

**Des Moines Area Community College**

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

**June 30, 2016**

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**Des Moines Area Community College  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
<b>Board of Directors</b>		
Joe Pugel	President	2017
Kevin Halterman	Vice President	2017
Fred Buie	Member	2017
James Knott	Member	2017
Felix Gallagher	Member	2019
Cheryl Langston	Member	2019
Denny Presnall	Member	2019
Fred Greiner	Member	2019
Madelyn Tursi	Member	2019
<b>Community College</b>		
Robert Denson	President/CEO	
Kim Linduska	Executive Vice President, Academic Affairs	
Greg Martin	Vice President, Business Services	
Ben Voaklander	Controller	
Carolyn Farlow	Board Secretary	
Joe DeHart	Board Treasurer	



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Des Moines Area Community College  
Ankeny, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of Des Moines Area Community College (the College), and its discretely presented component unit as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15, and the schedule of the college's proportionate share of the net pension liability, the schedule of College contributions and the schedule of funding progress for the retiree health plan on pages 39 through 42 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, 2015 (none of which are presented herein) and expressed unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the schedule of expenditures of federal awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November , 2016, 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

West Des Moines, Iowa  
November 2, 2016

**Des Moines Area Community College**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

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, 2016. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- ◆ College operating revenues decreased approximately \$2.6 million or 4%. The decrease primarily resulted from decreases in the Iowa Industrial New Jobs Training Program and auxiliary enterprises revenues. Training revenues to the College under the Iowa Industrial New Jobs Training Program decreased \$5.6 million or 41%. The decrease can be attributed the amount of withholding collected on the previous bond sales. The withholding revenues can fluctuate drastically from year to year. Auxiliary enterprise revenues were also down \$477,000 or 22%. The decrease in auxiliary enterprise revenues can be attributed to the closing of the campus food service operation. Future food service will be contracted out with private vendors.
- ◆ College operating expenses decreased by \$8.1 million or 6%. The decrease in operating expenses was the result of College responding to decreased enrollment by reducing operating budgets, holding/eliminating several positions, and an overall decrease in New Jobs Training Program reimbursements. Instructional costs for Liberal Arts, Career Education, and Adult Education decreased a total of \$1.9 million or 7%. Cooperative services decreased \$5.1 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 \$1 million or 6% as a result of construction activity and inflationary cost growth. General institution costs increased by \$2.5M or 17% as a result of increased early retirements.
- ◆ The College's net position increased by \$10.1 million. The net investment in capital assets increased approximately \$6.1 million as a result of \$38.9 million in assets being capitalized, \$30.2 million of debt issued, \$4.8 million of depreciation, and the retirement of \$2.5 million in related debt. Unexpended funds in the plant fund decreased by approximately \$1.7 million. The net OPEB liability increased by \$815,763. The College's Net Pension Liability increased by \$4.8 million to \$21.6 million. The unrestricted net position increased by \$5.7 million.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the College's financial activities.

The Basic Financial Statements consist of a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information presents the College's proportionate share of the net pension liability and related contributions, as well as presenting the 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, 2016**

**REPORTING THE COLLEGE FINANCIAL ACTIVITIES**

The Statement of Net Position

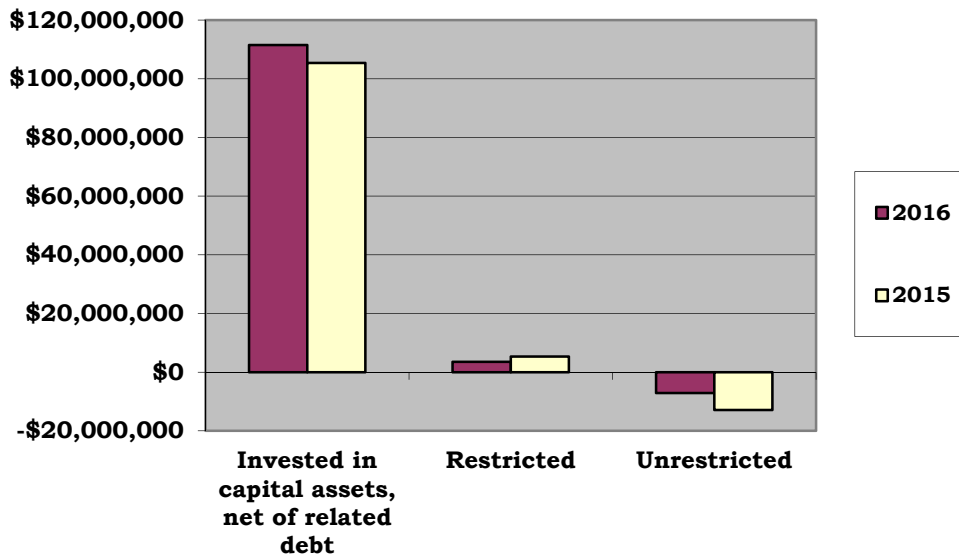
The Statement of Net Position presents financial information on all of the Colleges assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The Statement of Net Position is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The Statement of Net Position includes year-end information concerning current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources, and net position. Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net position. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

	June 30	
	2016	2015
Current assets	\$ 134,898,462	\$ 131,820,112
Other assets	33,833,316	33,243,383
Capital assets, net of accumulated depreciation	142,387,060	108,443,804
Total assets	311,118,838	273,507,299
 Deferred outflows of resources	 8,278,253	 3,268,048
Current liabilities	59,954,798	64,051,793
Noncurrent liabilities	123,346,608	83,637,200
Total liabilities	183,301,406	147,688,993
Deferred inflows of resources	28,146,857	31,282,300
Net position:		
Net investment in capital assets	111,532,060	105,383,804
Restricted	3,538,009	5,294,124
Unrestricted	(7,121,241)	(12,873,874)
Total net position	\$ 107,948,828	\$ 97,804,054



**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

**Comparison of Net Position**



The largest portion of the College's net position is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources (property tax receipts and rental revenue) other than capital assets. The restricted portion of the net position includes resources that are subject to external restrictions. Constitutional provisions or enabling legislation on how they can be used. The remaining net position is the unrestricted net position that can be used to meet the College's obligations as they come due.

Governmental Accounting Standards Board Statement No. 68, **Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27** was implemented during fiscal year 2015. The net pension liability as of July 1, 2015 was \$21,603,601. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year. The negative net position as a result of the net pension liability is reported against the unrestricted net position.

**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, 2016**

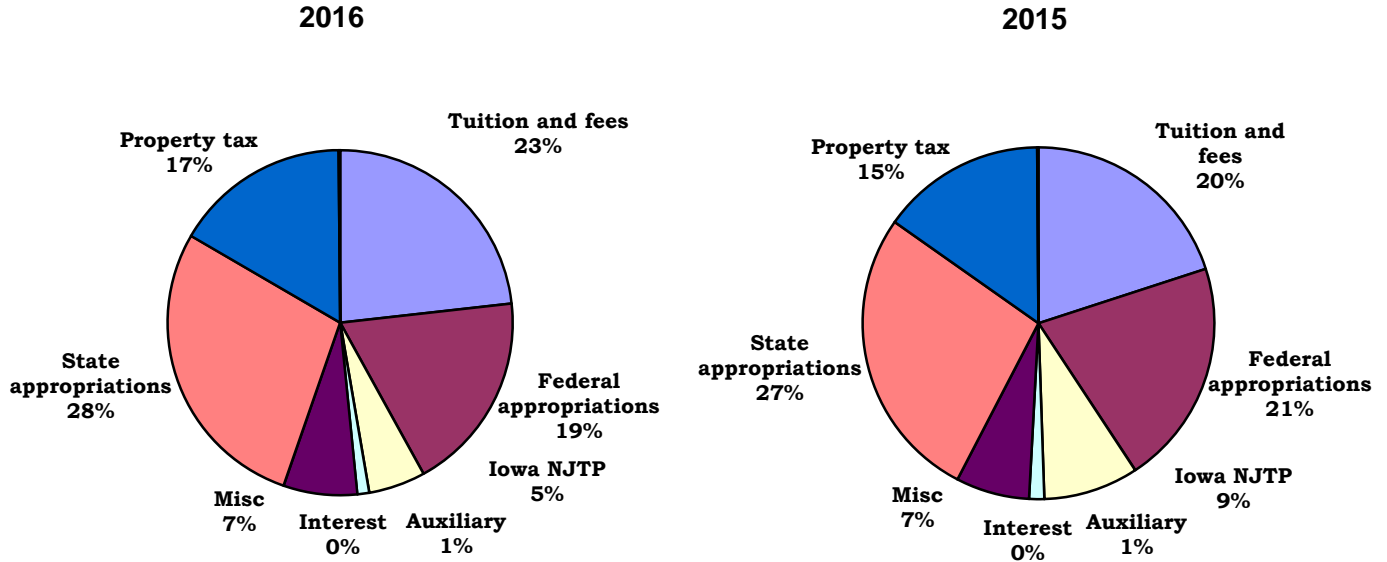
**Changes in Net Position**

	Year ended June 30	
	2016	2015
Operating revenues:		
Tuition and fees	\$ 35,128,482	\$ 31,170,859
Federal appropriations	8,268,558	8,652,320
Iowa Industrial New Jobs Training Program	8,047,866	13,635,607
Auxiliary enterprises revenue	1,674,173	2,151,485
Miscellaneous	10,454,783	10,550,421
Total operating revenues	63,573,862	66,160,692
Total operating expenses	139,297,243	147,450,816
Operating loss	(75,723,381)	(81,290,124)
Nonoperating revenues, (expenses) and transfers		
State appropriations	42,447,764	42,315,794
Pell grant	20,080,506	23,668,437
Property tax	24,905,167	23,561,603
Interest and investment income	214,866	185,744
Loss on disposition of capital assets	(83,183)	(95,661)
Interest on indebtedness	(1,656,423)	(2,196,763)
Transfers from agency funds	(40,542)	93,339
Net nonoperating revenues and transfers	85,868,155	87,532,493
Increase in net position	10,144,774	6,242,369
Net position beginning of year	97,804,054	91,561,685
Net position end of year	\$ 107,948,828	\$ 97,804,054

**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, with an increase in net position of \$10.1 million at the end of the fiscal year. This increase is the net result of a \$1.7 million decrease in the unexpended plant fund, a \$1.7 million decrease in the general restricted funds, a \$5.7 million increase in the general unrestricted funds, and a \$6.1 million increase in capital assets, net of related debt.

