

**REPORT OF**  
**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**JUNE 30, 2015 AND 2014**

## MOBERLY AREA COMMUNITY COLLEGE

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**MOBERLY AREA COMMUNITY COLLEGE**

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GERDING, KORTE & CHITWOOD CPAS  
Professional Corporation  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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To the Board of Trustees  
of Moberly Area Community College

### Report on the Financial Statements

We have audited the accompanying financial statements of the Moberly Area Community College (the "College") as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as 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 an opinion 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 the 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.

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 entity'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 entity'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.

#### PARTNERS

*Robert A. Gerding*  
*Fred W. Korte, Jr.*  
*Joseph E. Chitwood*  
*Travis W. Hundley*  
*Jeffrey A. Chitwood*  
*Amy L. Watson*  
*Heidi N. Ross*

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Moberly Area Community College, as of June 30, 2015 and 2014, and the changes in financial position, and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

Effective July 1, 2014, the College implemented Government Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress – post retirement benefits other than pensions, schedule of proportionate share of the net pension liability and related ratios – PSRS, schedule of employer contributions – PSRS, schedule of proportionate share of net pension liability and related ratios – PEERS, and schedule of employer contributions – PEERS on pages 4 through 10 and 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 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic 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 December 29, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



December 29, 2015

Gerding, Korte & Chitwood, P.C.  
Certified Public Accountants  
Boonville, Missouri

**MOBERLY AREA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
(UNAUDITED)**

**Introduction**

Management's discussion and analysis is an overview of the financial position and financial activities of Moberly Area Community College. The College's management prepared this discussion. It should be read in conjunction with the financial statements and notes that follow.

The College prepared the financial statements in accordance with Government Accounting Standards Board (GASB) principles. During 2003, the College implemented GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a consolidated basis to focus on the College as a whole. Previously, financial statements focused on the accountability of individual fund groups rather than on the College as a whole.

Also, during 2015, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result, a prior period adjustment of \$12,230,639 was made to Total Net Position as of June 30, 2014.

There are three financial statements presented: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The emphasis of the discussion about the financial statements is on the current year data. However, information for fiscal years ending June 30, 2015 and 2014 is also available in the GASB Statement No. 35 format. Consequently, a comparative format of College wide information is used.

**Financial Highlights**

The College's financial position at June 30, 2015 shows assets at \$37,555,294, deferred outflows of \$2,240,480, liabilities at \$13,168,959, deferred inflows of \$4,418,933, and net position at \$22,207,882. Net position represents the balance in the College's assets after liabilities are deducted, net of deferred outflows and inflows.

Net position decreased by \$9,548,573 during FY 2015. The most significant change in the net position during FY 2015 was the result of the \$12,230,639 prior period adjustment. Net position increased by \$1,233,947 due to the receipt of a \$1,220,958 restricted endowment. An additional increase to net position resulted from a reduction in pension expense of \$1,144,962 due to GASB 68 adjustments. The remaining components of net position increased by \$303,157.

**MOBERLY AREA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
(UNAUDITED)**

**Statements of Net Position**

The Statements of Net Position present the assets, liabilities, and net assets of the College at the end of the fiscal years, June 30, 2015 and 2014. The purpose of the Statements of Net Position is to present a snapshot of the financial condition of the College. Total net position, which is the difference between total assets and total liabilities, is one of the indicators of the current financial condition of the College.

The assets and liabilities are categorized between current and noncurrent. The difference is that current assets and liabilities mature or become payable within the normal 12 month accounting/operating cycle versus noncurrent which mature or become payable after 12 months. For example, at June 30, 2015 and 2014, the College's current assets consist primarily of cash, short-term investments, and trade receivables while noncurrent assets consists primarily of capital assets. Capital assets are the property, plant, and equipment owned by the College, net of any related accumulated depreciation.

Net position is presented in three major categories. The first is net investment in capital assets, which represents the College's equity in its property, plant and equipment. The second category is restricted, while the third is unrestricted.

Restricted net position are funds that are limited in terms of the purpose and time for which the funds can be spent. Restricted position is further categorized between expendable and non-expendable. Restricted expendable net position is available to be spent by the College after externally imposed stipulations have been fulfilled or after the passage of time. Restricted non-expendable net position is comprised of endowments for which only the earnings can be spent.

Unrestricted net position is available to the College for any lawful purpose. The following chart of the College's net position at June 30, 2015 and 2014 shows the unrestricted portion at \$1.0 and \$11.4 million, respectively.

	Year Ended June 30	
	<u>2015</u>	<u>2014</u>
Current Assets	\$16,063,160	\$13,696,994
Noncurrent Assets	2,024,460	2,271,899
Capital Assets	<u>19,467,674</u>	<u>20,053,381</u>
Total Asset	<u>37,555,294</u>	<u>36,022,274</u>
Deferred Outflows	<u>2,240,480</u>	<u>-</u>



**MOBERLY AREA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
(UNAUDITED)**

**Statement of Net Position (Continued)**

	Year Ended June 30	
	<u>2015</u>	<u>2014</u>
Current Liabilities	3,309,735	3,177,819
Noncurrent Liabilities	<u>9,859,224</u>	<u>1,088,000</u>
Total Liabilities	<u>13,168,959</u>	<u>4,265,819</u>
Deferred Inflows	<u>4,418,933</u>	=
Net Investment in Capital Assets	18,379,674	18,829,381
Restricted:		
Nonexpendable	2,727,214	1,493,267
Expendable	57,241	81,916
Unrestricted	<u>1,043,753</u>	<u>11,351,891</u>
Total Net Position	<u>\$22,207,882</u>	<u>\$31,756,455</u>

**Statements of Revenues, Expenses, and Changes in Net Position**

The Statements of Revenues, Expenses, and Changes in Net Position present the College's financial results for the fiscal year. The statements include the College's revenues and expenses, both operating and nonoperating.

