

Des Moines Area Community College

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

June 30, 2018

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**Des Moines Area Community College
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Board of Directors		
Joe Pugel	President	2021
Kevin Halterman	Vice President	2021
Fred Buie	Member	2021
James Knott	Member	2021
Felix Gallagher	Member	2019
Cheryl Langston	Member	2019
Denny Presnall	Member	2019
Fred Greiner	Member	2019
Madelyn Tursi	Member	2019
Community College		
Robert Denson	President/CEO	
Stan Jensen	Executive Vice President, College Operations (started 1/2018)	
Kim Linduska	Executive Vice President, Academic Affairs (retired 12/2017)	
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, 2018, 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 *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Des Moines Area Community College and its discretely presented component unit as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the College adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

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, schedule of College's early retirement pension liability and the schedule of changes in College's total OPEB liability, related ratios and notes on pages 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2017 (none of which are presented herein) and expressed unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the schedule of expenditures of federal awards required by Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 5, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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, 2018. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ College operating revenues decreased approximately \$4.9 million or 6.5%. The decrease was the result of the College receiving approximately \$9 million in building and equipment donations during the previous fiscal year. The gifts were reported as miscellaneous revenue with an offsetting expense entry. Training revenues to the College under the Iowa Industrial New Jobs Training Program increased by \$1.9 million or 20%. The increase can be attributed to the fluctuation in recognizing training revenues from the College's ongoing multiple projects. Companies have three years to utilize their training dollars from the bond sales and the College recognizes the revenues when the companies are reimbursed for their training. Auxiliary revenues increased by approximately \$80,000 as a result of increased revenues at Trail Point Aquatics and Wellness Center. Trail Point Aquatics and Wellness Center is a community membership based facility operated by the College. Students taking six or more credits are able to use the facility for free.
- ◆ College operating expenses increased by \$1.6 million or 1%. Liberal Arts, Career Education, and Adult Education decreased by \$1 million or 1.3%. Cooperative services increased \$1.9 million or 28%. The Cooperative services increase was related to the timing of training reimbursements made from the Iowa Industrial New Jobs Training Program. Physical Plant costs decreased approximately \$375,000 or 2% due to the timing of construction activity. The College's net pension liability adjustments also attributed to the increase in operating expenses. Due to the nature of these liabilities the College may see large fluctuations in its operating expenses in the future.
- ◆ The College's net position increased by \$1.7 million. The net investment in capital assets decreased approximately \$925,000. The College did not have any major construction projects ongoing during fiscal year 2018. The unrestricted net position decreased by \$4.4 million due to increases in the College's net pension liabilities under GASB 68, GASB 73 and GASB 75. GASB 75 also required the College to restate its beginning fund balance at July 1, 2017.

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 early retirement pension liability and the schedule of changes in the College's total OPEB liability, related ratios and notes.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

REPORTING THE COLLEGE FINANCIAL ACTIVITIES

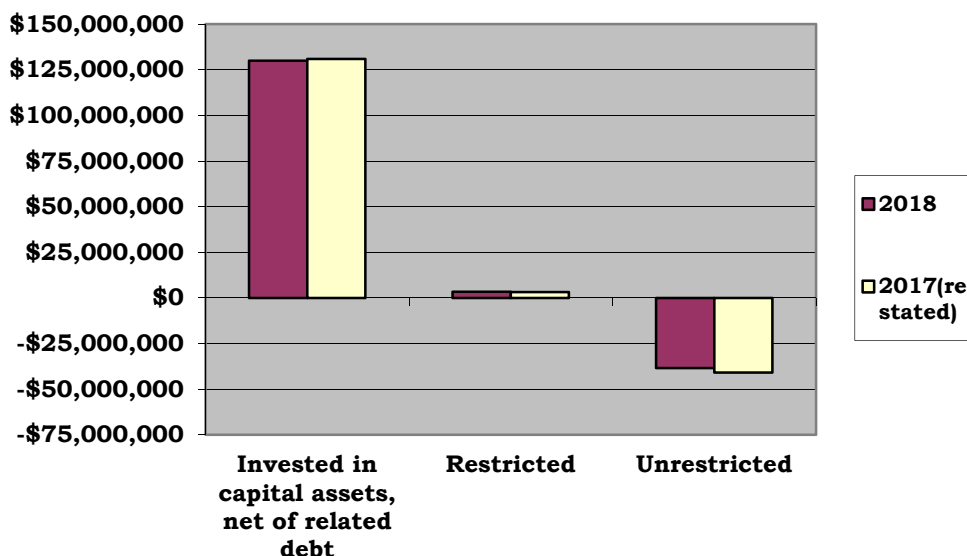
Statement of Net Position

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	
	2018	2017(restated)
Current assets	\$ 127,746,271	\$ 121,282,975
Other assets	27,559,603	30,431,386
Capital assets, net of accumulated depreciation	154,878,321	158,818,234
Total assets	310,184,195	310,532,595
 Deferred outflows of resources	 13,699,636	 12,253,351
 Current liabilities	 52,873,355	 48,962,127
Noncurrent liabilities	145,239,431	152,908,431
Total liabilities	198,112,786	201,870,558
Deferred inflows of resources	3,081,087	27,676,220
Net position:		
Net investment in capital assets	129,988,319	130,913,234
Restricted	3,421,678	3,234,968
Unrestricted	(38,449,039)	(40,909,035)
Total net position	\$ 94,960,958	\$ 93,239,167

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Comparison of Net Position



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

Governmental Accounting Standards Board Statement No. 68, **Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27** was implemented during fiscal year 2015. The net pension liability as of June 30, 2018 was \$28,776,218. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year. The negative net position as a result of the net pension liability is reported against the unrestricted net position.

Governmental Accounting Standards Board Statement No. 73 **Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB No. 68** was implemented during fiscal year 2017. The net pension liability as of June 30, 2018 was \$18,020,554. The College provides an Early Retirement Cash Benefit Plan to retired employees meeting certain conditions, which is not within the scope of GASB No. 68. The Retirement Cash Benefit Plan is funded by a property tax levy. The negative net position as result of the net pension liability is reported against the unrestricted net position.

Governmental Accounting Standards Board Statement No. 75 **Accounting and Financial Reporting for Postemployment Benefits other than Pensions** was implemented during the current fiscal year. The net pension liability as of June 30, 2018 was \$20,201,251. The College operates a single-employer health benefit plan for employees, retirees and their dependents. The retiree portion of the liability is funded by a property tax levy. The negative net position as result of the OPEB liability is reported against the unrestricted net position.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as reflected in the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned by the College, both operating and non-operating, and the expenses incurred by the College, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

In general, a public college, such as Des Moines Area Community College, will report an operating loss since the financial reporting model classifies state appropriations, Pell grants and property tax as non-operating revenues. Operating revenues are received for providing goods and services to the students, customers and

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

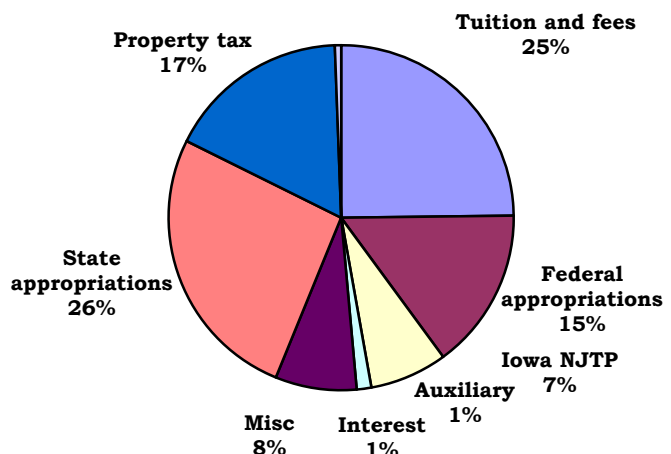
Changes in Net Position

	Year ended June 30	
	2018	2017(restated)
Operating revenues:		
Tuition and fees	\$ 39,640,191	\$ 38,210,600
Federal appropriations	5,338,948	6,340,155
Iowa Industrial New Jobs Training Program	11,593,051	9,652,203
Auxiliary enterprises revenue	2,205,643	2,126,124
Miscellaneous	12,149,912	19,487,343
Total operating revenues	70,927,745	75,816,425
Total operating expenses	155,795,489	154,170,919
Operating loss	(84,867,744)	(78,354,494)
Nonoperating revenues, (expenses) and transfers		
State appropriations	41,790,288	41,942,149
Pell grant	18,801,546	17,608,758
Property tax	27,282,408	27,996,241
Interest and investment income	936,672	409,696
Loss on disposition of capital assets	(8,969)	(51,150)
Interest on indebtedness	(2,131,483)	(1,822,778)
Transfers from (to) agency funds	(80,928)	28,408
Net nonoperating revenues and transfers	86,589,534	86,111,324
Increase in net position	1,721,790	7,756,830
Net position beginning of year	93,239,167	85,482,337
Net position end of year	\$ 94,960,957	\$ 93,239,167