**Total Revenues by Source**



In fiscal year 2016, operating revenues decreased by approximately \$2.6 million or 4%. The decrease was primarily a result of the following changes:

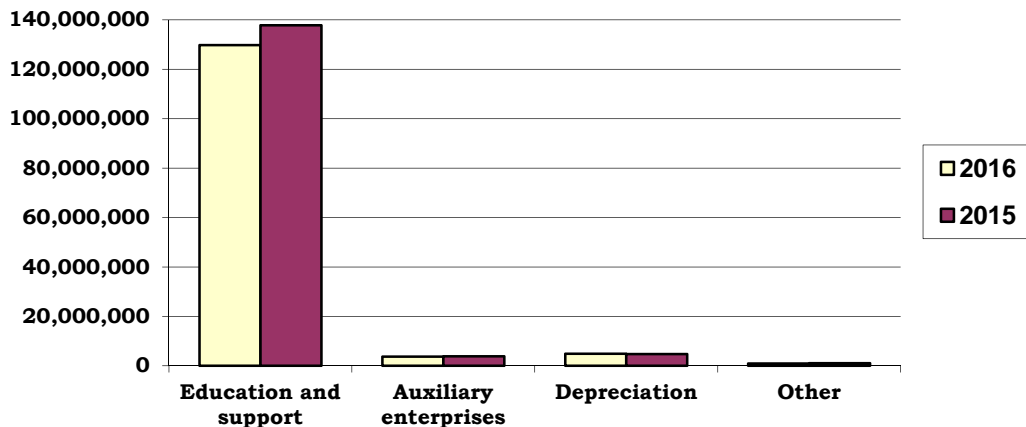
- ◆ Tuition and fees, net of scholarship allowances, increased approximately \$3.9 million or 13%. This increase was caused by a decrease in the number of non-career advantage credit hours taught of 5.5%. A 10% increase in career advantage credits, for career advantage credits DMACC only collects approximately 25% of its regular per credit rate. The tuition rate increased by 2.9% from \$139 to \$143. Scholarship allowances that decrease the student's tuition and fees cost, decreased by \$3.4 million or 14%. For financial reporting purposes, scholarship allowances reduce tuition revenue.
- ◆ The College facilitates training to new employees of area businesses under the Iowa Industrial New Jobs Training Program. The revenue from these training projects decreased \$5.6 million or 41%. The College sold \$13.5 million in New Jobs Training Certificates during the fiscal year. This number has fluctuated from \$7.2 million in FY15 and \$9.1 million in FY14.
- ◆ Miscellaneous revenue decreased \$95,000 or 1%.
- ◆ Federal appropriations decreased approximately \$384,000 or 5%, which can be attributed to a decrease in Federal grant awards. Auxiliary revenue decreased by \$477,000 or 22%. The decrease can be explained by the College closing its food service operation on the Ankeny campus. Future food service will be contracted with private vendors.

**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

**Operating Expenses**

	Year ended June 30	
	2016	2015
Education and support:		
Liberal arts and sciences	\$ 26,796,938	\$ 28,665,966
Vocational technical	31,970,168	32,922,503
Adult education	14,979,117	16,850,205
Cooperative services	4,329,204	9,405,295
Administration	3,514,097	3,794,809
Student services	10,901,572	11,052,729
Learning resources	3,089,718	3,239,605
Physical plant	16,563,315	16,710,505
General institution	17,651,675	15,145,709
Auxiliary enterprises	3,693,576	3,859,034
Loan cancellations and bad debts	851,816	969,448
Administrative and collection costs	69,028	82,085
Depreciation	4,887,019	4,752,923
Total	<u>\$ 139,297,243</u>	<u>\$ 147,450,816</u>

**Total Expenses**



In fiscal year 2016, operating expenses decreased by approximately \$8.1 million or 6%. The following factors explain some of the changes:

- ◆ Faculty and staff received a 3.45% salary increase in FY16, and health insurance costs increased by 2%.
- ◆ Due to a non-career advantage enrollment decrease of 5.5% in FY16, the college initiated steps to reduce expenses by eliminating positions, reducing adjunct costs, reducing operating budgets, holding open positions and recognizing early retirement replacement savings.
- ◆ The cost of bad debts decreased by \$117,632 or 12%. The smaller write off is attributed to the lower enrollments over the last four years. 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, 2016**

**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	
	2016	2015
Cash provided by (used in):		
Operating activities	\$ (69,202,587)	\$ (73,451,395)
Noncapital financing activities	82,942,136	82,898,425
Capital and related financing activities	(9,596,609)	(10,989,140)
Investing activities	(6,115,134)	7,143,028
Net increase (decrease) in cash	(1,972,194)	5,600,918
Cash and short-term pooled investments, beginning of the year	67,807,409	62,206,491
Cash and short-term pooled investments, end of the year	\$ 65,835,215	\$ 67,807,409

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 \$4.2 million. The decrease was attributed to the College's budget reduction plan to offset lower enrollment.

Cash provided by noncapital financing activities increased \$43,000. The slight increase was attributable to no growth in state aid, an increase in property tax revenue that was offset by a decrease in Pell revenues.

Cash used in capital and related financing activities increased by \$1.4 million. The College sold \$30.2 million of Plant Fund notes to fund the construction of a new student center and the Trail Point Aquatics and Wellness Center. The project will be completed in early 2017.

The cash provided by investing activities decreased \$13.2 million. The College has decreased the amount maintained in pooled investments.

**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

**CAPITAL ASSETS**

At June 30, 2016, the College had approximately \$142.4 million invested in capital assets, net of accumulated depreciation of \$73.3 million. Depreciation charges totaled \$4.8 million for FY2016. Details of capital assets are shown below.

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

	June 30	
	2016	2015
Land	\$ 7,797,349	\$ 7,797,349
Buildings	88,353,708	82,328,766
Construction in progress	34,416,433	6,194,412
Improvements other than buildings	6,967,505	7,419,171
Equipment and vehicles	4,852,065	4,704,106
Total	\$ 142,387,060	\$ 108,443,804

Planned capital expenditures for the fiscal year ended June 30, 2016 and beyond include the completion of the Trail Point Aquatics and Wellness Center. The Center will be completed in early 2017. The College appropriates approximately \$1.3 million annually for computer equipment and technology upgrades for the computer labs, networks and classrooms. The College also plans to spend an estimated \$1.4 million annually for maintenance on the buildings and grounds.

The College has an approved \$.09 per thousand levy for instructional equipment. This levy results in the College receiving an additional \$3.3 million per year for instructional equipment.

**DEBT**

At June 30, 2016, the College had \$85.9 million in debt outstanding, an increase of \$23 million from 2015. The table below summarizes these amounts by type.

**Outstanding Debt**

	June 30	
	2016	2015
Certificates payable	\$ 54,995,000	\$ 59,725,000
Revenue bonds and notes payable	30,855,000	3,060,000
Total	\$ 85,850,000	\$ 62,785,000

The College also anticipates selling \$7-8 million of New Job Training Program certificates in late 2016.

**Des Moines Area Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

**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 support for Community College has leveled off. For the fiscal year ended June 30, 2016, the College received \$33.7 million in state general aid. For the fiscal year ending June 30, 2017, the College received \$34.1 million. The College is anticipating that this amount will remain at the same level for the year ending on June 30, 2018. For future budget years, the College is not overly optimistic regarding state general aid. Aggressive and prudent budget management and pre-planning for anticipated expense reductions have allowed the College to deal with revenue losses without significant impact on operations that would affect the student experience.
- ◆ In the fiscal year ended June 30, 2016, the College actually experienced an enrollment decrease of 5.5% in non-career advantage credit. For the Fall Term of the fiscal year ending June 30, 2017, the College experienced a 3.5% enrollment decrease. The current fiscal year budget had been adopted with 4% enrollment decrease during budget development, and the College did not have to take steps to reduce budgets. 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 \$13 million for 2016. One area of concern is the Ag Industry, and the college will continue to monitor that to determine what effect it will have on funding.
- ◆ Facilities at the College require constant expansion, maintenance, and upkeep. The lack of facility capacity hampers the College in its efforts to grow some current programs or add programs that are needed in the area's economy. 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 (FY2017) 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, 2016

	<u>College</u>	<u>Foundation</u>
<b>Assets</b>		
Current assets:		
Cash and short-term pooled investments (Note 2)	\$ 65,835,215	\$ 1,252,805
Pooled investments (Note 2)	14,000,000	11,524,352
Receivables:		
Accounts, net of allowance of \$313,785	15,448,772	1,429,885
Succeeding year property tax	28,003,205	-
Iowa Industrial New Jobs Training Program	9,242,541	-
Due from other governments	1,545,540	-
Inventories (Note 3)	310,456	-
Prepaid expenses	512,733	43,750
Total current assets	<u>134,898,462</u>	<u>14,250,792</u>
Noncurrent assets:		
Receivables		
Iowa Industrial New Jobs Training Program	33,833,316	-
Capital assets, net of accumulated depreciation (Note 4)	142,387,060	277,907
Total noncurrent assets	<u>176,220,376</u>	<u>277,907</u>
<b>Total assets</b>	<u>311,118,838</u>	<u>14,528,699</u>
<b>Deferred outflows of resources</b>		
Pension related deferred outflows	\$ <u>8,278,253</u>	\$ <u>-</u>