Operating revenues and expenses are those for which the College directly exchanges goods and services. Nonoperating revenues and expenses are those that exclude specific, direct exchanges of goods and services. Local property tax revenue and state aid are two examples of nonoperating revenues where the local taxpayers and state legislature, respectively, do not directly receive goods and services for the revenue.

The following is a summarized version of the College's revenues, expenses, and changes in net position for the years ended June 30, 2015 and 2014.

	(In Thousands)	
	<u>Year Ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Operating Revenue	\$15,183	\$15,162
Operating Expenses	<u>30,210</u>	<u>33,388</u>

**MOBERLY AREA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
(UNAUDITED)**

**Statement of Revenues, Expenses, and Changes in Net Position (Continued)**

	(In Thousands)	
	<u>Year Ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Operating Loss	(15,027)	(18,226)
Non-operating revenues (expenses)	<u>16,475</u>	<u>18,980</u>
Gain before other revenues	1,448	754
Additions to permanent endowments	<u>1,234</u>	<u>7</u>
Increase in net position	2,682	761
Net Position, beginning of the year	31,756	30,995
Prior Period Adjustment – Note 21	<u>(12,230)</u>	-
Net Position, beg. of yr., restated	<u>19,526</u>	<u>30,995</u>
Net Position, end of the year	<u>\$ 22,208</u>	<u>\$ 31,756</u>

During the fiscal year 2015, the College served approximately 5,500 students generating 110,211 credit hours. The following is the College's FY 2015 and 2014 revenues, both operating and nonoperating.

	(In Thousands)	
	<u>Year Ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Operating Revenues		
Student Tuition & Fees, net of scholarship allowances	\$12,170	\$11,641
Auxiliary Enterprises	2,753	3,260
Contracts and Grants from Private Sources	30	22
Other	<u>230</u>	<u>239</u>
Total Operating Revenues	<u>\$15,183</u>	<u>\$15,162</u>
Nonoperating Revenues (Expenses)		
Local Property Taxes	604	609
State Aid and Grants	5,664	5,174
Investment Income	39	85

**MOBERLY AREA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
(UNAUDITED)**

**Statement of Revenues, Expenses, and Changes in Net Position (Continued)**

	(In Thousands)	
	<u>Year Ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Gifts and Grants	<u>10,168</u>	<u>13,112</u>
Total Nonoperating	<u>\$16,475</u>	<u>\$18,980</u>
Operating Expenses		
Salaries and Benefits	\$16,690	\$17,304
Supplies and Other Services	7,909	9,450
Depreciation	908	857
Financial Aid and Scholarships	<u>4,703</u>	<u>5,777</u>
Total Operating Expenses	<u>\$ 30,210</u>	<u>\$ 33,388</u>

In addition, the following presents the FY 2015 and 2014 operating expenses of the College by function.

	(In Thousands)	
	<u>Year Ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Operating Expenses		
Instruction	\$ 10,457	\$ 10,964
Academic Support	3,014	3,526
Student Services	2,873	2,981
Institutional Support	2,869	3,188
Student Financial Aid	4,718	5,779
Plant and Maintenance	3,040	3,150
Auxiliary	2,331	2,943
Depreciation	<u>908</u>	<u>857</u>
Total Operating Expenses	<u>\$ 30,210</u>	<u>\$ 33,388</u>

**Statements of Cash Flows**

The Statements of Cash Flows present information about the cash activity of the College. The statements show the major sources and uses of cash. The following is a summary of the statements of cash flows for the years ended June 30, 2015 and 2014.

**MOBERLY AREA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
(UNAUDITED)**

**Statement of Cash Flows (continued)**

	(In Thousands)	
	<u>Year Ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Cash provided (used) by:		
Operating activities	\$ (16,327)	\$ (13,780)
Noncapital financing activities	\$ 17,671	\$ 18,902
Capital and related financing activities	(458)	(1,780)
Investing activities	<u>786</u>	<u>(1,080)</u>
Net increase (decrease) in Cash	1,672	2,262
Cash, beginning of the year	<u>4,692</u>	<u>2,430</u>
Cash, end of the year	<u>\$ 6,364</u>	<u>\$ 4,692</u>

**Capital and Debt Activities**

During FY 2015, the College expended \$334,281 for equipment and building improvements.

The College's investment in capital assets net of accumulated depreciation as of June 30, 2015 and 2014 amounts to \$19.5 million and \$20.1 million, respectively and this investment in capital assets includes land, buildings, equipment, and improvements.