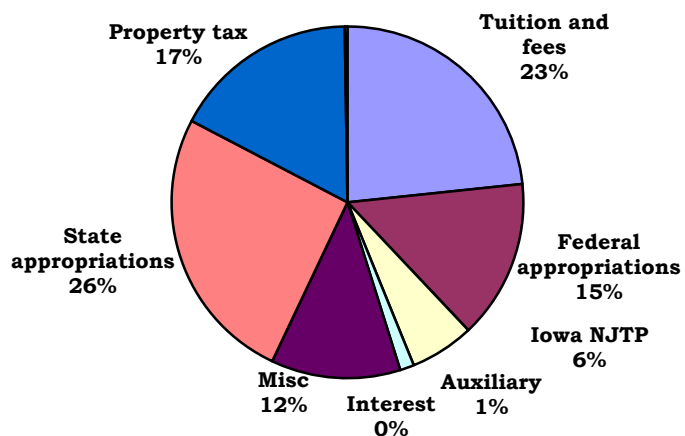
The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year, with an increase in net position of \$1.7 million at the end of the fiscal year. This increase is the net result of a \$2.4 million increase in the general unrestricted funds, an \$187,000 increase in the general restricted funds, a \$900,000 decrease in capital assets net of related debt, and a \$6.8 million net other postemployment benefit liability restatement as a result of the GASB No. 75 implementation.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Total Revenues by Source
2018



2017



In fiscal year 2018, operating revenues decreased by approximately \$4.9 million or 6.5%. The decrease was primarily a result of the following changes:

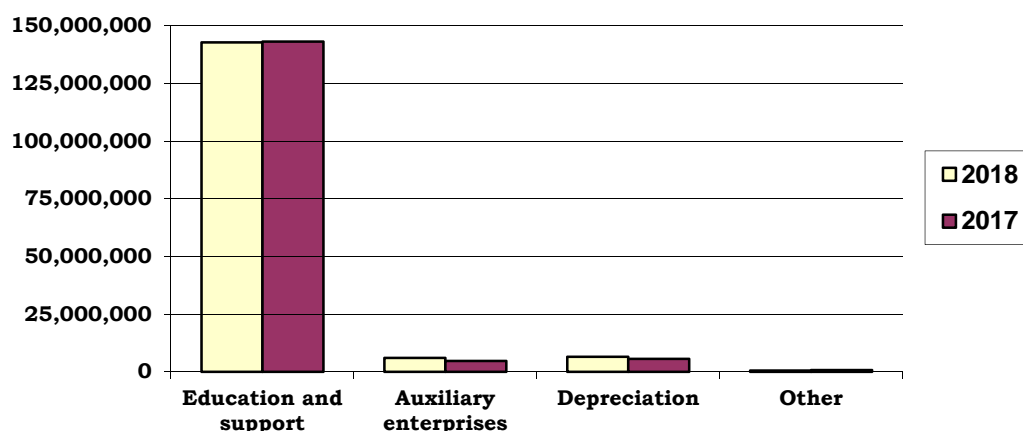
- ◆ Tuition and fees, net of scholarship allowances, increased approximately \$1.4 million or 3.8%. This increase was caused by an increase in the number of non-career advantage credit hours of .50%, and a 6.4% increase in career advantage credits, for career advantage credits the College only collects approximately 25% of its regular per credit rate. The tuition rate increased by 2.8% from \$147 to \$151. Non-credit tuition revenue and technology fee revenues also increased from the previous fiscal year. Scholarship allowances that decrease the student's tuition and fees cost increased by \$1.2 million or 6.5%. 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 increased \$1.9 million or 20%. The College sold \$8.065 million in New Jobs Training Certificates during the fiscal year.
- ◆ Miscellaneous revenue decreased \$7.3 million or 38%. The College received two separate donations of buildings and equipment that totaled approximately \$9 million during fiscal year 2017, which attributed to the large increase in the previous fiscal year.
- ◆ Federal appropriations decreased approximately \$1 million or 16%, which can be attributed to a decrease in federal grant awards. Auxiliary revenue increased by \$80,000 or 3.8%. The increase is the result of increased revenues at Trail Point Aquatics and Wellness Center.
- ◆ Interest income increased by \$527,000 or 129%. The College continues to see higher rates of returns on its investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Operating Expenses

	Year ended June 30	
	2018	2017
Education and support:		
Liberal arts and sciences	\$ 29,081,921	\$ 29,171,158
Career and technical	34,821,156	35,680,233
Adult education	14,853,308	14,909,165
Cooperative services	8,987,933	7,026,795
Administration	3,668,311	3,881,539
Student services	11,924,092	11,902,439
Learning resources	3,146,747	3,232,788
Physical plant	17,635,460	18,011,785
General institution	18,683,860	19,333,370
Auxiliary enterprises	6,011,804	4,682,955
Loan cancellations and bad debts	439,768	705,031
Administrative and collection costs	74,168	62,777
Depreciation	6,466,961	5,570,884
Total	<u>\$ 155,795,489</u>	<u>\$ 154,170,919</u>

Total Expenses



In fiscal year 2018, operating expenses increased by approximately \$1.6 million or 1%. The following factors explain some of the change:

- ◆ Faculty and staff received a 3.5% salary increase in FY18 and health insurance costs increased by 1%.
- ◆ Auxiliary enterprise expense increased by \$1.3 million or 28%. The increase is due to the College operating Trail Point Aquatics and Wellness Center.
- ◆ Net pension liability adjustments also attributed to the increase in operating expenses. The nature of these liabilities may cause large operating expense fluctuations in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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	
	2018	2017
Cash provided by (used in):		
Operating activities	\$ (76,381,973)	\$ (69,114,403)
Noncapital financing activities	82,743,708	82,279,881
Capital and related financing activities	(6,587,375)	(25,611,188)
Investing activities	11,936,672	2,409,696
Net increase (decrease) in cash	11,711,032	(10,036,014)
Cash and short-term pooled investments, beginning of the year	55,799,201	65,835,215
Cash and short-term pooled investments, end of the year	\$ 67,510,233	\$ 55,799,201

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 Program debt, and the principal and interest payments on New Jobs Training Program debt. Cash used in capital and related financing activities represents 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 increased by \$7.2 million. Other operating revenues decreased significantly compared to the previous year and expenses only increased slightly to account for the overall increase.

Cash provided by noncapital financing activities increased \$460,000. The slight increase was attributable to a decrease in state aid and property tax revenue that was offset by an increase in Pell revenues.

Cash used in capital and related financing activities decreased by \$19 million. The College did not have any major construction projects compared to the previous fiscal year when several projects were completed.

The cash provided by investing activities increased \$9.5 million. The College has seen increased investment returns and increased the amount in the pooled investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CAPITAL ASSETS

At June 30, 2018, the College had approximately \$154.9 million invested in capital assets, net of accumulated depreciation of \$84 million. Depreciation charges totaled \$6.4 million for FY2018. Details of capital assets are shown below.

Capital Assets, Net, at Year-End

	June 30	
	2018	2017
Land	\$ 8,774,562	\$ 8,774,562
Buildings	132,560,244	136,817,887
Construction in progress	982,171	403,400
Improvements other than buildings	6,925,112	7,354,408
Equipment and vehicles	5,636,232	5,467,977
Total	\$ 154,878,321	\$ 158,818,234

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

The College has an approved \$.09 per thousand levy for instructional equipment. This levy results in the College receiving an additional \$3.9 million per year for instructional equipment.

