U.S. Department of Labor		<u>5,053,427</u>

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

DES MOINES AREA COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards (Continued)

Year ended June 30, 2014

Federal Grantor/Program Title	CFDA Number	Expenditures
Indirect through Iowa Workforce Development:		
WIA Administration	17.260	78,267
WIA Administration-CIWIB	17.260	62,515
WIA Adult Program	17.258	279,758
WIA Dislocated Workers	17.260	378,303
WIA Disability Employment Initiative	17.260	99,174
Trade Adjustment Assistance	17.245	58,215
Total through Iowa Workforce Development		<u>956,232</u>
Indirect through Missouri Workforce Development		
Trade Adjustment Assistance	17.260	4,300
Total through Region 12 Council of Governments		<u>4,300</u>
Indirect through Mason City Workforce:		
WIA Youth Program	17.259	2,216
Total through Mason City Workforce		<u>2,216</u>
Indirect through WIA Marshalltown:		
WIA Adult Program	17.258	3,860
Total through WIA Marshalltown		<u>3,860</u>
Indirect through Spectrum:		
Reintegration of Ex-Offenders	17.270	584
Total through Spectrum		<u>584</u>
Indirect through Central Iowa Works:		
WIA Youth Program	17.259	5,243
Total through Central Iowa Works		<u>5,243</u>
Total U.S. Department of Labor		<u>6,025,862</u>
U.S. Department of Treasury		
Build America Bonds (ARRA)	21.000	67,517
Total U.S. Department of Treasury		<u>67,517</u>

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

DES MOINES AREA COMMUNITY COLLEGE
 Schedule of Expenditures of Federal Awards (Continued)
 Year ended June 30, 2014

Federal Grantor/Program Title	CFDA Number	Expenditures
U.S. Department of Health & Human Services		
Indirect through Child Support Recovery Unit:		
Child Support Enforcement Research	93.564	38,539
Total through Child Support Recovery Unit		<u>38,539</u>
Indirect through Iowa Workforce Development:		
Temporary Assistance for Needy Families Promise Jobs Program	93.558	22,301
Total through Iowa Workforce Development		<u>22,301</u>
Indirect through Iowa Department of Health:		
Direct Care Workforce Initiative Pilot Project	93.512	15,756
Total through Iowa Department of Health		<u>15,756</u>
Indirect through Southern Iowa Works:		
Temporary Assistance for Needy Families-Promise Jobs	93.558	423
Total through Southern Iowa Works		<u>423</u>
Total U.S. Department of Health & Human Services		<u>77,019</u>
Social Security Administration		
Indirect through Iowa Workforce Development		
Ticket to Work	93.768	40,583
Total Social Security Administration		<u>40,583</u>
Total Federal Expenditures		<u>\$ 81,048,512</u>

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

Des Moines Area Community College
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2014

NOTE 1 BASIS OF PRESENTATION

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of Des Moines Area Community College (the College) for the year ended June 30, 2014, which have been financed by the United States government (federal awards). For purposes of the Schedule, federal awards include all federal assistance entered into directly between the College and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. Because the Schedule presents only a selected portion of the activities of the College, it is not intended to, and does not, present the financial position and support, revenues, expenses, and changes in net position of the College.

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

NOTE 2 STUDENT FINANCIAL ASSISTANCE

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and, accordingly, these loans are not included in its financial statements. It is not practical to determine the balance of the loans outstanding to students and former students of the College under this program at June 30, 2014.

See accompanying independent auditor's report.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Des Moines Area Community College
Ankeny, Iowa

We have audited, 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, 2013, and the related notes to financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 4, 2014.

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 that are 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in Part II of the accompanying schedule of findings as items 2014-001 and 2014-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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
DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 4, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the 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 *Circular A-133 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, 2014. The College's major federal programs are identified in the summary of the independent auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we 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, 2014.

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 program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 4, 2014

Des Moines Area Community College
SCHEDULE OF FINDINGS
Year ended June 30, 2014

Part I—Summary of the Independent Auditor's Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) Two significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (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 Office of Management and Budget Circular A-133, Section 510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.007, 84.033, 84.063, 84.268, 84.007 — Student Financial Assistance Cluster
 - CFDA Number 84.042, 84.042A, 84.047 — TRIO Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Des Moines Area Community College qualified as a low-risk auditee.

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

INTERNAL CONTROL DEFICIENCIES

2014-001	Cash Register Voids - During the year, the College noted that cafeteria cashiers were allowed to void transactions in their registers and no procedures were in place to review and approve the voided transactions.
Recommendation:	The College should establish a policy to review and approve transactions that are voided in the cash registers.
Response:	The College has established procedures to review the voided transactions on a regular basis.
Conclusion:	Response accepted.8

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

2014-002 Transportation Institute Records - During the year, the Transportation Institute was using a different student database therefore all transactions were not being properly accounted.

Recommendation: All students should be included in the College's Banner software system to ensure all transactions are properly accounted for.

Response: The Transportation Institute is now using the Banner software.

Conclusion: Response accepted.

Part III—Findings for Federal Awards

NONE