**Capital Assets at Year-end  
Net of Accumulated Depreciation**

	June 30, 2015	June 30, 2014
Property, plant and equipment		
Land	\$ 529,200	\$ 529,200
Improvements (other than buildings)	317,362	346,325
Buildings and improvements	17,524,657	18,195,388
Construction in progress	0	0
Equipment	<u>1,096,454</u>	<u>982,469</u>
Net Capital Assets	<u>\$ 19,467,673</u>	<u>\$ 20,053,382</u>

**MOBERLY AREA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015  
(UNAUDITED)**

**Economic Outlook**

State appropriations to the College for FY 2016 were increased 8.3% due to a statewide increase to community colleges. Fees and tuition rates for in-district and out-of-district students increased 3.03% and 7.75%, respectively, for FY 2016. This compares to 3.75% and 7.69% increases for FY 2015. At this time, the College is anticipating a 4 to 4.8 percent increase in state appropriations for FY 2017 fiscal year. However, due to continued uncertainty on the state level regarding financial growth and funding priorities, it is not possible to forecast state appropriations with any degree of certainty.

During December 2013 and January 2014, a 16,500 square foot expansion of leased facilities was completed at the MACC—Columbia Higher Education Center as well as an 18,000 square foot instructional building at the MACC—Hannibal Higher Education Center. These expansions not only provide additional instructional space but also allow opportunities to offer courses that were previously not possible due to limitations in the type of space. The expansion in Columbia provides space for the mechatronics program while the Hannibal expansion allows the College to offer science courses requiring laboratory facilities.

Additionally, a 2,455 square foot expansion is underway at the MACC-Columbia Higher Education Center to accommodate the Occupational Therapy Assistant (OTA) Program, classroom and office space with Central Methodist College, and classroom and office space for Columbia College. These three collaborative efforts are intended to bring more students onto the Columbia site and provide an opportunity for additional enrollment. Financial assistance is being provided by the OTA consortium as well as Central Methodist College and Columbia College.

It is projected that enrollment will decrease 8-10% for FY 2016 after a 7.2% decrease during FY 2015. This enrollment trend has prompted implementation of a task force to review allocations of financial resources, leaving certain vacancies unfilled, and re-organizations in two departments thereby reducing employee FTE. The expansion of instructional facilities in Columbia and Hannibal, continued implementation and promotion of the mechatronics program in Columbia, additional Career Technical program initiatives, and continued implementation of new marketing initiatives are expected to result in a level to a slight enrollment increase in the next two to three years.

Management will continue to maintain a close watch over its resources and expenses to ensure its ability to plan and react to future internal and external issues.

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**STATEMENTS OF NET POSITION**  
**June 30, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 6,364,185	\$ 4,692,317
Investments	1,541,233	2,041,211
Accounts receivable, net of \$2,589,420 and \$2,495,131 allowance for doubtful accounts, respectively	7,138,187	6,121,325
Inventories	712,386	613,504
Prepaid expenses	307,169	228,637
Total current assets	<u>16,063,160</u>	<u>13,696,994</u>
Noncurrent Assets		
Investments	2,024,460	2,271,899
Capital assets, net	19,467,674	20,053,381
Total noncurrent assets	<u>21,492,134</u>	<u>22,325,280</u>
Total assets	<u>37,555,294</u>	<u>36,022,274</u>
 <b>DEFERRED OUTFLOWS</b>		
Deferred Outflows Related to Pension	2,240,480	0
Total Deferred Outflows	<u>2,240,480</u>	<u>0</u>
 <b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	431,456	497,619
Accrued liabilities	33,479	23,457
Accrued wages payable	1,462,118	1,381,789
Accrued post-employment benefits	730,300	604,100
Deposits held for others	300,375	263,387
Unearned revenue	216,007	271,467
Note payable	136,000	136,000
Total current liabilities	<u>3,309,735</u>	<u>3,177,819</u>
Noncurrent Liabilities		
Note payable	952,000	1,088,000
Net pension liability	8,907,224	0
Total noncurrent liabilities	<u>9,859,224</u>	<u>1,088,000</u>
Total liabilities	<u>13,168,959</u>	<u>4,265,819</u>
 <b>DEFERRED INFLOWS</b>		
Deferred Inflows Related to Pension	4,418,933	0
Total Deferred Inflows	<u>4,418,933</u>	<u>0</u>
 <b>NET POSITION</b>		
Net investment in capital assets	18,379,674	18,829,381
Restricted for:		
Nonexpendable		
Endowment	2,727,214	1,493,267
Expendable		
Endowment	57,241	81,916
Unrestricted	<u>1,043,753</u>	<u>11,351,891</u>
Total net position	<u>\$ 22,207,882</u>	<u>\$ 31,756,455</u>

These financial statements should be read only in connection with the  
 accompanying summary of significant accounting policies  
 and notes to financial statements