DEBT

At June 30, 2018, the College had \$72.6 million in debt outstanding, a decrease of \$6.2 million from 2017. The table below summarizes these amounts by type.

Outstanding Debt

	June 30	
	2018	2017
Certificates payable	\$ 47,735,000	\$ 50,915,000
Revenue bonds and notes payable	24,890,000	27,905,000
Total	\$ 72,625,000	\$ 78,820,000

The College also anticipates selling \$11.85 million of New Job Training Program certificates in late 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

ECONOMIC FACTORS

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

- ◆ The Iowa Legislative support for Community Colleges remained relatively flat for fiscal year 2018. For the fiscal year ended June 30, 2018, the College received \$33.6 million. For fiscal year 2019, the College will receive \$33.9 million in state general aid. For future budget years, the College is not overly optimistic regarding state general aid. Aggressive and prudent budget management and pre-planning for anticipated expense reductions have allowed the College to deal with revenue losses without significant impact on operations that would affect the student experience.
- ◆ In the fiscal year ended June 30, 2018, the College experienced an enrollment increase of .50% in non-career advantage credits. For the fall term of the fiscal year ending June 30, 2019, the College experienced a 1% enrollment increase. The current fiscal year budget had been adopted with 2% enrollment decrease during budget development. The College is somewhat optimistic that enrollment may be flattening out.
- ◆ There continues to be positive indicators for business and workforce growth in central Iowa and good prospects for job growth and interest from new industry; banking and financial services continue to expand the workforce as evidenced by the College's new job training activity; and there is potential to provide additional training to area business and industry. Iowa Industrial New Jobs Training projects totaled over \$8 million for 2018. One area of concern is the Ag Industry, and the college will continue to monitor that to determine what effect it will have on funding.
- ◆ Facilities at the College require constant expansion, maintenance, and upkeep. The lack of facility capacity hampers the College in its efforts to grow some current programs or add programs that are needed in the area's economy. The College does anticipate starting several building projects later in the current fiscal year. The projects include; a Student Center at the Urban Campus, a remodel and addition to the Automotive Building on the Ankeny Campus, and an expansion of the athletic facilities at the Boone Campus. As the economy grows, the need for additional capacity is a major concern of the College. The College consistently informs business leaders and state legislators of this concern and will continue to address the capacity issue.
- ◆ Technology continues to expand and current technology becomes outdated rapidly, presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost. Starting in the current fiscal year the College has identified funds to update student computer labs at all campuses.

The College anticipates the current fiscal year (FY2019) 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, 2018

	<u>College</u>	<u>Foundation</u>
Assets		
Current assets:		
Cash and short-term pooled investments (Note 2)	\$ 67,510,234	\$ 2,382,476
Pooled investments (Note 2)	1,000,000	15,001,458
Receivables:		
Accounts, net of allowance of \$313,785	19,192,175	1,671,648
Succeeding year property tax	30,162,230	-
Iowa Industrial New Jobs Training Program	7,624,100	-
Due from other governments	1,684,516	-
Inventories (Note 3)	269,473	-
Prepaid expenses	303,543	34,400
Total current assets	<u>127,746,271</u>	<u>19,089,982</u>
Noncurrent assets:		
Receivables		
Iowa Industrial New Jobs Training Program	27,559,603	-
Capital assets, net of accumulated depreciation (Note 4)	<u>154,878,321</u>	<u>-</u>
Total noncurrent assets	<u>182,437,924</u>	<u>-</u>
Total assets	<u>310,184,195</u>	<u>19,089,982</u>
Deferred outflows of resources		
Pension related deferred outflows	\$ <u>13,699,636</u>	\$ <u>-</u>

DES MOINES AREA COMMUNITY COLLEGE

Statement of Net Position (Continued)

June 30, 2018

	<u>College</u>	<u>Foundation</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,529,519	\$ -
Payable to Des Moines Area Community College	-	40,000
Salaries and benefits payable	4,541,519	-
Self-funded health claims payable	5,237,244	-
Accrued interest payable	168,677	-
Unearned revenue:		
Tuition	14,728,909	-
Iowa Industrial New Jobs Training Program	11,091,223	-
Net pension liability (Notes 5, 8 & 10)	1,860,394	-
OPEB liability payable (Notes 5 & 11)	833,699	-
Deposits held in custody for others	2,876,765	-
Certificates payable (Note 5)	6,707,688	-
Revenue bonds, Plant and Notes payable (Note 5)	3,297,718	-
Total current liabilities	<u>52,873,355</u>	<u>40,000</u>
Noncurrent liabilities (Note 5):		
Compensated absences	1,786,500	-
Unearned revenue, Iowa Industrial New Jobs Training Program	14,629,345	-
Net pension liability (Notes 8 & 10)	44,936,378	-
OPEB liability payable (Note 11)	19,367,552	-
Certificates payable	41,378,938	-
Revenue bonds, Plant and Notes Payable	23,140,718	-
Total noncurrent liabilities	<u>145,239,431</u>	<u>-</u>
Total Liabilities	<u>198,112,786</u>	<u>40,000</u>
Deferred inflows of resources		
Unavailable property tax revenue	30,162,230	-
Pension related deferred inflows	647,857	-
Total deferred inflows of resources	<u>30,810,087</u>	<u>-</u>
Net position		
Net investment in capital assets	129,988,319	-
Restricted:		
Nonexpendable:		
Cash reserve	755,088	-
Scholarships and fellowships	-	4,772,803
Expendable:		
Scholarships and fellowships	506,682	-
Loans	63,865	-
Other	2,096,043	12,215,570
Unrestricted	(38,449,039)	2,061,609
Commitments (Notes 4 & 6)		
Total net position	<u>\$ 94,960,958</u>	<u>\$ 19,049,982</u>

Exhibit B**DES MOINES AREA COMMUNITY COLLEGE**

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018

	<u>College</u>	<u>Foundation</u>
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$19,809,893	\$ 39,640,191	\$ -
Federal appropriations	5,338,948	-
Iowa Industrial New Jobs Training Program	11,593,051	-
Auxiliary enterprises revenue	2,205,643	-
Contributions	-	3,176,216
Miscellaneous	12,149,912	-
Total operating revenues	<u>70,927,745</u>	<u>3,176,216</u>
Operating expenses:		
Education and support		
Liberal arts and sciences	29,081,921	-
Career and technical	34,821,156	-
Adult education	14,853,308	-
Cooperative services	8,987,933	-
Administration	3,668,311	49,768
Student services	11,924,092	-
Learning resources	3,146,747	-
Physical plant	17,635,460	-
General institution	18,683,860	-
Auxiliary enterprises	6,011,804	-
Scholarships and grants	-	1,561,196
Fund raising	-	131,800
Loan cancellations and bad debts	439,768	-
Administrative and collection costs	74,168	-
Depreciation	6,466,961	-
Total operating expenses	<u>155,795,489</u>	<u>1,742,764</u>
Operating income (loss)	(84,867,744)	1,433,452
Nonoperating revenues (expenses):		
State appropriations	41,790,288	-
Pell grant	18,801,546	-
Property tax	27,282,408	-
Interest and investment income	936,672	817,937
Loss on disposition of capital assets	(8,969)	-
Interest on indebtedness	(2,131,483)	-
Net nonoperating revenues (expenses)	<u>86,670,462</u>	<u>817,937</u>
Change in net position	1,802,718	2,251,389
Transfers to agency funds	(80,928)	-
Total change in net position	1,721,790	2,251,389
Net position, beginning of year as restated	<u>93,239,167</u>	<u>16,798,593</u>
Net position, end of year	<u>\$ 94,960,957</u>	<u>\$ 19,049,982</u>