## DES MOINES AREA COMMUNITY COLLEGE

## Statement of Net Position (Continued)

June 30, 2016

	<u>College</u>	<u>Foundation</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 5,663,857	\$ -
Payable to Des Moines Area Community College	-	104,695
Salaries and benefits payable	4,461,449	-
Self-funded health claims payable	3,517,225	-
Accrued interest payable	202,969	-
Unearned revenue:		
Tuition	14,461,555	-
Iowa Industrial New Jobs Training Program	15,783,417	-
Early retirement pension cost and OPEB liability payable (Notes 5, 10 & 11)	2,317,391	-
Deposits held in custody for others	2,435,554	-
Certificates payable (Note 5)	7,938,663	-
Revenue bonds (Note 5)	3,172,718	-
<b>Total current liabilities</b>	<u>59,954,798</u>	<u>104,695</u>
Noncurrent liabilities (Note 5 & 6):		
Compensated absences	1,735,900	-
Unearned revenue, Iowa Industrial New Jobs Training Program and other	13,523,980	-
Net pension liability (Note 8)	21,603,601	-
Early retirement pension cost and OPEB liability payable (Notes 10 & 11)	9,443,436	-
Certificates payable	47,363,535	-
Revenue bonds	29,676,156	-
<b>Total noncurrent liabilities</b>	<u>123,346,608</u>	<u>-</u>
<b>Total Liabilities</b>	<u>183,301,406</u>	<u>104,695</u>
<b>Deferred inflows of resources</b>		
Unavailable property tax revenue	28,003,205	-
Pension related deferred outflows	143,652	-
<b>Total deferred inflows of resources</b>	<u>28,146,857</u>	<u>-</u>
<b>Net position</b>		
Net investment in capital assets	111,532,060	-
Restricted:		
Nonexpendable:		
Cash reserve	755,088	-
Scholarships and fellowships	-	4,366,095
Expendable:		
Scholarships and fellowships	244,442	-
Loans	74,843	-
Plant fund	467,312	-
Other	1,996,324	7,207,598
Unrestricted	(7,121,241)	2,850,311
Commitments (Notes 4, 7, 11, 12 & 13)		
<b>Total net position</b>	<u>\$ 107,948,828</u>	<u>\$ 14,424,004</u>

**Exhibit B**

**DES MOINES AREA COMMUNITY COLLEGE**  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2016

	<u>College</u>	<u>Foundation</u>
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$20,954,242	\$ 35,128,482	\$ -
Federal appropriations	8,268,558	-
Iowa Industrial New Jobs Training Program	8,047,866	-
Auxiliary enterprises revenue	1,674,173	-
Contributions	-	4,994,765
Miscellaneous	10,454,783	-
Total operating revenues	<u>63,573,862</u>	<u>4,994,765</u>
Operating expenses:		
Education and support		
Liberal arts and sciences	26,796,938	-
Vocational technical	31,970,168	-
Adult education	14,979,117	-
Cooperative services	4,329,204	-
Administration	3,514,097	47,179
Student services	10,901,572	-
Learning resources	3,089,718	-
Physical plant	16,563,315	-
General institution	17,651,675	-
Auxiliary enterprises	3,693,576	-
Scholarships and grants	-	1,500,155
Fund raising	-	104,140
Loan cancellations and bad debts	851,816	-
Administrative and collection costs	69,028	-
Depreciation	4,887,019	14,499
Total operating expenses	<u>139,297,243</u>	<u>1,665,973</u>
Operating (loss)	(75,723,381)	3,328,792
Nonoperating revenues (expenses):		
State appropriations	42,447,764	-
Pell grant	20,080,506	-
Property tax	24,905,167	-
Interest and investment income	214,866	(102,335)
Loss on disposition of capital assets	(83,183)	-
Interest on indebtedness	(1,656,423)	-
Net nonoperating revenues (expenses)	<u>85,908,697</u>	<u>(102,335)</u>
Change in net position	10,185,316	3,226,457
Transfers from agency funds	(40,542)	-
Total change in net position	10,144,774	3,226,457
Net position, beginning of year	<u>97,804,054</u>	<u>11,197,547</u>
Net position, end of year	<u>\$ 107,948,828</u>	<u>\$ 14,424,004</u>

DES MOINES AREA COMMUNITY COLLEGE

Statement of Cash Flows  
Year Ended June 30, 2016

Cash flows from operating activities:	
Tuition and fees	\$ 36,553,729
Federal appropriations	8,583,518
Iowa Industrial New Jobs Training Program	12,642,875
Payments to employees for salaries and benefits	(106,240,815)
Payments to suppliers for goods and services	(32,871,418)
Auxiliary enterprise receipts	1,674,173
Other receipts	10,455,351
	(69,202,587)
Net cash used in operating activities	
Cash flows from noncapital financing activities:	
State appropriations	43,348,291
Pell grant	20,080,506
Property tax	24,905,167
Net agency fund activity	332,886
Proceeds from certificates payable	13,525,000
Principal paid on debt	(18,255,000)
Interest paid	(994,714)
	82,942,136
Net cash provided by noncapital financing activities	
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(38,913,458)
Proceeds from issuance of debt	32,295,941
Principal paid on debt	(2,470,000)
Interest paid	(509,092)
	(9,596,609)
Net cash used in capital and related financing activities	
Cash flows from investing activities	
Interest on investments	214,866
Net change in pooled investments	(6,330,000)
	(6,115,134)
Net cash used in investing activities	
Net decrease in cash and short-term pooled investments	
	(1,972,194)
Cash and short-term pooled investments at beginning of year	
	67,807,409
Cash and short-term pooled investments at end of year	
	\$ 65,835,215

DES MOINES AREA COMMUNITY COLLEGE

Statement of Cash Flows (Continued)

Year Ended June 30, 2016

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(75,723,381)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,887,019
Changes in assets and liabilities:	
Decrease in accounts receivable	1,395,312
Decrease in Iowa Industrial New Jobs Training Program receivables	1,504,050
Increase in due from and due to other governments	314,960
Increase in prepaid expenses	(447,886)
Decrease in inventories	124,847
Increase in accounts payable	1,212,338
Decrease in salaries and benefits payable	(909,411)
Increase in unearned revenues	3,120,894
Increase in net pension liability	4,870,873
Increase in deferred outflows of resources	(3,515,484)
Decrease in deferred inflows of resources	(7,732,450)
Increase in other post employment benefits	815,763
Increase in early retirement payable	879,397
Decrease in deposits held in custody for others	572
Total Adjustments	<u>6,520,794</u>
Net cash used in operating activates	<u>\$ (69,202,587)</u>

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**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 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, 2016**

**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, 2016

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

**Supplementary Information (continued)**

**Plant Funds** – The Plant Funds are used to account for transactions relating to investment in the College properties, and consist of the following self-balancing subfunds:

**Unexpended** – This subfund is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

**Retirement of Indebtedness** – This subfund is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

**Investment in Plant** – This subfund is used to account for the excess of the carrying value of plant assets over the related liabilities.

**Agency Funds** – The Agency Funds are used to account for assets held by the College in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities. Transactions of the Agency Funds represent charges or credits to the individual asset and liability accounts and do not involve measurement of revenues or expenditures.

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

**Measurement Focus and Basis of Accounting**

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Schedules presented in the supplementary information are reported using the current financial resources measurement focus and the modified accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The schedule of revenues, expenditures and changes in fund balances is a schedule of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

**Cash and Pooled Investments** – Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and nonnegotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to a known amount of cash and, at the day of purchase, have a maturity date no longer than three months.



**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

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

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)**

**Property Tax Receivable** – Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Directors to the appropriate County Auditors. The succeeding year property tax receivable represents taxes certified by the Board of Directors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Directors is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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, 2016 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

**Due from Other Governments** – This represents state aid, grants and reimbursements due from the State of Iowa and grants and reimbursements due from the federal government.

**Inventories** – Inventories are valued at lower of cost (first-in, first-out method) or market. The cost is recorded as an expense at the time individual inventory items are consumed.

**Capital Assets** – Capital assets, which include land, buildings and improvements, and equipment and vehicles, are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

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

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

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

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

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

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

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**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, 2016.

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

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

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

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

**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, 2016**

**NOTE 2 CASH AND POOLED INVESTMENTS**

The College's cash and deposits (money market accounts and certificates of deposit) at June 30, 2016 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, 2016, the College's cash and short-term pooled investments are as follows:

Deposits	
Cash	\$ 27,939,745
Investments	
Nonnegotiable certificates of deposit, short term	7,300,000
Commercial Paper	2,000,000
Iowa Schools Joint Investment Trust Diversified Portfolio and Money Market	<u>28,595,470</u>
Total cash and short-term pooled investments	<u>\$ 65,835,215</u>

As of June 30, 2016, the College's pooled investments are as follows:

Investments	
Nonnegotiable certificates of deposit, long term	\$ 9,000,000
U.S. Government agency securities	<u>5,000,000</u>
Total pooled investments	<u>\$ 14,000,000</u>

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

The recurring fair value measurement for the U.S. Government agency securities of \$ 5,000,000 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

The investments in Iowa Schools Joint Investment Trust is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The College had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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

*Credit risk.* The College's investments in the Iowa Schools Joint Investment Trust were rated 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, 2016**

**NOTE 3 INVENTORIES**

The College's inventories at June 30, 2016 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 70,948
Merchandise held for resale	239,538
Total	<u>\$ 310,486</u>

**NOTE 4 CAPITAL ASSETS**

A summary of the change in capital assets for the year ended June 30, 2016 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	\$ 7,797,349	\$ -	\$ -	\$ -	\$ 7,797,349
Construction in progress	6,194,412	30,582,201	(2,360,180)	-	34,416,433
Total capital assets not being depreciated	<u>13,991,761</u>	<u>30,582,201</u>	<u>(2,360,180)</u>	<u>-</u>	<u>42,213,782</u>
Capital assets being depreciated					
Buildings	129,746,706	9,169,678	-	-	138,916,384
Improvements other than buildings	18,084,367	-	-	-	18,084,367
Leased equipment	-	-	-	-	-
Equipment and vehicles	15,580,751	1,521,759	-	549,879	16,552,631
Total capital assets being depreciated	<u>163,411,824</u>	<u>10,691,437</u>	<u>-</u>	<u>549,879</u>	<u>173,553,382</u>
Less accumulated depreciation for					
Buildings	47,417,940	3,144,736	-	-	50,562,676
Improvements other than buildings	10,665,196	451,666	-	-	11,116,862
Leased equipment	-	-	-	-	-
Equipment and vehicles	10,876,645	1,290,617	-	466,696	11,700,566
Total accumulated depreciation	<u>68,959,781</u>	<u>4,887,019</u>	<u>-</u>	<u>466,696</u>	<u>73,380,104</u>
Total capital assets being depreciated, net	<u>94,452,043</u>	<u>5,804,418</u>	<u>-</u>	<u>83,183</u>	<u>100,173,278</u>
Capital assets, net	<u>\$ 108,443,804</u>	<u>\$ 36,386,619</u>	<u>\$ (2,360,180)</u>	<u>\$ 83,183</u>	<u>\$ 142,387,060</u>

Construction in progress at June 30, 2016 includes costs for the Student Center on the Ankeny campus. The College has entered into agreements for these projects totaling approximately \$41,000,000 of which approximately \$34,416,000 has been completed.