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**June 30, 2015 and 2014**

<b>REVENUES</b>	2015	2014
Operating Revenues		
Student tuition and fees, net of scholarship allowances of \$4,550,771 and \$4,819,348, respectively	\$ 12,170,439	\$ 11,641,261
Auxiliary enterprises:		
Bookstore, Cafeteria, Housing, net of scholarship allowances of \$130,050 and \$111,926, respectively	2,752,570	3,259,871
Contracts and grants from private sources	29,696	22,272
Other operating revenues	<u>230,291</u>	<u>239,121</u>
Total operating revenues	<u>15,182,996</u>	<u>15,162,525</u>
 <b>EXPENSES</b>		
Operating Expenses		
Salaries	13,462,031	13,194,149
Benefits	3,228,502	4,110,031
Supplies and other services	6,199,998	7,957,722
Utilities	610,120	624,418
Travel	342,591	339,428
Repairs and maintenance	756,519	528,708
Financial aid scholarships	4,702,553	5,777,651
Depreciation	<u>907,908</u>	<u>856,661</u>
Total operating expenses	<u>30,210,222</u>	<u>33,388,768</u>
Operating loss	<u>(15,027,226)</u>	<u>(18,226,243)</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
Local property tax revenue	604,161	608,744
State aid and grants	5,406,656	4,897,014
Investment income	38,764	85,013
Vocational funding	257,683	276,943
Gifts and grants from government sources	9,900,771	11,936,920
Gifts and grants from private sources	<u>267,310</u>	<u>1,175,380</u>
Total nonoperating revenues (expenses)	<u>16,475,345</u>	<u>18,980,014</u>
Gain before other revenues, expenses, gains or losses	1,448,119	753,771
Additions to permanent endowments	<u>1,233,947</u>	<u>7,405</u>
 <b>INCREASE IN NET POSITION</b>	2,682,066	761,176
 <b>NET POSITION, BEGINNING OF YEAR</b>	31,756,455	30,995,279
<b>PRIOR PERIOD ADJUSTMENT - NOTE 21</b>	<u>(12,230,639)</u>	<u>0</u>
<b>NET POSITION, BEGINNING OF YEAR, RESTATED</b>	<u>19,525,816</u>	<u>30,995,279</u>
 <b>NET POSITION, END OF YEAR</b>	<u>\$ 22,207,882</u>	<u>\$ 31,756,455</u>

These financial statements should be read only in connection with the  
accompanying summary of significant accounting policies  
and notes to financial statements.

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
STATEMENTS OF CASH FLOWS  
June 30, 2015 and 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 12,103,726	\$ 11,575,999
Payments to suppliers	(8,101,296)	(9,495,937)
Payments for utilities	(609,256)	(620,497)
Payments to employees	(12,488,704)	(12,936,218)
Payments for benefits	(4,456,973)	(4,286,587)
Payments for financial aid and scholarships	(4,702,553)	(5,777,651)
Auxiliary enterprise charges:		
Bookstore, vending, cafeteria, housing	2,622,217	3,066,754
Contracts and grants from private sources	(24,564)	1,127
Escrow receipt (return of funds)	0	0
Other receipts (payments)	<u>(669,237)</u>	<u>4,692,285</u>
Net cash used by operating activities	<u>(16,326,640)</u>	<u>(13,780,725)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local property taxes	604,161	608,744
State aid and grants	5,664,339	5,173,957
Gifts and grants other than capital	10,168,081	13,112,300
Private gifts for endowment purposes	<u>1,233,947</u>	<u>7,405</u>
Net cash provided by noncapital financing activities	<u>17,670,528</u>	<u>18,902,406</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	0	1,360,000
Purchase of capital assets	(322,201)	(3,003,759)
Principal paid on capital debt	<u>(136,000)</u>	<u>(136,000)</u>
Net cash used by capital and related financing activities	<u>(458,201)</u>	<u>(1,779,759)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale and maturities of investments	2,075,510	2,036,736
Investment income	38,764	85,013
Purchase of investments	<u>(1,328,093)</u>	<u>(3,201,634)</u>
Net cash provided by investing activities	<u>786,181</u>	<u>(1,079,885)</u>
<b>NET INCREASE IN CASH</b>	1,671,868	2,262,037
<b>CASH, BEGINNING OF YEAR</b>	<u>4,692,317</u>	<u>2,430,280</u>
<b>CASH, END OF YEAR</b>	<u>\$ 6,364,185</u>	<u>\$ 4,692,317</u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.



**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**STATEMENTS OF CASH FLOWS**  
**June 30, 2015 and 2014**

<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	2015	2014
Operating loss	(15,027,226) \$	(18,226,243)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	907,908	856,661
Changes in assets and liabilities:		
Receivables, net	(1,016,862)	4,188,925
Inventories	(98,882)	13,210
Other assets	(78,532)	4,660
Accounts payable	187,376	(597,993)
Deferred outflows	(733,061)	0
Deferred inflows	4,418,933	0
Net pension liability	(4,830,834)	0
Unearned revenue	<u>(55,460)</u>	<u>(19,945)</u>
Net cash used by operating activities	<u>\$ (16,326,640)</u>	<u>\$ (13,780,725)</u>

These financial statements should be read only in connection with the  
accompanying summary of significant accounting policies  
and notes to financial statements.

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
STATEMENTS OF FIDUCIARY NET POSITION  
SCHOLARSHIP FUNDS  
June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 29,122	\$ 169,055
Accounts Receivable	0	0
Investments	<u>140,992</u>	<u>60,000</u>
Total current assets	<u>170,114</u>	<u>229,055</u>
Noncurrent Assets		
Investments	<u>140,000</u>	<u>80,792</u>
Total noncurrent assets	<u>140,000</u>	<u>80,792</u>
Total assets	<u>310,114</u>	<u>309,847</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	<u>10,078</u>	<u>0</u>
Total current liabilities	<u>10,078</u>	<u>0</u>
Total liabilities	<u>10,078</u>	<u>0</u>
<b>NET POSITION</b>		
Restricted for Scholarships	282,395	282,395
Unrestricted	<u>17,641</u>	<u>27,452</u>
	<u>\$ 300,036</u>	<u>\$ 309,847</u>

These financial statements should be read only in connection with the  
accompanying summary of significant accounting policies  
and notes to financial statements.