Exhibit C**DES MOINES AREA COMMUNITY COLLEGE**

Statement of Cash Flows

Year Ended June 30, 2018

Cash flows from operating activities:	
Tuition and fees	\$ 37,825,599
Federal appropriations	5,812,292
Iowa Industrial New Jobs Training Program	12,021,696
Payments to employees for salaries and benefits	(102,491,570)
Payments to suppliers for goods and services	(43,913,167)
Auxiliary enterprise receipts	2,205,643
Other receipts	12,157,534
	<u>12,157,534</u>
Net cash used in operating activities	<u>(76,381,973)</u>
Cash flows from noncapital financing activities:	
State appropriations	40,912,354
Pell grant	18,801,546
Property tax	27,282,408
Net agency fund activity	173,000
Proceeds from certificates payable	8,065,000
Principal paid on debt	(11,245,000)
Interest paid	(1,245,599)
	<u>82,743,709</u>
Net cash provided by noncapital financing activities	<u>82,743,709</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,536,017)
Principal paid on debt	(3,015,000)
Interest paid	(1,036,358)
	<u>(6,587,375)</u>
Net cash used in capital and related financing activities	<u>(6,587,375)</u>
Cash flows from investing activities	
Interest on investments	936,672
Net change in pooled investments	11,000,000
	<u>11,936,672</u>
Net cash provided by investing activities	<u>11,936,672</u>
Net increase in cash and short-term pooled investments	11,711,033
Cash and short-term pooled investments at beginning of year	<u>55,799,201</u>
Cash and short-term pooled investments at end of year	<u>\$ 67,510,234</u>

Exhibit C**DES MOINES AREA COMMUNITY COLLEGE**

Statement of Cash Flows (Continued)

Year Ended June 30, 2018

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(84,867,744)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	6,466,961
Changes in assets and liabilities:	
Increase in accounts receivable	(3,156,400)
Decrease in Iowa Industrial New Jobs Training Program receivables	3,611,059
Decrease in due from and due to other governments	473,344
Decrease in prepaid expenses	7,210
Decrease in inventories	15,326
Increase in accounts payable	107,650
Increase in salaries and benefits payable	1,161,210
Decrease in unearned revenues	(1,840,606)
Increase in net pension liability	1,562,657
Increase in deferred outflows of resources	(1,446,285)
Increase in deferred inflows of resources	180,784
Increase in other post employment benefits	2,015,240
Decrease in early retirement payable	(680,001)
Decrease in deposits held in custody for others	7,622
Total Adjustments	<u>8,485,771</u>
Net cash used in operating activities	\$ <u><u>(76,381,973)</u></u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

Organization and Function

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

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

Reporting Entity

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

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

The Foundation is a non-profit organization which reports under accounting standards established by the Financial Accounting Standards Board (FASB). The Foundation's financial statements were prepared in accordance with the provisions of 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 to be classified for accounting and reporting purposes into the following net position categories/components:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Financial Statement Presentation (continued)

Restricted Net Position:

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

Expendable – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

Unrestricted Net Position: Net position not subject to externally imposed stipulations. Examples include: student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and general programs of the College.

The basic financial statements (i.e. the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows) report information on all of the activities of the College. For the most part, the effect of interfund activity has been removed from these statements.

Supplementary Information

The supplementary information of the College is presented on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. For reporting purposes, funds that have similar characteristics have been combined into fund groups. The various fund groups and their designated purposes are as follows:

Current Funds – The Current Funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the College and consist of the following:

Unrestricted Fund – The Education and Support subgroup of the Unrestricted Fund accounts for the general operations of the College. All property tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this subgroup. From this subgroup are paid the general operating expenses, the fixed charges and the expenditures for plant assets that are not paid from other funds.

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide non-instructional services for sales to students, staff and/or institutional departments, and which are supplemental to the educational and general objectives of the College. In addition, it accounts for activities which provide instructional and laboratory experiences for students and which incidentally create goods and services that may be sold to students, faculty, staff and the general public.

Restricted Fund – The Restricted Fund is used to account for resources that are available for the operation and support of the educational program but which are restricted as to their use by donors or outside agencies.

Loan Funds – The Loan Funds are used to account for loans to students, and are financed primarily by the student government.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018

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

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

Property Tax Receivable – Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Directors to the appropriate County Auditors. The succeeding year property tax receivable represents taxes certified by the Board of Directors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Directors is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2018 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

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

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

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

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

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

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

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

Unearned Revenue – Unearned revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose. Unearned revenue consists of unspent grant proceeds, advanced student tuition, and deferred administrative and training revenue for NJTP projects.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018.

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.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the College's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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

Auxiliary Enterprise Revenues – Auxiliary enterprise revenues primarily represent revenues generated by career education, central stores, wellness center 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.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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.

NOTE 2 CASH AND POOLED INVESTMENTS

The College's cash and deposits (money market accounts and certificates of deposit) at June 30, 2018 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, 2018, the College's cash and short-term pooled investments are as follows:

Deposits		
Cash	\$	26,825,115
Investments		
Nonnegotiable certificates of deposit, short term		16,100,000
Iowa Schools Joint Investment Trust Diversified Portfolio and Money Market		<u>24,585,119</u>
Total cash and short-term pooled investments	\$	<u><u>67,510,234</u></u>

As of June 30, 2018, the College's pooled investments are as follows:

Investments		
Nonnegotiable certificates of deposit, long term	\$	<u>1,000,000</u>
Total pooled investments	\$	<u><u>1,000,000</u></u>

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

The investments in Iowa Schools Joint Investment Trust (ISJIT) are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the ISJIT investments.

Foundation

The College Foundation (Foundation) categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The Foundation has the following recurring fair value measurements as of June 30, 2018:

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 CASH AND POOLED INVESTMENTS (continued)

Foundation (continued)

<u>Investments</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 2,382,476
Money market funds	344,219
Mutual funds	13,347,970
Corporate bonds and notes	924,043
Government securities	385,226
	<u>\$ 17,383,934</u>

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

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

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

NOTE 3 INVENTORIES

The College's inventories at June 30, 2018 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 62,652
Merchandise held for resale	206,821
Total	<u>\$ 269,473</u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 CAPITAL ASSETS

A summary of the change in capital assets for the year ended June 30, 2018 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	\$ 8,774,562	\$ -	\$ -	\$ -	\$ 8,774,562
Construction in progress	403,400	733,807	(155,036)	-	982,171
Total capital assets not being depreciated	<u>9,177,962</u>	<u>733,807</u>	<u>(155,036)</u>	<u>-</u>	<u>9,756,733</u>
Capital assets being depreciated					
Buildings	191,180,456	381,413	-	-	191,561,869
Improvements other than buildings	18,909,217	-	-	-	18,909,217
Equipment and vehicles	17,410,577	1,575,833	-	336,971	18,649,439
Total capital assets being depreciated	<u>227,500,250</u>	<u>1,957,246</u>	<u>-</u>	<u>336,971</u>	<u>229,120,525</u>
Less accumulated depreciation for					
Buildings	54,362,569	4,639,056	-	-	59,001,625
Improvements other than buildings	11,554,809	429,296	-	-	11,984,105
Equipment and vehicles	11,942,600	1,398,609	-	328,002	13,013,207
Total accumulated depreciation	<u>77,859,978</u>	<u>6,466,961</u>	<u>-</u>	<u>328,002</u>	<u>83,998,937</u>
Total capital assets being depreciated, net	<u>149,640,272</u>	<u>(4,509,715)</u>	<u>-</u>	<u>8,969</u>	<u>145,121,588</u>
Capital assets, net	<u>\$ 158,818,234</u>	<u>\$ (3,775,908)</u>	<u>\$ (155,036)</u>	<u>\$ 8,969</u>	<u>\$ 154,878,321</u>

Construction in progress at June 30, 2018 includes costs for the additional space at Southridge, the automation project and building 13 remodel on the Ankeny campus, and the Urban Student Center.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 CHANGES IN NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended June 30, 2018 is as follows:

	Compensated absences	Unearned revenue, NJTP and other	OPEB payable	Retirement and Net Pension Liability	Certificates Payable	Revenue bonds, plant and notes payable	Total
Balance, beginning of year	\$ 1,764,400	\$ 28,902,982	\$ 18,186,011	\$ 45,914,116	\$ 50,915,000	\$ 27,905,000	\$ 173,587,509
Additions	46,300	9,529,199	3,455,611	2,335,043	8,065,000	-	23,431,153
Reductions	24,200	12,711,613	1,440,371	1,452,387	11,245,000	3,015,000	29,888,571
	<u>1,786,500</u>	<u>25,720,568</u>	<u>20,201,251</u>	<u>46,796,772</u>	<u>47,735,000</u>	<u>24,890,000</u>	<u>167,130,091</u>
Less net unamortized discount and premium	-	-	-	-	(351,626)	(1,548,437)	(1,900,063)
Balance, end of year	1,786,500	25,720,568	20,201,251	46,796,772	48,086,626	26,438,437	169,030,154
Less current portion	-	11,091,223	833,699	1,860,394	6,707,688	3,297,718	23,790,722
Total noncurrent liabilities	<u>\$ 1,786,500</u>	<u>\$ 14,629,345</u>	<u>\$ 19,367,552</u>	<u>\$ 44,936,378</u>	<u>\$ 41,378,938</u>	<u>\$ 23,140,719</u>	<u>\$ 145,239,432</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, 2018:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,385,000	650,790	4,035,790
2023	3,505,000	526,015	4,031,015
2024-2028	8,210,000	771,220	8,981,220
2029	280,000	18,760	298,760
Total	<u>\$ 24,890,000</u>	<u>\$ 4,577,918</u>	<u>\$ 29,467,918</u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

Revenue bonds and notes payable consisted of the following at June 30, 2018:

Plant fund capital loan notes payable dated July 30, 2015, with interest rates between 2.00% and 4.00%	\$ 22,355,000
Tax-exempt notes payable dated May 29, 2009, with interest rates of 5.50% and 6.70%	<u>2,535,000</u>
Total	<u>\$ 24,890,000</u>

The plant fund capital loan notes totaling \$22,355,000 are payable over seven years. The proceeds of the notes were used to pay for the various costs of the building projects for the College. Interest on the notes payable is payable semiannually, while principal payments are due annually.

The tax-exempt revenue bonds totaling \$2,535,000 are payable over eleven 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 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, 2018 was \$1,036,358.

Certificates Payable

Pursuant to agreements dated from 2009 to 2018, the College issued certificates totaling \$47,735,000 at June 30, 2018 with interest rates ranging from 0.45% to 2.90% 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>
2019	\$ 6,640,000	\$ 1,120,405	\$ 7,760,405
2020	7,715,000	984,100	8,699,100
2021	7,890,000	816,783	8,706,783
2022	6,820,000	633,523	7,453,523
2023	5,370,000	471,423	5,841,423
2024-2027	<u>13,300,000</u>	<u>728,524</u>	<u>14,028,524</u>
Total	<u>\$ 47,735,000</u>	<u>\$ 4,754,758</u>	<u>\$ 52,489,758</u>

Since inception, the College has administered 739 projects, with 117 currently receiving project funding. Of the remaining projects, 526 have been completed and closed and 96 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, 2018 was \$1,323,155.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - OPERATING LEASES

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

<u>Year ending June 30</u>	<u>Amount</u>
2019	\$ 193,040
2020	174,025
2021	136,000
2022	130,000
2023	100,000
2024-2028	450,000
Total	<u>\$ 1,183,065</u>

NOTE 7 - RENT INCOME

All leases are classified as operating leases.

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

<u>Year ending June 30</u>	<u>Amount</u>
2019	\$ 610,418
2020	414,492
2021	50,809
2022	9,462
Total	<u>\$ 1,085,181</u>

Total rent income for all operating leases was approximately \$653,000 for the year ended June 30, 2018.

NOTE 8 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

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

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

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

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

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

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

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

In fiscal year 2018, 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, 2018 were \$3,005,272.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the College reported a liability of \$28,776,218 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the College's collective proportion was 0.435891%, which was a decrease of 0.000486% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the College recognized pension expense of \$3,954,043. At June 30, 2018, 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, 2018

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 264,193	\$ 249,324
Changes of assumptions	4,999,980	
Net difference between projected and actual earnings on IPERS' investments		300,557
Changes in proportion and differences between College contributions and the College's proportionate share of contributions	532,637	97,976
College contributions subsequent to the measurement date	3,005,272	
Total	\$ 8,802,082	\$ 647,857

\$3,005,272 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, 2019. 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>
2018	\$ 860,454
2019	2,424,099
2020	1,375,807
2021	149,507
2022	339,081
Total	\$ 5,148,948

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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>
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real estate	7.5	4.18
Private credit	1.0	4.25
Total	<u>100%</u>	

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

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1 % Decrease (6.00%)	Discount Rate (7.00%)	1 % Increase (8.00%)
College's proportionate share of the net pension liability	\$ 47,411,663	\$ 28,776,218	\$ 13,118,864

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

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 TEACHERS INSURANCE AND ANNUITY ASSOCIATION

The College contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program, which is a defined contribution pension plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Benefit terms, including contribution requirements, for TIAA are established and specified by the plan with TIAA and in accordance with the Code of Iowa. For each employee in the pension plan, the College is required to contribute 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, 2018 employee contributions totaled \$1,935,870 and the College recognized pension expense of \$2,905,432.

NOTE 10 PENSION COSTS - EARLY RETIREMENT

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

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

Plan Membership – as of July 1, 2017, plan membership consisted of the following:

Inactive members currently receiving benefits	42
Active members	<u>820</u>
Total	<u><u>862</u></u>

Investment Policy – The College’s obligation is unfunded at July 1, 2017. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Schedule of Changes in Total Pension Liability

	Period Ending June 30, 2018
Total Pension Liability - Beginning of Period (July 1, 2017)	\$ 18,700,555
Service Cost	1,244,993
Interest	508,907
Benefit Payment	<u>(2,433,901)</u>
Net Change in Total Pension Liability	<u>(680,001)</u>
 Total Pension Liability - End of Period (June 30, 2018)	 <u>\$ 18,020,554</u>
 Covered-Employee Payroll	 <u>53,765,153</u>
 Total Pension Liability as a Percentage of the Covered-Employee Payroll	 33.52%

Sensitivity of the Total Pension Liability to Changes in the Discount Rate – The following presents the total pension liability, calculated using the current discount rate of 2.85%, as well as the total pension liability calculated using a discount rate that is 1% lower (1.85%) or 1% higher (3.85%) than the current rate:

	1 % Decrease	Current	Discount Rate	1 % Increase
	(1.85%)	(2.85%)	(2.85%)	(3.85%)
Total Pension Liability	\$ 18,735,386	\$ 18,020,554	\$ 18,020,554	\$ 17,342,610

Pension Expense

	Measurement Period Ending June 30, 2017
Pension Expense	
Service Cost	\$ 1,244,993
Interest on Total Pension Liability	508,907
Recognition of Deferred (Inflows)/Outflows of Resources	
Economic/Demographic (Gains)/Losses	12,709
Assumption Changes	<u>94,115</u>
Pension Expense	<u>\$ 1,860,724</u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 PENSION COSTS - EARLY RETIREMENT (continued)

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

The amortization period for the July 1, 2017 to June 30, 2018 measurement period was determined as follows:

	Number of Members	Expected Remaining Service Lives
As of July 1, 2017		
Active Members	844	15.750
Inactive Members	17	0.000
 Weighted Average Rounded to the Nearest Tenth		 15.4

Deferred Inflows and Outflows of Resources – Under GASB 73, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total Pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. As of June 30, 2018, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	-	\$ 170,294
Changes of assumptions	-	1,261,144
Total	-	<u>\$ 1,431,438</u>

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

Year ending June 30:	Annual Recognition
2018	\$ 106,824
2019	106,824
2020	106,824
2021	106,824
2022	106,824
Thereafter	<u>897,318</u>
Total	<u>\$ 1,431,438</u>

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 PENSION COSTS - EARLY RETIREMENT (continued)

Schedule of Deferred Inflows and Outflows of Resources

	Balance of Deferred Outflows July 1, 2017	Date Established (Measurement Date)	Original Recognition Period *	Amount Recognized in Expense June 30, 2018	Balance of Deferred Inflows June 30, 2018	Balance of Deferred Outflows June 30, 2018
Economic/ Demographic (Gains)/Losses	\$ 183,003	June 30, 2017	15.4	<u>\$ 12,709</u>	-	<u>\$ 170,294</u>
Assumption Changes	\$ 1,355,259	June 30, 2017	15.4	<u>\$ 94,115</u>	-	<u>\$ 1,261,144</u>

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

Plan Membership – as of July 1, 2017, plan membership consisted of the following:

Inactive members currently receiving benefits	111
Active members	<u>820</u>
Total	<u>931</u>

Investment Policy – The College's obligation is unfunded at July 1, 2017. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of the GASB Statement No. 75.