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 5 CHANGES IN NONCURRENT LIABILITIES**

A summary of changes in noncurrent liabilities for the year ended June 30, 2016 is as follows:

	Compensated absences	Unearned revenue, NJTP and other	Early Retirement and OPEB payable	Net Pension Liability	Certificates Payable	Revenue bonds and notes payable	Total
Balance, beginning of year	\$ 1,684,200	\$ 26,216,437	\$ 10,065,667	\$ 16,732,728	\$ 59,725,000	\$ 3,060,000	\$ 117,484,032
Additions	64,600	15,148,285	4,796,806	4,870,873	13,525,000	30,265,000	68,670,564
Reductions	12,900	12,057,325	3,101,646	-	18,255,000	2,470,000	35,896,871
	<u>1,735,900</u>	<u>29,307,397</u>	<u>11,760,827</u>	<u>21,603,601</u>	<u>54,995,000</u>	<u>30,855,000</u>	<u>150,257,725</u>
Less net unamortized discount and premium	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(307,198)</u>	<u>(1,993,874)</u>	<u>(2,301,072)</u>
Balance, end of year	1,735,900	29,307,397	11,760,827	21,603,601	55,302,198	32,848,874	152,558,797
Less current portion	<u>-</u>	<u>15,783,417</u>	<u>2,317,391</u>	<u>-</u>	<u>7,938,663</u>	<u>3,172,718</u>	<u>29,212,189</u>
Total noncurrent liabilities	<u>\$ 1,735,900</u>	<u>\$ 13,523,980</u>	<u>\$ 9,443,436</u>	<u>\$ 21,603,601</u>	<u>\$ 47,363,535</u>	<u>\$ 29,676,156</u>	<u>\$ 123,346,608</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, 2016:

<b><u>Year ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 2,950,000	\$ 1,101,484	\$ 4,051,484
2018	3,015,000	1,036,359	4,051,359
2019	3,075,000	969,309	4,044,309
2020	3,170,000	871,509	4,041,509
2021	3,265,000	770,315	4,035,315
2022-2026	14,570,000	1,856,905	16,426,905
2027-2028	<u>810,000</u>	<u>109,880</u>	<u>919,880</u>
Total	<u>\$ 30,855,000</u>	<u>\$ 6,715,761</u>	<u>\$ 37,570,761</u>

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Revenue bonds and notes payable consisted of the following at June 30, 2016:

Plant fund capital loan notes payable dated July 30, 2015, with interest rates between 2.00% and 4.00%	27,965,000
Tax-exempt notes payable dated May 29, 2009, with interest rates of 5.50% and 6.70%	<u>2,890,000</u>
	<u>\$ 30,855,000</u>

The plant fund capital loan notes totaling \$27,965,000 are payable over ten years. The proceeds of the notes were used to pay for the various costs of the building projects for the College. Interest on the notes payable are payable semiannually, while principal payments are due annually.

The tax-exempt revenue bonds totaling \$2,890,000 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, and notes payable 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, 2016 was \$1,072,888.

**Certificates Payable**

Pursuant to agreements dated from 2009 to 2016, the College issued certificates totaling \$54,995,000 at June 30, 2016 with interest rates ranging from 0.45% to 4.60% 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>
2017	\$ 7,870,000	\$ 1,372,541	\$ 9,242,541
2018	8,225,000	1,192,129	9,417,129
2019	8,440,000	991,011	9,431,011
2020	8,655,000	774,725	9,429,725
2021	7,445,000	541,855	7,986,855
2021-2026	<u>14,360,000</u>	<u>829,291</u>	<u>15,189,291</u>
Total	<u>\$ 54,995,000</u>	<u>\$ 5,701,552</u>	<u>\$ 60,696,552</u>

Since inception, the College has administered 690 projects, with 128 currently receiving project funding. Of the remaining projects, 491 have been completed and closed and 71 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, 2016 was \$1,460,843.

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 6 - OPERATING LEASES**

The College leases certain property under operating leases which expire at varying dates. Most of the operating leases provide the College with the option after the initial lease term either to renew the lease at the then fair rental value for one additional five-year period or to purchase the property at the then fair value. Generally, management expects that the leases will be renewed or replaced by other leases in the normal course of business. Minimum payments for operating leases having initial or remaining non-cancelable terms in excess of one year are as follows:

<b>Year ending June 30</b>	<b>Amount</b>
2017	\$ <u>250,485</u>

**NOTE 7 - RENT INCOME**

All leases are classified as operating leases.

The future revenue from the minimum rent required under the operating leases, in the aggregate, is as follows:

<b>Year ending June 30</b>	<b>Amount</b>
2017	\$ 159,454
2018	153,244
2019	153,664
2020	87,856
2021	<u>1,964</u>
Total	\$ <u>556,182</u>

Total rent income for all operating leases were approximately \$159,387 for the year ended June 30, 2016.

**NOTE 8 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)**

**Plan Description** – IPERS membership is mandatory for employees of the College except for those covered by another retirement system. Employees of the College are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

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

Regular member's monthly IPERS benefit includes:

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

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the College contributed 8.93% of covered payroll, for a total rate of 14.88%.

The College's contributions to IPERS for the year ended June 30, 2016 were \$2,771,638.

**Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2016, the College reported a liability of \$4,870,873 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the College's collective proportion was 0.00434554%, which was an increase of 0.0021103% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the College recognized pension expense of \$2,038,559. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 144,551	
Changes of assumptions		143,652
Net difference between projected and actual earnings on IPERS' investments	4,438,845	
Changes in proportion and differences between College contributions and the College's proportionate share of contributions	923,219	
College contributions subsequent to the measurement date	2,771,638	
Total	\$ 8,278,253	\$ 143,652

\$2,771,638 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2017	\$ (446,144)
2018	(446,144)
2019	(446,144)
2020	1,112,842
2021	67,327
Total	\$ (158,263)

There are no non-employer contributing entities at IPERS.

**Actuarial Assumptions** – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rate of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	2.04
Domestic equity	24%	6.29
International equity	16%	6.75
Private equity/debt	11%	11.32
Real estate	8%	3.48
Credit Opportunities	5%	3.63
U.S. TIPS	5%	1.91
Other Real Assets	2%	6.24
Cash	1%	(0.71)
Total	<u>100%</u>	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the College will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

– The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1 % Decrease (6.5%)	Discount Rate (7.5%)	1 % Increase (8.5%)
College's proportionate share of the net pension liability	\$ 37,824,019	\$ 21,603,601	\$ 7,912,405

**IPERS Fiduciary Net Position** – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**NOTE 9 TEACHERS INSURANCE AND ANNUITY ASSOCIATION - COLLEGE RETIREMENT EQUITIES FUND (TIAA-CREF)**

The College 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. Benefit terms, including contribution requirements, for TIAA-CREF are established and specified by

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 9 TEACHERS INSURANCE AND ANNUITY ASSOCIATION - COLLEGE RETIREMENT  
EQUITIES FUND (TIAA-CREF) (continued)**

the contract with TIAA-CREF and in accordance with the Code of Iowa. For each employee in the pension plan, the College is required to contribute 8.93% of annual salary, including overtime pay, to an individual employee account. Each employee is required to contribute 5.95%. Contributions made by both the College and employees vest immediately. For the year ended June 30, 2016 employee contributions totaled \$1,990,100 and the College recognized pension expense of \$2,986,822.

**NOTE 10 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 11).

The liability at June 30, 2016 for early retirement cash benefits totaled \$1,744,424. 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, 2016 was \$3,981,043.

At June 30, 2016, the potential liability, if all employees accepted early retirement when eligible, is approximately \$15,633,000.

**NOTE 11 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 844 active and 111 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, 2016, 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, 2016**

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

Annual required contribution	\$ 2,307,681
Interest on net OPEB obligation	461,224
Adjustment to annual required contribution	<u>(600,083)</u>
Annual OPEB cost	2,168,822
Contributions made	(1,353,059)
Decrease in accrued expenses	<u>(23,835)</u>
Increase in net OPEB obligation	791,928
Net OPEB obligation, beginning of year	<u>9,224,475</u>
Net OPEB obligation, end of year	<u><u>\$ 10,016,403</u></u>

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, 2016.

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

For the year ended June 30, 2016, the College contributed \$1,353,059 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>
2014	1,940,688	62.0	8,676,181
2015	2,177,074	55.4	9,224,475
2016	2,168,822	62.4	10,016,403

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$17,542,339 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$17,542,339. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$52,600,000, and the ratio of the UAAL to the covered payroll was 33.4%. As of June 30, 2016 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.

As of the July 1, 2014 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 5% 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 RP2014 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.

**NOTE 12 SUBSEQUENT EVENT**

The College received a gift of seven buildings, the former Maytag campus in Newton, IA, from Engineered Plastics Components Inc. on October 31, 2016. The gift was valued at \$8 million. Preliminary plans for the space include; traditional office/industrial park for existing companies and future tenants, potential student housing, expansion of new and existing academic programs, and a business incubator for start-up and growth companies.