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
SCHOLARSHIP FUNDS  
Years ended June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>INVESTMENT INCOME</b>		
Interest income	\$ <u>1,211</u>	\$ <u>1,318</u>
Net investment income	<u>1,211</u>	<u>1,318</u>
 <b>CONTRIBUTIONS</b>		
Private sources	<u>10,128</u>	<u>0</u>
Total contributions	<u>10,128</u>	<u>0</u>
 <b>DEDUCTIONS</b>		
Scholarships	21,150	38,650
Other expense	<u>0</u>	<u>0</u>
Total deductions	<u>21,150</u>	<u>38,650</u>
Net decrease	(9,811)	(37,332)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>309,847</u>	<u>347,179</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 300,036</u>	<u>\$ 309,847</u>

These financial statements should be read only in connection with the  
accompanying summer of significant accounting policies  
and notes to financial statements.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2015 AND 2014**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

Moberly Area Community College, Moberly, Missouri (the College) is a public institution of higher education providing services to residents of the City of Moberly (the District) and the northeast sixteen counties in Missouri (the Service Area). The College is a community college organized by the voters of the district and governed by a six-member Board of Trustees elected throughout the District. The College maintains one primary campus location and five education centers (Columbia, Edina, Hannibal, Kirksville, Macon, and Mexico). The significant accounting policies followed by the College are described below:

**FINANCIAL REPORTING ENTITY**

Moberly Area Community College's financial reporting entity consists of the College and its component units, the Moberly Area Community College Facility Development Authority, Inc. (the Building Corporation) and the Moberly Area Community College Foundation (the Foundation), for which the College is financially accountable. The Building Corporation is governed by a 6-member board. While it is legally separate from the College, its sole purpose is to finance and construct facilities for the use of the College. The Foundation is a legally separate entity, however, its purpose is to support and foster the operations, programs and welfare of the College by furnishing financial, advisory and other support. The College Board of Trustees appoints one of its members to serve on the Foundation's Board of Directors along with 15 other independently elected directors. The Building Corporation and Foundation activities solely support the mission of the College. As such, the balances and transactions of these component units are blended into the accompanying financial statements and reported in a manner similar to the balances and transactions of the College itself.

Activities relating to two scholarship funds, the David W. Stamper Memorial Scholarship and the Cleo A. Noel, Jr. Memorial Scholarship, are also accounted for along with the College in the accompanying financial statements, specifically the fiduciary statements. The Board of Trustees for the College is financially accountable for the scholarship fund activities even though separate committees have been given the responsibility to monitor the activities of each scholarship. Since these scholarships are not legally separate entities, it is presented, for financial purposes, as part of the college.

**FINANCIAL REPORTING**

The College accounts for and presents financial information as a business type activity, as defined in GASB No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, using the economic resources measurement focus and the accrual basis of accounting. Business type activities are those financed in whole or in part by fees charged to external parties for goods and services.

The College's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The College first utilizes restricted resources to finance qualifying activities.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2015 AND 2014**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**FUND ACCOUNTING**

To ensure observance of limitations and restrictions placed on the use of resources available to the College, the accounts of the College are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, all funds have been combined with interfund transactions being eliminated. The following fund groups are utilized internally by the College:

- Current Funds include resources of the College currently expendable for any purpose in meeting the primary objectives of the College. They consist of the Current Unrestricted Funds which account for all unrestricted revenues and expenditures, and Current Restricted Funds which are used to record revenues and expenditures specifically restricted by outside parties for designated purposes.
- Loan Funds account for transactions relating to loans to students using funds set aside by the College and various private grantors.
- Agency Funds account for transactions relating to deposits held by the College as a custodian or fiscal agent for student organizations and others. Consequently, the transactions of these funds do not affect the statement of revenues, expenses and changes in net position.
- Endowment Funds account for contributions received for which the principal is required to be invested and remain intact in perpetuity in accordance with donor restrictions and only the income earned thereon may be expended.
- Plant Funds account for the College's investment in fixed assets and related debt, as well as monies set aside for the acquisition of additional fixed assets.

**USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2015 AND 2014**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**CASH AND CASH EQUIVALENTS**

The College considers all certificates of deposit and investments with an original maturity of 90 days or less at date of acquisition to be cash equivalents.

**INVESTMENTS**

Investments are stated at fair value. Fair value is established as readily determinable current market value for equity and debt securities.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The College uses the reserve method of recognizing bad debt losses. The allowance for doubtful accounts has been recorded by the College and offsets the balance of accounts receivable in the College's financial statements. The allowance is based upon management's best estimates of losses.

**TAX REVENUES**

Local tax revenues represent payments earned during the years ended June 30, 2015 and 2014 from the Moberly taxing district on taxes levied for calendar years 2014 and prior.