Des Moines Area Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Total OPEB Liability

	As of June 30, 2018
Actuarial Present Value of Future Benefits	
Retired - Employees	\$ 1,018,450
Retired - Spouses/Dependents	38,708
Actives - Employees	26,287,070
Actives - Spouses/Dependents	384,716
Total	\$ 27,728,944
 Total OPEB Liability	
Retired - Employees	\$ 1,018,450
Retired - Spouses/Dependents	38,708
Actives - Employees	18,881,551
Actives - Spouses/Dependents	262,542
Total	\$ 20,201,251

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

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rate of salary increase (effective June 30, 2018)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.58% compounded annually, including inflation
Healthcare cost trend rate (effective June 30, 2018)	8.50% initial rate decreasing by .5% annually to an ultimate rate of 5.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

DES MOINES AREA COMMUNITY COLLEGE

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

Year ended June 30, 2018

	<u>Career Education</u>	<u>Vending</u>	<u>Student Housing</u>	<u>Athletics</u>	<u>Capitol Medical</u>	<u>Newton Leased Space</u>	<u>Trail Point</u>	<u>Other</u>	<u>Total</u>
Revenues and other additions:									
Sales and services	\$ 719,165	\$ 114,266	\$ 850,411	\$ 6,874	\$ 68,743	\$ 469,453	\$ 25,886	\$ 29,389	\$ 2,284,187
Student fee allocations	441,552	-	22,510	461,496	-	1,950	528	-	928,036
State support	-	-	-	-	-	-	-	-	-
Interest income	-	-	2,677	-	-	-	-	-	2,677
Federal appropriations	-	-	57,100	-	-	-	-	-	57,100
Miscellaneous	524,934	101,696	21,520	1,228	-	10,336	2,129,659	267,593	3,056,966
Total revenues and other additions	<u>1,685,651</u>	<u>215,962</u>	<u>954,218</u>	<u>469,598</u>	<u>68,743</u>	<u>481,739</u>	<u>2,156,073</u>	<u>296,982</u>	<u>6,328,966</u>
Expenditures and other deductions:									
Salaries and benefits	651,203	1,622	191,982	193,308	-	154,572	1,152,395	90,426	2,435,508
Services	407,312	19,287	308,611	62,344	162,017	630,751	368,566	86,366	2,045,254
Materials and supplies	281,454	-	19,199	82,210	-	71,983	86,432	50,833	592,111
Travel	167,218	-	-	124,773	-	-	2,289	1,767	296,047
Purchases for resale	306,541	-	-	-	-	-	-	-	306,541
Expended for plant assets	-	-	-	-	-	-	-	-	-
Bad debts	-	-	-	-	-	-	-	-	-
Interest on debt	-	-	-	-	-	-	-	-	-
Miscellaneous	206,270	92,674	25	20,483	-	-	-	16,891	336,343
Total expenditures and other deductions	<u>2,019,998</u>	<u>113,583</u>	<u>519,817</u>	<u>483,118</u>	<u>162,017</u>	<u>857,306</u>	<u>1,609,682</u>	<u>246,283</u>	<u>6,011,804</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(334,347)</u>	<u>102,379</u>	<u>434,401</u>	<u>(13,520)</u>	<u>(93,274)</u>	<u>(375,567)</u>	<u>546,391</u>	<u>50,699</u>	<u>317,162</u>
Transfers among funds (non-mandatory)	269,194	(49,000)	(355,309)	50,560	-	-	(186,360)	648,356	377,441
Net increase (decrease) for the year	<u>(65,153)</u>	<u>53,379</u>	<u>79,092</u>	<u>37,040</u>	<u>(93,274)</u>	<u>(375,567)</u>	<u>360,031</u>	<u>699,055</u>	<u>694,603</u>
Fund balances at beginning of year	184,491	220,019	822,968	(846)	53,112	(58,972)	(203,643)	3,076,901	4,094,030
Fund balances at end of year	<u>\$ 119,338</u>	<u>\$ 273,398</u>	<u>\$ 902,060</u>	<u>\$ 36,194</u>	<u>\$ (40,162)</u>	<u>\$ (434,539)</u>	<u>\$ 156,388</u>	<u>\$ 3,775,956</u>	<u>\$ 4,788,633</u>

DES MOINES AREA COMMUNITY COLLEGE

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

Year ended June 30, 2018

	Scholarship	Equipment Replacement	Iowa Employment Solutions	Insurance and Tort	Early Retirement	Unemployment Compensation	Cash Reserve	Grants and Contracts	Iowa Industrial New Jobs Training Programs	Other	Total
Revenues and other additions:											
Tuition and fees	\$ 211,176	\$ 1,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 606,810	\$ 15,604	\$ 669,242	\$ 1,504,592
Federal appropriations	19,020,663	500	1,223,363	-	-	-	-	3,414,975	-	-	23,659,501
Iowa Industrial New Jobs Training Program	-	-	-	-	-	-	-	-	11,593,051	-	11,593,051
State appropriations	-	113,254	-	140,790	84,131	779	-	3,229,154	-	3,564,907	7,133,015
Property tax	-	3,642,972	-	4,528,573	2,710,212	25,485	-	-	-	-	10,907,242
Gifts and grants	250	-	-	-	-	-	-	960,307	-	-	960,557
Interest and investment income	-	-	-	-	-	-	-	-	495,672	-	495,672
Miscellaneous	1,600	86,716	16,032	127,290	-	-	-	36,648	-	2,938,606	3,206,892
Total revenues and other additions	19,233,689	3,845,202	1,239,395	4,796,653	2,794,343	26,264	-	8,247,894	12,104,327	7,172,755	59,460,522
Expenditures and other deductions:											
Salaries and benefits	-	-	739,894	389,079	3,565,622	66,361	-	5,974,681	1,134,177	1,503,662	13,373,476
Services	1,335	838,824	422,764	4,506,028	-	-	-	1,481,612	8,595,874	607,830	16,454,267
Materials and supplies	-	1,986,785	14,527	38,529	-	-	-	499,284	252,369	382,166	3,173,660
Travel	-	75	2,808	-	-	-	-	139,341	22,126	29,653	194,003
Expended for plant assets	-	854,439	-	-	-	-	-	15,450	-	299,776	1,169,665
Interest on indebtedness	-	-	-	-	-	-	-	-	1,323,155	-	1,323,155
Scholarships and grants	19,571,002	-	-	-	-	-	-	51,422	-	187,469	19,809,893
Private scholarships	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	190	2,953	-	-	-	-	-	287	-	8,191	11,621
Total expenditures and other deductions	19,572,527	3,683,076	1,179,993	4,933,636	3,565,622	66,361	-	8,162,077	11,327,701	3,018,747	55,509,740
Excess (deficiency) of revenues over (under) expenditures for the year	(338,838)	162,126	59,402	(136,983)	(771,279)	(40,097)	-	85,817	776,626	4,154,008	3,950,782
Transfers among funds:											
Mandatory transfers	-	-	-	-	-	-	-	-	-	-	-
Non-mandatory transfers	187,104	(200,000)	(59,402)	-	-	-	-	118,146	(776,626)	(4,589,584)	(5,320,362)
Net increase (decrease) for the year	(151,734)	(37,874)	-	(136,983)	(771,279)	(40,097)	-	203,963	-	(435,576)	(1,369,580)
Fund balances(deficit) at beginning of year	506,683	921,052	24,509	113,341	(1,339,519)	154,224	755,088	(213,391)	-	1,694,608	2,616,595
Fund balances(deficit) at end of year	\$ 354,949	\$ 883,178	\$ 24,509	\$ (23,642)	\$ (2,110,798)	\$ 114,127	\$ 755,088	\$ (9,428)	\$ -	\$ 1,259,032	\$ 1,247,015