**Des Moines Area Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 13 NEW ACCOUNTING PRONOUNCEMENT**

The College adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

**Required Supplementary Information**

	2016	2015
College's proportion of the net pension liability	0.00434554%	0.00413451%
College's proportionate share of the net pension liability	\$ 21,604	\$ 16,733
College's covered-employee payroll	\$ 31,037	\$ 29,980
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.61%	55.81%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

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

See accompanying independent auditor's report

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



**DES MOINES AREA COMMUNITY COLLEGE**

Schedule of College Contributions

Iowa Public Employee's Retirement System

For the Last Ten Years

(In Thousands)

Required Supplementary Information

	Years ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutory required contribution	\$ 2,772	2,677	2,466	2,377	2,158	1,766	1,569	1,431	1,280	1,099
Contributions in relation to the statutorily required contribution	(2,772)	(2,677)	(2,466)	(2,377)	(2,158)	(1,766)	(1,569)	(1,431)	(1,280)	(1,099)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
 College's covered-employee payroll	 \$ 31,037	 29,980	 27,613	 27,414	 26,743	 25,406	 23,588	 22,529	 21,160	 19,106
 Contributions as a percentage of covered-employee payroll	 8.93%	 8.93%	 8.93%	 8.67%	 8.07%	 6.95%	 6.65%	 6.35%	 6.05%	 5.75%

**CHANGES OF BENEFIT TERMS:**

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

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

**CHANGES OF ASSUMPTIONS:**

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

**Des Moines Area Community College**  
**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%
2015	July 1, 2014	\$ --	\$17,542	\$17,542	0.0%	\$50,556	34.7%
2016	July 1, 2014	\$ --	\$17,542	\$17,542	0.0%	\$52,557	33.4%

See note 11 in the accompanying notes to financial statement for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**OTHER SUPPLEMENTARY INFORMATION**

**Schedule 1**

**Des Moines Area Community College**  
**BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL**  
 Year ended June 30, 2016

<u>Funds/Levy</u>	<u>Original budget</u>	<u>Actual</u>	<u>Variance between actual and budget</u>
Unrestricted	\$ 106,678,002	\$ 101,108,044	\$ 5,569,958
Restricted			
Unemployment	160,000	101,148	58,852
Insurance	7,240,000	5,111,623	2,128,377
Early retirement	1,425,182	3,101,646	(1,676,464)
Equipment replacement	3,414,293	3,558,087	(143,794)
Other	39,797,011	27,600,088	12,196,923
Total restricted	<u>52,036,486</u>	<u>39,472,592</u>	<u>12,563,894</u>
Total unrestricted/restricted	158,714,488	140,580,636	18,133,852
Plant	<u>50,387,307</u>	<u>45,306,838</u>	<u>5,080,469</u>
Total	<u>\$ 209,101,795</u>	<u>\$ 185,887,474</u>	<u>\$ 23,214,321</u>

**Note to Budgetary Reporting:**

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

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Workforce Investment Act, Scholarships and Grants Accounts, Loan Funds, Endowment Funds and Agency Funds.

For the year ended June 30, 2016, the College's expenditures did not exceed the amount budgeted.

## DES MOINES AREA COMMUNITY COLLEGE

Assets, Liabilities and Fund Balances

June 30, 2016

Assets	Current funds		Nonoperating funds					Adjustments	Totals
	General unrestricted funds	General restricted funds	Loan funds	Plant Funds		Agency funds			
				Unexpended	Investment in plant				
Cash and short-term pooled investments	21,371,928	\$ 35,302,030	\$ 38,536	\$ 6,674,274	\$ -	\$ 2,448,447	\$ -	\$ 65,835,215	
Pooled investments	-	14,000,000	-	-	-	-	-	14,000,000	
Receivables:									
Accounts, net of allowance of \$313,785	14,403,477	886,136	36,307	89,649	-	33,203	-	15,448,772	
Succeeding year property tax	7,839,493	12,324,219	-	7,839,493	-	-	-	28,003,205	
Iowa Industrial New Jobs Training Program	-	43,075,857	-	-	-	-	-	43,075,857	
Due from other governments	117,940	1,407,600	-	20,000	-	-	-	1,545,540	
Inventories	310,456	-	-	-	-	-	-	310,456	
Prepaid expenses	82,685	430,048	-	-	-	-	-	512,733	
	<u>44,125,979</u>	<u>107,425,890</u>	<u>74,843</u>	<u>14,623,416</u>	<u>-</u>	<u>2,481,650</u>	<u>-</u>	<u>168,731,778</u>	
Capital assets:									
Land	-	-	-	-	7,797,349	-	-	7,797,349	
Buildings	-	-	-	-	138,916,384	-	-	138,916,384	
Improvements other than buildings	-	-	-	-	18,084,367	-	-	18,084,367	
Equipment and vehicles	-	-	-	-	16,552,631	-	-	16,552,631	
Construction in progress	-	-	-	-	34,416,433	-	-	34,416,433	
Accumulated depreciation	-	-	-	-	-	-	(73,380,104)	(73,380,104)	
Total assets	<u>44,125,979</u>	<u>107,425,890</u>	<u>74,843</u>	<u>14,623,416</u>	<u>215,767,164</u>	<u>2,481,650</u>	<u>(73,380,104)</u>	<u>311,118,838</u>	
Deferred outflows of resources:									
Pension related deferred outflows	-	-	-	-	-	-	8,278,253	8,278,253	
Total assets and deferred outflows of resources	<u>\$ 44,125,979</u>	<u>\$ 107,425,890</u>	<u>\$ 74,843</u>	<u>\$ 14,623,416</u>	<u>\$ 215,767,164</u>	<u>\$ 2,481,650</u>	<u>\$ (65,101,851)</u>	<u>\$ 319,397,091</u>	

DES MOINES AREA COMMUNITY COLLEGE

Assets, Liabilities and Fund Balances (Continued)

June 30, 2016

Liabilities, Deferred Inflows of Resources and Fund Balances	Current funds		Nonoperating funds					Adjustments	Totals
	General unrestricted funds	General restricted funds	Loan funds	Plant Funds		Agency funds			
				Unexpended	Investment in plant				
Liabilities:									
Accounts payable	\$ 504,791	\$ 897,435	\$ -	\$ 4,205,915	\$ -	\$ 55,716	\$ -	\$ 5,663,857	
Salaries and benefits payable	4,304,830	152,719	-	2,300	-	1,600	-	4,461,449	
Self-funded health claims payable	-	3,517,225	-	-	-	-	-	3,517,225	
Accrued interest payable	-	112,647	-	90,322	-	-	-	202,969	
Revenue:									
Other	14,461,555	29,307,397	-	-	-	-	-	43,768,952	
Early retirement pension costs payable	-	1,744,424	-	-	-	-	-	1,744,424	
Deposits held in custody for others	12,620	-	-	-	-	2,422,934	-	2,435,554	
Compensated absences	1,486,600	223,700	-	24,200	-	1,400	-	1,735,900	
Certificates payable	-	55,302,198	-	-	-	-	-	55,302,198	
Revenue bonds and notes payable	-	-	-	1,993,874	30,855,000	-	-	32,848,874	
Net pension liability	-	-	-	-	-	-	21,603,601	21,603,601	
Net OPEB liability	-	9,200,640	-	-	-	-	815,763	10,016,403	
Total liabilities	20,770,396	100,458,385	-	6,316,611	30,855,000	2,481,650	22,419,364	183,301,406	
Deferred inflows of resources									
Succeeding year property tax	7,839,493	12,324,219	-	7,839,493	-	-	-	28,003,205	
Pension related deferred inflows	-	-	-	-	-	-	143,652	143,652	
Total deferred inflows of resources	7,839,493	12,324,219	-	7,839,493	-	-	143,652	28,146,857	
Fund balances:									
Net investment in capital assets	-	-	-	-	184,912,164	-	(73,380,104)	111,532,060	
Restricted:									
Nonexpendable:									
Cash reserve	-	755,088	-	-	-	-	-	755,088	
Expendable:									
Scholarships and fellowships	-	244,442	-	-	-	-	-	244,442	
Loans	-	-	74,843	-	-	-	-	74,843	
Plant fund	-	-	-	467,312	-	-	-	467,312	
Other	-	1,996,324	-	-	-	-	-	1,996,324	
Unrestricted	15,516,090	(8,352,568)	-	-	-	-	(14,284,763)	(7,121,241)	
Total fund balances	15,516,090	(5,356,714)	74,843	467,312	184,912,164	-	(87,664,867)	107,948,828	
Total liabilities, deferred inflows or resources and fund balances	\$ 44,125,979	\$ 107,425,890	\$ 74,843	\$ 14,623,416	\$ 215,767,164	\$ 2,481,650	\$ (65,101,851)	\$ 319,397,091	