**INVESTMENT IN PLANT**

Land, buildings, building improvements, furniture, fixtures, and equipment are recorded at cost less accumulated depreciation for assets purchased and at fair market value as of the date of donation for assets acquired by gift. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the College are depreciated using the straight-line method over the following useful lives:

**MOBERLY AREA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2015 AND 2014**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – INVESTMENT IN PLANT  
(continued)**

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20-30
Equipment	5-15

**ACCUMULATED UNPAID VACATION**

College employees earn vacation during the year under various accrual rates, depending on the employee's classification and years of service. Accrued vacation is payable to employees upon termination. Accumulated unpaid vacation is accrued as earned.

**INVENTORY**

Bookstore and cafeteria inventories are recorded at the lower of cost or market.

**UNEARNED REVENUE**

Unearned revenue primarily consists of funds received by the College, designated for specific purposes or departments, and not spent as of June 30, 2015 and 2014.

**OPERATING REVENUE**

All revenues received in exchange transactions are considered to be operating revenues. Included in nonoperating revenues are local property tax revenues, state aid and grants, investment income and nonexchange gifts and grants.

**SCHOLARSHIP ALLOWANCES AND STUDENT AID**

Certain aid such as loans, including the Federal Direct Loan Program, and funds provided to students as awarded by third parties is accounted for as a third party payment (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 expense 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.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**INCOME TAX STATUS**

The College is exempt from federal and state income taxes as a local governmental unit. The Moberly Area Community College Facility Development Authority, Inc. and Moberly Area Community College Foundation, Inc. have qualified for exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. The Moberly Area Community College Facility Development Authority, Inc. and Moberly Area Community College Foundation, Inc. file a Form 990, *Return of Organization Exempt from Income Tax*, each year-end. These Organizations' tax returns are subject to examination by the Internal Revenue Service. Open tax years subject to examinations include 2012 through 2015. Any interest or penalties incurred related to income tax filings are reported within operating expenses in the Statement of Revenues, Expenses, and Changes in Net Position.

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

At June 30, 2015 and 2014, the carrying amounts of cash and cash equivalents on the statement of net position and statement of fiduciary net position totals \$6,364,185 and \$4,692,317, respectively, and consists of cash deposits, cash on hand, and money market accounts. The bank balances of the College's cash deposits totaled \$7,109,770 and \$6,040,920 for the years ended June 30, 2015 and 2014, respectively. Of the College's bank balances at June 30, 2015, \$1,057,487 was insured by the Federal Depository Insurance Corporation (FDIC), \$6,052,283 was collateralized with securities held by the pledging financial institution's agent in the College's name. As of June 30, 2014, \$1,287,769 was insured by the FDIC and \$4,753,151 was collateralized with securities held by the pledging financial institution's agent in the College's name. The bank balances of the Foundation's cash deposits as of June 30, 2015 and 2014, totaled \$37,058 and \$63,159, respectively, which were insured by the FDIC. The bank balances of the Facility Development Corporation's cash deposits as of June 30, 2015 and 2014, totaled \$0 and \$0, respectively, which were insured by the FDIC.

The College's investment policies conform to the Missouri Revised Statute 30.950 which authorizes the College to invest in secured time deposits or secured certificates of deposit, bonds of the State of Missouri, bonds of the United States or any other wholly owned corporation of the United States, other short-term obligations of the United States, commercial paper and bankers acceptances. The College is also authorized to enter into government repurchase agreements.

**Deposits** – Custodial credit risk is the risk that, in the event of bank failure, the College's deposits may not be returned to it. The College's deposit policy requires that amounts in excess of any insurance limit be collateralized by the financial institution with appropriate pledged securities to protect funds which are held at the institution above the federal insurable level.

To provide an indication of the level of risk assumed by the College at June 30, 2015, the College's deposits are categorized below. Differences between the carrying amount and deposit amount are due to timing of transactions.



**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

	<u>Carrying Amount</u>	<u>Deposit Amount</u>
College		
Insured (FDIC)	\$1,057,487	\$1,057,487
Insured or registered for which securities held by the College or its agent in the College's name	5,269,640	6,052,283
Unsecured	-	-
	<u>6,327,127</u>	<u>7,109,770</u>
Foundation:		
Insured (FDIC)	<u>37,058</u>	<u>37,058</u>
Total Deposits	<u>\$6,364,185</u>	<u>\$7,146,828</u>

At June 30, 2014, the College's deposits were categorized as follows:

College		
Insured (FDIC)	\$1,287,769	\$1,287,769
Insured or registered for which securities held by the College or its agent in the College's name	3,341,389	4,753,151
Unsecured	-	-
	<u>4,629,158</u>	<u>6,040,920</u>
Foundation:		
Insured (FDIC)	<u>63,159</u>	<u>63,159</u>
Total Deposits	<u>\$4,692,317</u>	<u>\$6,104,079</u>

**Investments**

Interest Rate Risk. The College structures its investments to mature according to anticipated cash flow needs, avoiding the need to retire investments prior to maturity. The College primarily invests in short-term certificates of deposit, marketable treasury securities, and mortgage-backed securities.