DES MOINES AREA COMMUNITY COLLEGE

Changes in Deposits Held in Custody for Others - Agency Funds

Year ended June 30, 2018

	<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>National Postsecondary Agricultural Student Organization</u>	<u>Other</u>	<u>Total</u>
Balance, beginning of year	\$ 491,507	\$ 274,126	\$ -	\$ 127,202	\$ 348,386	\$ 392	\$ 223,166	\$ 1,464,779
Additions:								
Tuition and fees	354,619	-	-	-	15,347	-	-	369,966
State appropriations	-	-	-	-	-	-	-	-
Federal funds	-	52,941	50,116	-	-	-	-	103,057
Sales and services	25,523	9,651	-	-	4,522	-	-	39,696
Interest on investments	-	-	-	-	-	-	-	-
Other	91,230	574,803	-	326,209	172,672	(4,466)	49,741	1,210,189
Transfers in	104,200	81,000	-	-	88,634	73,500	-	347,334
Total additions	<u>575,572</u>	<u>718,395</u>	<u>50,116</u>	<u>326,209</u>	<u>281,175</u>	<u>69,034</u>	<u>49,741</u>	<u>2,070,242</u>
Deductions:								
Salaries and benefits	7,728	55	1,541	136,449	-	-	69,941	215,714
Services	97,883	346,069	48,575	51,880	87,088	45,108	-	676,603
Materials and supplies	156,837	84,714	-	15,577	81,572	406	-	339,106
Travel	5,686	238,621	-	8,012	77,708	20,961	-	350,988
Cost of goods sold	43,019	-	-	-	21,281	-	-	64,300
Scholarships	-	-	-	-	500	-	-	500
Expended for plant assets	-	-	-	-	-	-	-	-
Other	12,777	5,994	-	77,522	4,152	-	-	100,445
Transfers out	257,523	2,600	-	-	6,280	-	-	266,403
Total deductions	<u>581,453</u>	<u>678,053</u>	<u>50,116</u>	<u>289,440</u>	<u>278,581</u>	<u>66,475</u>	<u>69,941</u>	<u>2,014,059</u>
Net additions and deductions	<u>(5,881)</u>	<u>40,342</u>	<u>-</u>	<u>36,769</u>	<u>2,594</u>	<u>2,559</u>	<u>(20,200)</u>	<u>56,183</u>
Balances, end of year	<u>\$ 485,626</u>	<u>\$ 314,468</u>	<u>\$ -</u>	<u>\$ 163,971</u>	<u>\$ 350,980</u>	<u>\$ 2,951</u>	<u>\$ 202,966</u>	<u>\$ 1,520,962</u>

Schedule 8

DES MOINES AREA COMMUNITY COLLEGE

Credit and Contact Hours

For the period from August 24, 2017 through August 23, 2018

Category	Contact hours			Total
	Credit hours eligible for aid	Eligible for aid	Not eligible for aid	
Arts and sciences	328,306	6,088,484	-	6,088,484
Vocational education	107,235	2,407,141	-	2,407,141
Adult education/continuing education	-	1,214,074	43,434	1,257,508
Related services and activities	-	-	-	-
Total	435,541	9,709,699	43,434	9,753,133

DES MOINES AREA COMMUNITY COLLEGE

Taxes and Intergovernmental Revenues

(Excluding the Agency Funds)

For the Last Ten Years

	Years ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Local (property tax)	\$ 27,282,408	\$ 27,996,241	\$ 24,905,167	\$ 23,561,603	\$ 24,333,253	\$ 19,857,656	\$ 19,779,534	\$ 18,089,665	\$ 17,532,643	\$ 16,455,262
State	41,790,288	41,942,149	42,447,764	42,315,794	40,541,436	33,037,238	28,720,739	29,051,616	27,090,659	31,991,978
Federal	24,140,494	23,948,913	28,349,064	32,320,757	35,314,471	34,468,787	39,980,889	42,465,427	39,944,241	21,734,414
Total	\$ 93,213,190	\$ 93,887,303	\$ 95,701,995	\$ 98,198,154	\$ 100,189,160	\$ 87,363,681	\$ 88,481,162	\$ 89,606,708	\$ 84,567,543	\$ 70,181,654

DES MOINES AREA COMMUNITY COLLEGE

Current Fund Revenues by Source

and Expenditures by Function

For the Last Ten Years

	Years ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Tuition and fees	\$ 59,450,084	\$ 56,812,281	\$ 56,082,724	\$ 55,497,150	\$ 57,558,044	\$ 57,611,546	\$ 61,763,642	\$ 59,906,044	\$ 52,668,767	\$ 42,969,791
Property tax	19,086,163	20,155,662	17,440,485	16,305,177	17,197,614	12,980,395	12,989,120	11,550,038	11,279,076	10,550,327
Federal appropriations	24,140,494	23,948,913	28,349,064	32,320,757	35,314,471	34,468,787	39,980,889	42,465,427	39,944,241	21,734,414
State appropriations	41,135,166	41,282,896	41,777,023	41,462,061	39,255,830	31,709,683	28,566,347	28,382,697	26,610,659	31,200,104
Interest income from investments	936,672	407,187	214,866	185,744	165,060	224,557	367,933	712,496	792,264	2,172,218
Iowa Industrial New Jobs Training Program	11,593,051	9,652,203	8,047,866	13,635,607	9,922,594	17,253,987	18,214,126	11,466,792	14,051,594	26,073,183
Auxiliary enterprises revenue	2,284,187	2,199,499	1,732,748	2,247,636	2,283,470	2,118,589	2,217,100	2,199,463	2,651,778	2,083,539
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-	3,960,000
Miscellaneous	11,760,590	9,995,537	10,171,523	9,204,026	8,331,727	9,091,623	9,151,754	6,522,268	5,886,232	4,995,593
Total	<u>\$170,386,407</u>	<u>\$ 164,454,178</u>	<u>\$ 163,816,299</u>	<u>\$ 170,858,158</u>	<u>\$ 170,028,810</u>	<u>\$ 165,459,167</u>	<u>\$ 173,250,911</u>	<u>\$ 163,205,225</u>	<u>\$ 153,884,611</u>	<u>\$ 145,739,169</u>
Expenditures										
Liberal arts and sciences	\$ 29,180,129	\$ 28,585,988	\$ 28,763,674	\$ 29,513,883	\$ 29,118,289	\$ 28,767,926	\$ 28,049,295	\$ 26,265,239	\$ 23,397,899	\$ 22,010,606
Vocational technical	34,883,526	34,607,269	34,127,073	33,531,331	31,629,541	31,404,396	31,177,970	29,734,690	28,073,906	25,883,936
Adult education	14,816,071	14,447,609	15,856,443	17,025,831	16,526,337	12,237,069	11,421,379	10,036,125	9,376,075	9,354,727
Cooperative services	8,915,303	6,766,371	4,553,284	9,447,573	5,232,155	11,348,114	13,536,302	5,929,199	8,084,678	18,794,647
Administration	3,791,371	3,891,486	3,876,910	4,002,173	3,895,909	3,650,186	3,670,320	3,571,180	3,839,613	3,267,926
Student services	11,835,687	11,461,316	11,465,838	11,102,412	11,227,505	9,730,664	8,989,529	8,800,990	7,747,604	7,527,948
Learning resources	3,121,318	3,112,975	3,249,642	3,254,168	3,091,480	3,144,357	3,030,744	2,910,249	2,929,197	2,879,426
Physical plant	13,121,389	12,660,186	12,556,889	12,321,904	12,843,940	12,349,361	12,612,339	10,441,362	8,013,448	7,013,376
General institution	19,650,424	20,191,339	18,440,140	15,867,283	15,744,921	17,823,668	18,205,034	20,267,851	17,109,638	15,744,126
Auxiliary enterprises	6,011,804	4,682,955	3,693,576	3,859,034	3,447,538	3,544,972	3,438,561	3,471,079	4,041,098	7,433,336
Scholarships and grants	19,809,893	18,601,681	20,954,242	24,326,291	26,844,407	28,301,052	33,061,080	34,717,959	29,629,518	15,451,116
Interest on indebtedness	1,323,155	1,445,722	1,460,843	1,959,968	2,426,085	2,926,002	3,258,937	3,391,773	3,547,259	3,516,990
Loss on discontinued operations	-	-	-	-	-	-	-	-	-	578,792
Total	<u>\$ 166,460,070</u>	<u>\$ 160,454,897</u>	<u>\$ 158,998,554</u>	<u>\$ 166,211,851</u>	<u>\$ 162,028,107</u>	<u>\$ 165,227,767</u>	<u>\$ 170,451,490</u>	<u>\$ 159,537,696</u>	<u>\$ 145,789,933</u>	<u>\$ 139,456,952</u>