**DES MOINES AREA COMMUNITY COLLEGE**  
 Revenues, Expenditures, and Changes in Fund Balance  
 Year Ended June 30, 2016

	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	\$ 55,192,902	\$ 889,822	\$ 56,082,724	\$ -	\$ -	\$ -	\$ -	\$ (20,954,242)	\$ 35,128,482
Federal appropriations	459,788	27,889,276	28,349,064	-	-	-	-	-	28,349,064
Iowa Industrial New Jobs Training Program	-	8,047,866	8,047,866	-	-	-	-	-	8,047,866
State appropriations	34,251,049	7,525,974	41,777,023	-	670,741	-	-	-	42,447,764
Property tax	7,464,681	9,975,804	17,440,485	-	4,799,102	2,665,580	-	-	24,905,167
Auxiliary enterprises revenue	1,732,748	-	1,732,748	-	-	-	-	(58,575)	1,674,173
Interest and investment income	116,981	97,885	214,866	-	-	-	-	-	214,866
Expended for plant assets (including \$1,301,046 in current operating fund expenditures)	-	-	-	-	-	-	38,913,459	(38,913,459)	-
Retirement of indebtedness	-	-	-	-	-	-	2,470,000	(2,470,000)	-
Proceeds from sale of bonds	-	-	-	-	30,265,000	-	-	(30,265,000)	-
Miscellaneous	5,759,998	4,411,525	10,171,523	-	580,670	-	-	(297,410)	10,454,783
Total revenues and other additions	104,978,147	58,838,152	163,816,299	-	36,315,513	2,665,580	41,383,459	(92,958,686)	151,222,165
Expenditures and other deductions:									
Education and support:									
Liberal arts and sciences	28,182,306	1,641	28,183,947	-	-	-	-	(1,387,007)	26,796,940
Vocational technical	30,909,373	2,715,574	33,624,947	-	-	-	-	(1,654,779)	31,970,168
Adult education	5,805,757	9,948,682	15,754,439	-	-	-	-	(775,322)	14,979,117
Cooperative services	-	4,553,284	4,553,284	-	-	-	-	(224,080)	4,329,204
Administration	3,799,206	-	3,799,206	-	-	-	-	(285,109)	3,514,097
Student services	10,282,987	1,182,851	11,465,838	-	-	-	-	(564,266)	10,901,572
Learning resources	3,150,727	98,915	3,249,642	-	-	-	-	(159,924)	3,089,718
Physical plant	7,630,676	4,743,006	12,373,682	-	4,997,848	-	-	(808,215)	16,563,315
General institution	10,021,758	7,688,492	17,710,250	-	-	-	-	(58,575)	17,651,675
Scholarships and grants	-	20,954,242	20,954,242	-	-	-	-	(20,954,242)	-
Total education and support	99,782,790	51,886,687	151,669,477	-	4,997,848	-	-	(26,871,519)	129,795,806
Auxiliary enterprises	3,693,576	-	3,693,576	-	-	-	-	-	3,693,576
Expended for plant assets	420,643	849,406	1,270,049	-	37,643,410	-	-	(38,913,459)	-
Administrative and collection costs	69,028	-	69,028	-	-	-	-	-	69,028
Retirement of indebtedness	-	-	-	-	-	2,470,000	-	(2,470,000)	-
Loan cancellations and bad debts	835,583	-	835,583	16,233	-	-	-	-	851,816
Interest on indebtedness	-	1,460,843	1,460,843	-	-	195,580	-	-	1,656,423
Depreciation	-	-	-	-	-	-	-	4,887,019	4,887,019
Disposition of capital assets	-	-	-	-	-	-	549,881	(466,698)	83,183
Total expenditures and other deductions	104,801,620	54,196,936	158,998,556	16,233	42,641,258	2,665,580	549,881	(63,834,657)	141,036,851
Excess(deficiency) of revenues over(under) expenditures	176,527	4,641,216	4,817,745	(16,233)	(6,325,745)	-	46,833,578	(29,124,029)	10,185,316
Transfers among funds:									
Non-mandatory transfers	231,333	(4,850,532)	(4,619,199)	5,000	4,573,654	-	-	3	(40,542)
Net increase (decrease) for the year	407,860	(209,316)	198,544	(11,233)	(1,752,091)	-	40,833,578	(29,124,026)	10,144,772
Fund balances at beginning of year	15,108,230	(5,147,400)	9,960,830	86,076	2,219,403	-	174,343,585	(88,805,840)	97,804,054
Fund balances at end of year	\$ 15,516,090	\$ (5,356,716)	\$ 10,159,374	\$ 74,843	\$ 467,312	\$ -	\$ 215,177,163	\$ (117,929,866)	\$ 107,948,826



## DES MOINES AREA COMMUNITY COLLEGE

## Revenues, Expenditures, and Changes in Fund Balance - Unrestricted Fund

Year ended June 30, 2016

	Education			Support					Education and Support Total
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Adminis- tration	Student Services	Learning Resources	Physical Plant	General Institution	
Revenues:									
Tuition and fees	\$ 34,042,430	\$ 16,116,158	\$ 5,006,263	\$ 5,120	\$ 22,931	\$ -	\$ -	\$ -	\$ 55,192,902
Federal appropriations	-	-	-	3,109	-	-	-	393,511	396,620
State appropriations	-	-	202,269	-	-	-	-	34,048,780	34,251,049
Property tax	-	-	-	-	-	-	-	7,464,681	7,464,681
Interest income	-	-	-	-	-	-	-	115,231	115,231
Miscellaneous	490,498	430,768	99,146	199,068	11,095	3,892	392,132	2,345,539	3,972,138
	<u>34,532,928</u>	<u>16,546,926</u>	<u>5,307,678</u>	<u>207,297</u>	<u>34,026</u>	<u>3,892</u>	<u>392,132</u>	<u>44,367,742</u>	<u>101,392,621</u>
Allocation of support services	26,643,013	12,601,425	5,760,651	(207,297)	(34,026)	(3,892)	(392,132)	(44,367,742)	-
Total revenues	<u>61,175,941</u>	<u>29,148,351</u>	<u>11,068,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,392,621</u>
Expenditures:									
Salaries and benefits	26,594,033	28,873,097	3,623,313	2,805,625	9,526,629	2,818,475	5,023,390	7,182,668	86,447,230
Services	444,199	422,702	1,518,228	844,025	597,793	91,692	1,618,169	2,180,958	7,717,766
Materials and supplies	922,715	1,372,837	598,723	123,178	112,751	236,534	975,726	525,524	4,867,988
Travel	173,466	214,564	55,725	27,195	37,058	3,766	13,341	84,940	610,055
Expended for plant assets	-	99,541	59,850	8,676	-	-	183,207	69,369	420,643
Scholarships	-	-	-	-	-	-	-	-	-
Bad debt	579,729	255,854	-	-	-	-	-	-	835,583
Miscellaneous	47,893	26,173	9,768	68,211	8,756	260	50	47,668	208,779
	<u>28,762,035</u>	<u>31,264,768</u>	<u>5,865,607</u>	<u>3,876,910</u>	<u>10,282,987</u>	<u>3,150,727</u>	<u>7,813,883</u>	<u>10,091,127</u>	<u>101,108,044</u>
Allocation of support services	20,847,655	9,860,378	4,507,601	(3,876,910)	(10,282,987)	(3,150,727)	(7,813,883)	(10,091,127)	-
Total expenditures	<u>49,609,690</u>	<u>41,125,146</u>	<u>10,373,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,108,044</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,566,251</u>	<u>(11,976,795)</u>	<u>695,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,577</u>
Transfers:									
Non-mandatory transfers	(107,916)	(301,321)	25,813	29,409	34,718	-	523,163	(143,146)	60,720
Total transfers	<u>(107,916)</u>	<u>(301,321)</u>	<u>25,813</u>	<u>29,409</u>	<u>34,718</u>	<u>-</u>	<u>523,163</u>	<u>(143,146)</u>	<u>60,720</u>
Net increase (decrease) for the year	<u>\$ 11,458,335</u>	<u>\$ (12,278,116)</u>	<u>\$ 720,934</u>	<u>\$ 29,409</u>	<u>\$ 34,718</u>	<u>\$ -</u>	<u>\$ 523,163</u>	<u>\$ (143,146)</u>	<u>345,297</u>
Fund balances at beginning of year									10,765,430
Fund balances at end of year									<u>\$ 11,110,727</u>

## DES MOINES AREA COMMUNITY COLLEGE

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

Year ended June 30, 2016

	<u>Bookstore</u>	<u>Career Education</u>	<u>Cafeteria/ Vending</u>	<u>Student Housing</u>	<u>Athletics</u>	<u>Capitol Medical</u>	<u>Trail Point</u>	<u>Other</u>	<u>Total</u>
Revenues and other additions:									
Sales and services	\$ -	\$ 657,463	\$ 119,373	\$ 874,906	\$ 8,890	\$ 66,647	\$ -	\$ 5,469	\$ 1,732,748
Student fee allocations	-	374,957	-	29,596	426,454	-	-	-	831,007
State support	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	1,750	-	-	-	-	1,750
Federal appropriations	-	-	-	63,168	-	-	-	-	63,168
Miscellaneous	-	589,285	89,440	14,018	3,475	-	-	260,635	956,853
Total revenues and other additions	<u>-</u>	<u>1,621,705</u>	<u>208,813</u>	<u>983,438</u>	<u>438,819</u>	<u>66,647</u>	<u>-</u>	<u>266,104</u>	<u>3,585,526</u>
Expenditures and other deductions:									
Salaries and benefits	-	653,101	109,336	183,899	237,519	-	3,149	52,281	1,239,285
Services	455	396,566	23,882	225,287	77,018	59,421	24,300	168,216	975,145
Materials and supplies	-	382,232	362	36,066	52,703	-	340	51,637	523,340
Travel	-	153,044	457	-	122,251	-	29	34,592	310,373
Purchases for resale	-	373,967	20	-	-	-	-	-	373,987
Expended for plant assets	-	-	-	-	-	-	-	-	-
Bad debts	-	-	-	-	-	-	-	-	-
Interest on debt	-	-	-	-	-	-	-	-	-
Miscellaneous	-	162,825	81,731	-	19,964	-	-	6,926	271,446
Total expenditures and other deductions	<u>455</u>	<u>2,121,735</u>	<u>215,788</u>	<u>445,252</u>	<u>509,455</u>	<u>59,421</u>	<u>27,818</u>	<u>313,652</u>	<u>3,693,576</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(455)</u>	<u>(500,030)</u>	<u>(6,975)</u>	<u>538,186</u>	<u>(70,636)</u>	<u>7,226</u>	<u>(27,818)</u>	<u>(47,548)</u>	<u>(108,050)</u>
Transfers among funds (non-mandatory)	<u>(27,818)</u>	<u>366,826</u>	<u>70,498</u>	<u>(629,846)</u>	<u>70,636</u>	<u>-</u>	<u>27,818</u>	<u>292,499</u>	<u>170,613</u>
Net increase (decrease) for the year	<u>(28,273)</u>	<u>(133,204)</u>	<u>63,523</u>	<u>(91,660)</u>	<u>-</u>	<u>7,226</u>	<u>-</u>	<u>244,951</u>	<u>62,563</u>
Fund balances at beginning of year	<u>2,301,507</u>	<u>327,750</u>	<u>103,295</u>	<u>972,541</u>	<u>-</u>	<u>33,352</u>	<u>-</u>	<u>604,354</u>	<u>4,342,799</u>
Fund balances at end of year	<u>\$ 2,273,234</u>	<u>\$ 194,546</u>	<u>\$ 166,818</u>	<u>\$ 880,881</u>	<u>\$ -</u>	<u>\$ 40,578</u>	<u>\$ -</u>	<u>\$ 849,305</u>	<u>\$ 4,405,362</u>