Credit Risk. The College funds are invested in instruments authorized by statute and are restricted to the following:

- Marketable Treasury securities (Treasury Bills)
- Mortgage-Backed Securities:
  - Debt securities of the Federal Farm Credit System
  - Debt securities of the Federal Home Loan Banks (FHLB) excluding zeros
  - Debt securities of the Government National Mortgage Association (GNMA)

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- Debt securities of the Federal National Mortgage Association (FNMA)
- Debt securities of the Federal Home Loan Mortgage Corporation (FHLMC) (excluding FHLMC Mortgage Cash Flow Obligations)
- Certificates of Deposit backed by acceptable collateral according to Missouri state statute

Concentration of Credit Risk. The College's investments are diversified by maturity date and several financial institutions are utilized as depositories of College funds.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The College does not have any investments with foreign currency risk exposure.

**Investments** – At June 30, 2015, the College had the following investments:

Type	<u>Fair Value</u>	<u>Book Value</u>	Book Value Less Than One Year	Book Value Greater Than One Year (or stocks)
College:				
Certificates of Deposit	\$3,150,968	\$3,150,968	\$1,541,233	\$ 1,609,735
US Agency Notes	31,809	31,809	-	31,809
Commerce Bancshares	18,994	18,994	-	18,994
Other Equities/Bonds	-	-	-	-
	<u>\$3,201,771</u>	<u>\$3,201,771</u>	<u>\$1,541,233</u>	<u>\$ 1,660,538</u>
Foundation:				
Certificates of Deposit	-	-	-	-
Equities	36,047	36,047	-	36,047
Taxable Bonds	28,827	28,827	-	28,827
Mutual Fund	299,048	299,048	-	299,048
	<u>\$3,565,693</u>	<u>\$3,565,693</u>	<u>\$1,541,233</u>	<u>\$ 2,024,460</u>

At June 30, 2014, the College had the following investments:

Type	<u>Fair Value</u>	<u>Book Value</u>	Book Value Less Than One Year	Book Value Greater Than One Year (or stocks)
College:				
Certificates of Deposit	\$3,906,324	\$3,906,324	\$2,041,211	\$ 1,865,113
US Agency Notes	33,853	33,853	-	33,853
Commerce Bancshares	17,839	17,839	-	17,839
Regional Bank B Stock	8,304	8,304	-	8,304
Other Equities/Bonds	-	-	-	-
	<u>\$3,966,320</u>	<u>\$3,966,320</u>	<u>\$2,041,211</u>	<u>\$ 1,925,109</u>

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

	<u>Fair Value</u>	<u>Book Value</u>	<u>Book Value Less Than One Year</u>	<u>Book Value Greater Than One Year (or stocks)</u>
Foundation:				
Certificates of Deposit	-	-	-	-
Equities	53,491	53,491	-	53,491
Taxable Bonds	30,221	30,221	-	30,221
Mutual Fund	<u>263,078</u>	<u>263,078</u>	-	<u>263,078</u>
	<u>\$4,313,110</u>	<u>\$4,313,110</u>	<u>\$2,041,211</u>	<u>\$ 2,271,899</u>

**Endowment Funds**

The College invests endowment funds in the same manner as general fund investments. The Board has adopted an investment policy that is slightly more conservative than the restrictions established by the Treasurer of the State of Missouri. The College may invest in FDIC insured or fully collateralized Certificates of Deposit as well as obligations of the U. S. Treasury and U. S. Government agencies. The Foundation additionally invests in marketable securities with readily determinable fair values and are stated at fair market value.

Unless otherwise restricted by the donors, the College expends realized net investment revenue for the purposes for which the various endowments were established. The Foundation expends funds from net realized and unrealized gains and losses as the Foundation Board deems prudent. The College, inclusive of Foundation investments, experienced net appreciation (depreciation) of approximately \$(9,611.71) and \$19,670.62 in fiscal year ended June 30, 2015 and 2014, respectively.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts Receivable at June 30, 2015 and 2014, was composed of the following:

	June 30, 2015	June 30, 2014
Student charges (net of allowances)	\$ 2,898,759	\$ 2,814,768
Federal grants/contracts	3,483,469	2,540,124
State grants/contracts	0	7,796
Interest receivable	23,606	13,364
Other	<u>732,353</u>	<u>745,273</u>
Total Accounts Receivable	<u>\$ 7,138,187</u>	<u>\$ 6,121,325</u>

**MOBERLY AREA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

In 2010, the College adopted Accounting Standards Codification 820-10, Fair Value Measurements and Disclosures (ASC 820-10, formerly SFAS No. 157, Fair Value Measurements). ASC 820-10 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820-10 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to the unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described as follows:

Level 1: Valuations is based upon unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Observable inputs may include interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3: Valuation is based on methodologies that are unobservable and significant to the fair value measure. These may be generated from model-based techniques that use at least one significant assumption based on observable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Plan's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of valuation methodologies used for assets recorded at fair value:

Cash equivalents: Valued at cost, which approximates fair value.