Des Moines Area Community College
Schedule of Expenditures of Federal Aid (SEFA)
Federal Expenditures for July 1, 2017 through June 30, 2018

<u>Grantor</u>	<u>CFDA</u> <u>Number</u>	<u>Pass-through</u> <u>Entity Identifying</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>	<u>New Loans &</u> <u>New Loan</u> <u>Guarantees</u>
United States Department of Education				
Direct:				
Federal Supplemental Educational Opportunity Grant	84.007		310,835	-
Federal Work-study Program	84.033		304,215	-
Federal Pell Grant Program	84.063		18,801,546	-
Federal Pell Grant Administrative Fee	84.063		27,460	-
Federal Direct Student Loans	84.268		-	25,216,607
Total Student Financial Assistance Cluster			19,444,056	25,216,607
Direct Trio Grants:				
Student Support Services FY17 Award	84.042		86,823	-
Student Support Services FY18 Award	84.042		260,590	-
Student Support Services-Grant Aid	84.042		8,600	-
Upward Bound FY17 Award	84.047		43,932	-
Upward Bound FY18 Award	84.047		213,642	-
Childcare Access Means Parents in School	84.335		73,377	-
Total Trio Grants			686,964	-
Indirect through Iowa Department of Education:				
Adult Education-Adult Basic Education	84.002	67027	513,340	-
Adult Education-Adult Basic Education Teacher Training	84.002	67027	11,693	-
Adult Education-EL Civics	84.002	70042	4,052	-
Career and Technical Education-Vocational Education - Perkins Funds	84.048	G80189	762,832	-
Career and Technical Education-Perkins Iowa FCCLA	84.048	G70304	14,776	-
Career and Technical Education-Perkins Iowa DECA	84.048	G70307	9,200	-
Career and Technical Education-Perkins Iowa FBLA	84.048	G70306	2,853	-
Career and Technical Education-Perkins Iowa HOSA	84.048	G70305	2,500	-
Career and Technical Education-Perkins Iowa Skills USA	84.048	G70310	23,612	-
Total through Iowa Department of Education			1,344,858	-
Indirect through Iowa Department of Corrections:				
Title I-Newton Correctional Facility	84.048	50208	20,000	-
Title I-Iowa Women's Institute for Women	84.048	50169	20,000	-
Career and Technical Education-Vocational Education - Perkins Funds NCF	84.048	50208	4,808	-
Career and Technical Education-Vocational Education - Perkins Funds ICIW	84.048	50169	4,795	-
Total through Iowa Department of Corrections			49,603	-
Indirect through Iowa Vocational Rehabilitation Services:				
Vocational Rehabilitation Grants to States	84.126	17-VRIN-01	114,241	-
Total U.S. Department of Education			21,639,723	25,216,607

Des Moines Area Community College
Schedule of Expenditures of Federal Aid (SEFA)
Federal Expenditures for July 1, 2017 through June 30, 2018

<u>Grantor</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>New Loans & New Loan Guarantees</u>
Department of Health & Human Services				
Direct:				
Substance Abuse & Mental Health Services Projects of Regional & National Significance	93.243		41,229	-
Indirect through Iowa Department of Public Health Pregnancy Assistance Fund Program	93.500	5888PAF01	246,108	-
Indirect through Child Support Recovery Unit: Child Support Enforcement Research	93.564	BOC-14-018	149,656	-
Indirect through University of Iowa National Institute of Health Cardiovascular Disease Research	93.837	5R01HL119882-04	40,904	-
Total Department of Health & Human Services			477,896	-
Department of Agriculture Food & Nutrition				
Indirect through Kirkwood Community College State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	DMC2018FAET	2,799	-
Total Department of Agriculture Food & Nutrition Service			2,799	-
Social Security Administration				
Direct:				
Ticket to Work	93.768		50,116	-
Total Social Security Administration			50,116	-
National Science Foundation				
Direct:				
Engineering Grants	47.041		960	-
Education and Human Resources	47.076		47,281	-
Indirect through Iowa State University Collaborative Research: CIRTl INCLUDES	47.050	420-18-07B	1,000	-
Education and Human Resources	47.076	420-18-01	22,609	-
Total National Science Foundation			71,850	-

Des Moines Area Community College
Schedule of Expenditures of Federal Aid (SEFA)
Federal Expenditures for July 1, 2017 through June 30, 2018

<u>Grantor</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>New Loans & New Loan Guarantees</u>
Department of Labor				
Direct:				
YouthBuild 4	17.274		241,264	-
YouthBuild 5	17.274		178,763	-
Total Direct Department of Labor			420,027	-
Indirect through Hawkeye Community College Trade Adjustment Assistance Community College & Career Training Grants Program				
	17.282	DMACC	214,517	-
Indirect through Iowa Workforce Development:				
WIA Disability Employment Initiative	17.207	16-W-PF-DE-03	205,152	-
WIA Disability Employment Initiative	17.207	M509149	93,406	-
WIA/WIOA Administration	17.258 & .260	17-W-11-WI-OA	47,428	-
WIA/WIOA Administration-Central Iowa Workforce Investment Board	17.258 & .260	17-W-11-WI-OA	14,775	-
WIA/WIOA Adult Program	17.258	17-W-11-WI-OA	317,674	-
WIA/WIOA Administration-Central Iowa Workforce Investment Board	17.259	17-W-11-WI-OA	15,000	-
WIA/WIOA Dislocated Workers	17.260	17-W-11-WI-OA	343,208	-
WIOA National Dislocated Worker Grants-John Deere National Emergency Grant	17.277	16-W-PF-JO-0-02	106,720	-
WIOA National Dislocated Worker Grants-Sector Partnership National Emergency Grant	17.277	16-W-PF-SM-0-10	80,000	-
Total Indirect through Iowa Workforce Development			1,223,363	-
Total Department of Labor			1,857,906	-
Department of Transportation-Federal Motor Carrier Safety Administration				
Direct:				
Fixing America's Surface Transportation	20.235		86,160	-
Total Department of Transportation			86,160	-
Total Federal Expenditures			24,186,450	25,216,607

Des Moines Area Community College
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Des Moines Area Community College under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Des Moines Area Community College, it is not intended to and does not present the financial position, changes in financial position or cash flows of Des Moines Area Community College.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 STUDENT FINANCIAL ASSISTANCE

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and, accordingly, these loans are not included in its financial statements. It is not practical to determine the balance of the loans outstanding to students and former students of the College under this program at June 30, 2018.



**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, 2018, and the related notes to financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 5, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 5, 2018



**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, 2018. The College's major federal programs are identified in the summary of the independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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 federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 5, 2018

Des Moines Area Community College
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2018

Part I—Summary of the Independent Auditor's Results

- (a) An unmodified opinion was issued on the financial statements prepared in accordance with accounting principles generally accepted in the United States of America.
- (b) No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over the major programs were disclosed by the audit.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) Major programs were as follows:
 - CFDA Number 84.007, 84.033, 84,063, 84.268 — Student Financial Assistance Cluster
 - CFDA Number 84.048 — Career and Technical Education – Basic Grants to States
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Des Moines Area Community College did not qualify as a low-risk auditee.

**Des Moines Area Community College
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2018**

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

INTERNAL CONTROL DEFICIENCIES

None

INSTANCES OF NONCOMPLIANCE

No matters noted

Part III—Findings and Questioned Costs for Federal Awards

INTERNAL CONTROL DEFICIENCIES

None

INSTANCES OF NONCOMPLIANCE

No matters noted