## DES MOINES AREA COMMUNITY COLLEGE

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

Year ended June 30, 2016

	<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	\$ 204,542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,795	\$ 17,330	\$ 561,155	\$ 889,822
Federal appropriations	20,395,588	-	1,564,026	-	-	-	-	5,929,662	-	-	27,889,276
Iowa Industrial New Jobs Training Program	-	-	-	-	-	-	-	-	8,047,866	-	8,047,866
State appropriations	-	119,903	139,796	163,601	72,315	4,876	-	3,488,456	-	3,537,027	7,525,974
Property tax	-	3,317,667	-	4,526,629	1,997,043	134,465	-	-	-	-	9,975,804
Gifts and grants	-	-	11,126	-	-	-	-	526,281	-	-	537,407
Interest and investment income	-	-	-	-	-	-	-	-	-	97,885	97,885
Miscellaneous	2,329	292,794	5,631	229,268	-	-	-	483,987	3,899	2,856,210	3,874,118
<b>Total revenues and other additions</b>	<b>20,602,459</b>	<b>3,730,364</b>	<b>1,720,579</b>	<b>4,919,498</b>	<b>2,069,358</b>	<b>139,341</b>	<b>-</b>	<b>10,535,181</b>	<b>8,069,095</b>	<b>7,052,277</b>	<b>58,838,152</b>
Expenditures and other deductions:											
Salaries and benefits	-	-	805,000	368,889	3,101,646	101,148	-	6,060,081	1,043,449	1,019,574	12,499,787
Services	-	671,594	817,008	4,684,035	-	-	-	2,096,713	4,197,681	866,987	13,334,018
Materials and supplies	-	1,836,294	26,590	56,721	-	-	-	783,349	424,238	392,749	3,519,941
Travel	-	1,604	5,982	1,978	-	-	-	173,874	27,685	34,868	245,991
Expended for plant assets	-	660,521	-	-	-	-	-	8,884	-	180,001	849,406
Interest on indebtedness	-	-	-	-	-	-	-	-	1,460,843	-	1,460,843
Scholarships and grants	20,810,602	-	-	-	-	-	-	12,633	-	131,007	20,954,242
Private scholarships	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	792	-	-	-	-	-	1,331,916	-	-	1,332,708
<b>Total expenditures and other deductions</b>	<b>20,810,602</b>	<b>3,170,805</b>	<b>1,654,580</b>	<b>5,111,623</b>	<b>3,101,646</b>	<b>101,148</b>	<b>-</b>	<b>10,467,450</b>	<b>7,153,896</b>	<b>2,625,186</b>	<b>54,196,936</b>
Excess (deficiency) of revenues over (under) expenditures for the year	(208,143)	559,559	65,999	(192,125)	(1,032,288)	38,193	-	67,731	915,199	4,427,091	4,641,216
Transfers among funds:											
Mandatory transfers	-	-	-	-	-	-	-	-	-	-	-
Non-mandatory transfers	635,729	(387,281)	(59,250)	600,000	-	-	-	(75,132)	(925,784)	(4,638,814)	(4,850,532)
<b>Net increase (decrease) for the year</b>	<b>427,586</b>	<b>172,278</b>	<b>6,749</b>	<b>407,875</b>	<b>(1,032,288)</b>	<b>38,193</b>	<b>-</b>	<b>(7,401)</b>	<b>(10,585)</b>	<b>(211,723)</b>	<b>(209,316)</b>
Fund balances(deficit) at beginning of year	244,442	735,735	21,512	(1,054,286)	(8,136,043)	81,305	755,088	15,898	10,585	2,178,366	(5,147,398)
Fund balances(deficit) at end of year	\$ 672,028	\$ 908,013	\$ 28,261	\$ (646,411)	\$ (9,168,331)	\$ 119,498	\$ 755,088	\$ 8,497	\$ -	\$ 1,966,643	\$ (5,356,714)

## DES MOINES AREA COMMUNITY COLLEGE

Changes in Deposits Held in Custody for Others - Agency Funds

Year ended June 30, 2016

	<u>Student activities</u>	<u>Special funded activities</u>	<u>Iowa Workforce Development</u>	<u>Community College Athletic Conference</u>	<u>Student clubs and organizations</u>	<u>Iowa Innovation Gateway</u>	<u>National Postsecondary Agricultural Student Organization</u>	<u>Other</u>	<u>Total</u>
Balance, beginning of year	\$ 463,699	\$ 221,089	\$ -	\$ 105,041	\$ 317,346	\$ 10,504	\$ (3,508)	\$ 195,191	\$ 1,309,362
Additions:									
Tuition and fees	369,134	14,170	-	-	11,521	-	-	-	394,825
State appropriations	-	-	-	-	-	-	-	-	-
Federal funds	-	26,643	31,444	-	-	-	-	-	58,087
Sales and services	37,415	4,988	-	-	2,937	-	-	-	45,340
Interest on investments	-	-	-	-	-	-	-	-	-
Other	120,724	434,636	-	280,806	144,591	-	314,250	53,091	1,348,098
Transfers in	119,581	92,201	-	-	102,726	-	-	-	314,508
Total additions	<u>646,854</u>	<u>572,638</u>	<u>31,444</u>	<u>280,806</u>	<u>261,775</u>	<u>-</u>	<u>314,250</u>	<u>53,091</u>	<u>2,160,858</u>
Deductions:									
Salaries and benefits	19,578	1,127	-	154,974	340	-	63,889	67,949	307,857
Services	123,221	278,057	29,994	40,327	61,845	1,600	67,210	-	602,254
Materials and supplies	125,220	72,996	-	7,851	65,701	-	109,151	-	380,919
Travel	8,075	154,960	1,450	5,988	115,639	-	26,482	-	312,594
Cost of goods sold	55,477	-	-	-	7,237	-	-	-	62,714
Scholarships	-	-	-	-	800	-	-	-	800
Expended for plant assets	-	-	-	-	-	-	-	-	-
Other	24,396	6,188	-	70,454	6,458	8,904	-	-	116,400
Transfers out	264,349	-	-	-	9,616	-	-	-	273,965
Total deductions	<u>620,316</u>	<u>513,328</u>	<u>31,444</u>	<u>279,594</u>	<u>267,636</u>	<u>10,504</u>	<u>266,732</u>	<u>67,949</u>	<u>2,057,503</u>
Net additions and deductions	<u>26,538</u>	<u>59,310</u>	<u>-</u>	<u>1,212</u>	<u>(5,861)</u>	<u>(10,504)</u>	<u>47,518</u>	<u>(14,858)</u>	<u>103,355</u>
Balances, end of year	<u>\$ 490,237</u>	<u>\$ 280,399</u>	<u>\$ -</u>	<u>\$ 106,253</u>	<u>\$ 311,485</u>	<u>\$ -</u>	<u>\$ 44,010</u>	<u>\$ 180,333</u>	<u>\$ 1,412,717</u>

**Schedule 8**

**DES MOINES AREA COMMUNITY COLLEGE**

Credit and Contact Hours

For the period from July, 2015 through August 15, 2016

<b>Category</b>	<b>Contact hours</b>			<b>Total</b>
	<b>Credit hours eligible for aid</b>	<b>Eligible for aid</b>	<b>Not eligible for aid</b>	
Arts and sciences	358,396	6,673,205	-	6,673,205
Vocational education	125,891	2,765,406	-	2,765,406
Adult education/continuing education	-	1,281,947	38,765	1,320,712
Related services and activities	-	-	-	-
<b>Total</b>	<b>484,287</b>	<b>10,720,558</b>	<b>38,765</b>	<b>10,759,323</b>

## DES MOINES AREA COMMUNITY COLLEGE

Taxes and Intergovernmental Revenues

(Excluding the Agency Funds)

For the Last Ten Years

	Years ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Local (property tax)	\$ 24,905,167	\$ 23,561,603	\$ 24,333,253	\$ 19,857,656	\$ 19,779,534	\$ 18,089,665	\$ 17,532,643	\$ 16,455,262	\$ 16,513,769	\$ 18,092,410
State	42,447,764	42,315,794	40,541,436	33,037,238	28,720,739	29,051,616	27,090,659	31,991,978	29,847,275	26,443,984
Federal	28,349,064	32,320,757	35,314,471	34,468,787	39,980,889	42,465,427	39,944,241	21,734,414	19,277,833	16,061,228
Total	<u>\$ 95,701,995</u>	<u>\$ 98,198,154</u>	<u>\$ 100,189,160</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>

DES MOINES AREA COMMUNITY COLLEGE

Current Fund Revenues by Source  
and Expenditures by Function

For the Last Ten Years

		Years ended June 30,									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues:</b>											
Tuition and fees	\$	56,082,724	\$ 55,497,150	\$ 57,558,044	\$ 57,611,546	\$ 61,763,642	\$ 59,906,044	\$ 52,668,767	\$ 42,969,791	\$ 38,275,282	\$ 34,751,937
Property tax		17,440,485	16,305,177	17,197,614	12,980,395	12,989,120	11,550,038	11,279,076	10,550,327	10,978,527	12,757,968
Federal appropriations		28,349,064	32,320,757	35,314,471	34,468,787	39,980,889	42,465,427	39,944,241	21,734,414	19,277,833	16,061,228
State appropriations		41,777,023	41,462,061	39,255,830	31,709,683	28,566,347	28,382,697	26,610,659	31,200,104	29,184,500	25,781,342
Interest income from investments		214,866	185,744	165,060	224,557	367,933	712,496	792,264	2,172,218	3,505,217	3,507,531
Iowa Industrial New Jobs Training Program		8,047,866	13,635,607	9,922,594	17,253,987	18,214,126	11,466,792	14,051,594	26,073,183	16,603,495	11,623,679
Auxiliary enterprises revenue		1,732,748	2,247,636	2,283,470	2,118,589	2,217,100	2,199,463	2,651,778	2,083,539	9,877,741	9,256,399
Proceeds from sale of bonds		-	-	-	-	-	-	-	3,960,000	-	-
Miscellaneous		10,171,523	9,204,026	8,331,727	9,091,623	9,151,754	6,522,268	5,886,232	4,995,593	4,007,622	3,932,010
<b>Total</b>		<b>\$163,816,299</b>	<b>\$ 170,858,158</b>	<b>\$ 170,028,810</b>	<b>\$ 165,459,167</b>	<b>\$ 173,250,911</b>	<b>\$ 163,205,225</b>	<b>\$ 153,884,611</b>	<b>\$ 145,739,169</b>	<b>\$ 131,710,217</b>	<b>\$ 117,672,094</b>
<b>Expenditures</b>											
Liberal arts and sciences	\$	28,763,674	\$ 29,513,883	\$ 29,118,289	\$ 28,767,926	\$ 28,049,295	\$ 26,265,239	\$ 23,397,899	\$ 22,010,606	\$ 19,913,375	\$ 17,783,316
Vocational technical		34,127,073	33,531,331	31,629,541	31,404,396	31,177,970	29,734,690	28,073,906	25,883,936	23,988,748	22,219,019
Adult education		15,856,443	17,025,831	16,526,337	12,237,069	11,421,379	10,036,125	9,376,075	9,354,727	9,255,757	7,997,480
Cooperative services		4,553,284	9,447,573	5,232,155	11,348,114	13,536,302	5,929,199	8,084,678	18,794,647	9,807,914	5,749,870
Administration		3,876,910	4,002,173	3,895,909	3,650,186	3,670,320	3,571,180	3,839,613	3,267,926	3,020,686	2,993,578
Student services		11,465,838	11,102,412	11,227,505	9,730,664	8,989,529	8,800,990	7,747,604	7,527,948	7,611,760	6,781,974
Learning resources		3,249,642	3,254,168	3,091,480	3,144,357	3,030,744	2,910,249	2,929,197	2,879,426	2,803,828	2,754,615
Physical plant		12,556,889	12,321,904	12,843,940	12,349,361	12,612,339	10,441,362	8,013,448	7,013,376	6,849,374	6,607,398
General institution		18,440,140	15,867,283	15,744,921	17,823,668	18,205,034	20,267,851	17,109,638	15,744,126	17,781,705	14,735,139
Auxiliary enterprises		3,693,576	3,859,034	3,447,538	3,544,972	3,438,561	3,471,079	4,041,098	7,433,336	10,504,665	9,808,600
Scholarships and grants		20,954,242	24,326,291	26,844,407	28,301,052	33,061,080	34,717,959	29,629,518	15,451,116	12,305,524	10,154,237
Interest on indebtedness		1,460,843	1,959,968	2,426,085	2,926,002	3,258,937	3,391,773	3,547,259	3,516,990	3,046,029	2,737,541
Loss on discontinued operations		-	-	-	-	-	-	-	-	578,792	-
<b>Total</b>		<b>\$ 158,998,554</b>	<b>\$ 166,211,851</b>	<b>\$ 162,028,107</b>	<b>\$ 165,227,767</b>	<b>\$ 170,451,490</b>	<b>\$ 159,537,696</b>	<b>\$ 145,789,933</b>	<b>\$ 138,878,160</b>	<b>\$ 127,468,157</b>	<b>\$ 110,322,767</b>

**Des Moines Area Community College**  
**Schedule of Expenditures of Federal Aid (SEFA)**  
**Federal Expenditures for July 1, 2015 through June 30, 2016**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Passthrough Number</u>	<u>Indirect Cost Rate</u>	<u>Federal Expenditures</u>
<b>United States Department of Education</b>				
Direct:				
Federal Supplemental Educational Opportunity Grant	84.007		0%	315,082
Federal Work-study Program	84.033		0%	393,511
Federal Pell Grant Program	84.063		0%	20,080,506
Federal Pell Grant Administrative Fee	84.063		0%	3,109
Federal Direct Student Loans	84.268		0%	33,484,353
Total Student Financial Assistance Cluster				54,276,561
Direct Trio Grants:				
Student Support Services FY15 Award	84.042		8%	87,153
Student Support Services FY16 Award	84.042		8%	224,766
Student Support Services-Grant Aid	84.042		8%	10,000
Upward Bound FY15 Award	84.047		8%	63,543
Upward Bound FY16 Award	84.047		8%	192,302
Total Trio Grants				577,763
Indirect through Iowa Department of Education:				
Adult Education-Adult Basic Education	84.002	G60027	0%	590,435
Adult Education-Adult Basic Education Teacher Training	84.002	G60042	0%	15,642
Adult Education-EL Civics	84.002	G60027	0%	78,777
Career and Technical Education-Vocational Education - Perkins Funds	84.048	G60189	0%	858,736
Career and Technical Education-Perkins Iowa FCCLA	84.048	G60304	0%	9,463
Career and Technical Education-Perkins Iowa HOSA	84.048	G60305	0%	1,500
Career and Technical Education-Perkins Iowa Skills USA	84.048	G60310	0%	15,680
Total through Iowa Department of Education				1,570,233
Indirect through Iowa Department of Corrections:				
Title I-Newton Correctional Facility	84.048	50208	0%	15,000
Title I-Iowa Women's Institute for Women	84.048	50169	0%	10,000
Total through Iowa Department of Corrections				25,000
<b>Total U.S. Department of Education</b>				<b>56,449,557</b>



**Des Moines Area Community College**  
**Schedule of Expenditures of Federal Aid (SEFA)**  
**Federal Expenditures for July 1, 2015 through June 30, 2016**

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<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Passthrough Number</u>	<u>Indirect Cost Rate</u>	<u>Federal Expenditures</u>
<b>Department of Health &amp; Human Services</b>				
Direct:				
Substance Abuse & Mental Health Services Projects of Regional & National Significance	93.243		8%	88,085
Indirect through Child Support Recovery Unit:				
Child Support Enforcement Research	93.564	BOC-14-018	0%	267,858
Indirect through University of Iowa				
National Institute of Health Cardiovascular Disease Research	93.837	5R01HL119882-02	8%	46,824
<b>Total Department of Health &amp; Human Services</b>				<b>402,767</b>
<b>Department of Agriculture Food &amp; Nutrition</b>				
Indirect through Kirkwood Community College				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	DMC2016FAET	0%	73,269
<b>Total Department of Agriculture Food &amp; Nutrition Service</b>				<b>73,269</b>
<b>Social Security Administration</b>				
Direct:				
Ticket to Work	93.768		0%	25,749
<b>Total Social Security Administration</b>				<b>25,749</b>
<b>National Science Foundation</b>				
Direct:				
Engineering Grants	47.041		38.5%	110,213
Indirect through Iowa State University				
Education and Human Resources	47.076	420-18-01	0%	40,395
<b>Total National Science Foundation</b>				<b>150,608</b>

**Des Moines Area Community College  
Schedule of Expenditures of Federal Aid (SEFA)  
Federal Expenditures for July 1, 2015 through June 30, 2016**

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<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Passthrough Number</u>	<u>Indirect Cost Rate</u>	<u>Federal Expenditures</u>
<b>Department of Labor</b>				
Direct:				
YouthBuild 3	17.274		8%	101,975
YouthBuild 4	17.274		9.5%	193,822
Trade Adjustment Assistance Community College & Career Training Grants Program	17.282		0%	2,650,001
Total Direct Department of Labor				2,945,798
Indirect through Hawkeye Community College				
Trade Adjustment Assistance Community College & Career Training Grants Program	17.282	37001	0%	210,868
Indirect through Iowa Workforce Development:				
WIA Disability Employment Initiative	17.207	16-W-PF-DE-03	9.5%	79,356
WIA/WIOA Administration	17.258 & .260	16-W-11-WI-OA	9.5%	61,891
WIA/WIOA Administration-Central Iowa Workforce Investment Board	17.258 & .260	16-W-11-WI-OA	9.5%	29,736
WIA/WIOA Dislocated Workers	17.260	16-W-11-WI-OA	9.5%	560,372
WIA/WIOA Adult Program	17.258	16-W-11-WI-OA	9.5%	295,920
WIA/WIOA Administration-Central Iowa Workforce Investment Board	17.259	16-W-11-WI-OA	9.5%	25,000
WIOA National Dislocated Worker Grants-John Deere National Emergency Grant	17.277	16-W-PF-JO-0-02	9.5%	245,686
WIOA National Dislocated Worker Grants-Job Driven National Emergency Grant	17.277	15-W-FR-JD-0-04	9.5%	266,065
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	17.281	13-W-11-FRO-0	9.5%	5,695
Total Indirect through Iowa Workforce Development				1,569,721
<b>Total Department of Labor</b>				<b>4,726,386</b>
<b>Total Federal Expenditures</b>				<b>61,828,336</b>

**Des Moines Area Community College**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2016**

**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, 2016, 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 (Schedule) includes the federal award activity of Des Moines Area Community College under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Des Moines Area Community College, it is not intended to and does not present the financial position, changes in financial position or cash flows of Des Moines Area Community College.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 STUDENT FINANCIAL ASSISTANCE**

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and, accordingly, these loans are not included in its financial statements. It is not practical to determine the balance of the loans outstanding to students and former students of the College under this program at June 30, 2016.

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***

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, 2016, and the related notes to financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 2, 2016.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. We consider the deficiency described in Part II of the accompanying schedule of Findings and Questioned costs as item II-A-16 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Des Moines Area Community College's Response to the Finding**

Des Moines Area Community College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **Purpose of This Report**

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

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
November 2, 2016



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

Board of Directors  
Des Moines Area Community College  
Ankeny, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Des Moines Area Community College's (the College) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the Part I of the accompanying Schedule of Findings and Questioned Costs.

***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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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, 2016.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
November 2, 2016

**Des Moines Area Community College**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2016**

**Part I—Summary of the Independent Auditor's Results**

- (a) An unmodified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No 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 the Uniform Guidance, Section 200.515.
- (g) Major programs were as follows:
  - CFDA Number 84.007, 84.033, 84.063, 84.268 — Student Financial Assistance Cluster
  - CFDA Number 17.258, 17.259, 17.260 – WIA Cluster
  - CFDA Number 17.282 — Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Des Moines Area Community College qualified as a low-risk auditee.



**Des Moines Area Community College**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2016**

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

**INTERNAL CONTROL DEFICIENCIES**

**II-A-16 PURCHASING CARD APPROVALS**

**Condition**

During the audit, we identified instances where monthly purchasing card statements were only signed off by the individual making the purchases with no documentation showing an independent person reviewed and approved these purchases.

**Recommendation**

Purchasing card statements should be verified and signed for approval by an independent person.

**Response**

The College has updated the purchasing card procedure to require a supervisor to verify and sign the card holder's monthly card statement. Purchasing will monitor the purchasing card statements for both the card holder's and the supervisor's signatures.

**Conclusion**

Response accepted.

**Part III—Findings and Questioned Costs for Federal Awards**

**NONE**