Registered investment companies (mutual funds): Valued at quoted market process available on an active market which is based on the underlying net asset value (NAV) of shares held by the Plan at year-end

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the College believes its valuation methods are appropriate and consistent with the other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below presents the College's assets measured at fair value on a recurring basis as of the year ended June 30, 2015, aggregated by the level in the fair value hierarchy within which those measurements fall:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$9,517,918	\$-0-	\$-0-	\$9,517,918
Mutual Funds	299,048	-0-	-0-	299,048
US Agency Notes/Bonds	31,809	-0-	-0-	31,809
Equities	<u>81,103</u>	<u>-0-</u>	<u>-0-</u>	<u>81,103</u>
Total	<u>\$9,929,878</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$9,929,878</u>

The table below presents the College's assets measured at fair value on a recurring basis as of the year ended June 30, 2014, aggregated by the level in the fair value hierarchy within which those measurements fall:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$8,601,088	\$-0-	\$-0-	\$8,601,088
Mutual Funds	263,078	-0-	-0-	263,078
US Agency Notes/Bonds	33,853	-0-	-0-	33,853
Equities	<u>107,408</u>	<u>-0-</u>	<u>-0-</u>	<u>107,408</u>
Total	<u>\$9,005,427</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$9,005,427</u>

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 5 – CHANGES IN CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2015 are summarized below:

	<u>Balance, July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 529,200	<u>0</u>	<u>0</u>	\$ 529,200
<u>Capital Assets Being Depreciated</u>				
Improvements (other than buildings)	1,818,455	0	0	1,818,455
Buildings and Building Improvements	26,391,816	27,845	0	26,419,661
Construction in Progress	0	0	0	0
Equipment	<u>2,524,217</u>	<u>306,436</u>	<u>54,864</u>	<u>2,775,789</u>
Sub-total	<u>30,734,488</u>	<u>334,281</u>	<u>54,864</u>	<u>31,013,905</u>
Total	<u>\$31,263,688</u>	<u>334,281</u>	<u>54,864</u>	<u>\$31,543,105</u>
<u>Less accumulated depreciation:</u>				
Improvements (other than buildings)	1,472,130	28,963	0	1,501,093
Buildings and Building improvements	8,196,428	698,576	0	8,895,004
Equipment	<u>1,541,749</u>	<u>180,369</u>	<u>42,784</u>	<u>1,679,334</u>
Total	<u>11,210,307</u>	<u>907,908</u>	<u>42,784</u>	<u>12,075,431</u>
Capital assets, Net	<u>\$20,053,381</u>	<u>\$(573,627)</u>	<u>\$12,080</u>	<u>\$19,467,674</u>

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 5 – CHANGES IN CAPITAL ASSETS (continued)**

Changes in capital assets for the year ended June 30, 2014 are summarized below:

	<u>Balance, July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 529,200	<u>0</u>	<u>0</u>	\$ 529,200
<u>Capital Assets Being Depreciated</u>				
Improvements (other than buildings)	1,818,455	0	0	1,818,455
Buildings and Building Improvements	21,244,205	5,147,611	0	26,391,816
Construction in Progress	2,281,211	0	2,281,211	0
Equipment	<u>2,417,426</u>	<u>142,220</u>	<u>35,429</u>	<u>2,524,217</u>
Sub-total	<u>27,761,297</u>	<u>5,289,831</u>	<u>2,316,640</u>	<u>30,734,488</u>
Total	<u>\$28,290,497</u>	<u>5,289,831</u>	<u>2,316,640</u>	<u>\$31,263,688</u>
<u>Less accumulated depreciation:</u>				
Improvements (other than buildings)	1,438,898	33,232	0	1,472,130
Buildings and Building improvements	7,560,862	635,566	0	8,196,428
Equipment	<u>1,384,454</u>	<u>187,863</u>	<u>30,568</u>	<u>1,541,749</u>
Total	<u>10,384,214</u>	<u>856,661</u>	<u>30,568</u>	<u>11,210,307</u>
Capital assets, Net	<u>\$17,906,283</u>	<u>\$4,433,170</u>	<u>\$2,286,072</u>	<u>\$20,053,381</u>

**NOTE 6 – PENSION PLANS**

The College participates in two retirement plans covering substantially all full-time employees and eligible part-time employees.

**Summary of Significant Accounting Policies**

Financial reporting information pertaining to the district's participation in the Public School Retirement System of Missouri ("PSRS") and the Public Education Employee Retirement System of Missouri ("PEERS") is prepared in accordance with Governmental Accounting Standards Board ("GASB) Statement No. 68, *Accounting and*

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 – PENSION PLANS (continued)**

*Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.*

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PSRS and PEERS have been determined on the same basis as they are reported by PSRS and PEERS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing PSRS and PEERS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the district's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

**Change in Accounting Principle**

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No.71.

Net Position as previously reported at June 30, 2014	<u>\$31,756,455</u>
Prior Period Adjustment:	
Net Pension Liability (measurement date as of June 30, 2013)	(13,738,058)
Deferred outflows:	
District contributions made during fiscal year 2014	<u>1,507,419</u>
Total prior period adjustment	<u>(12,230,639)</u>
Net Position as restated, July 1, 2014	<u>\$19,525,816</u>

**A. Public School Retirement System of Missouri**

**General Information about the Pension Plan**

*Plan Description.* PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "2/3's statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-



**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 – PENSION PLANS (continued)**

thirds the normal benefit amount. A Comprehensive Annual Financial Report ("CAFR") can be obtained at [www.psr-peers.org](http://www.psr-peers.org).

*Benefits Provided.* PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at [www.psr-peers.org](http://www.psr-peers.org). Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.

Cost-of-Living Adjustments ("COLA"). The PSRS Board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal year 2015. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

The College's contributions to PSRS were \$1,322,280 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the College recorded a liability of \$7,971,304 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30,

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 6 – PENSION PLANS (continued)**

2014 and determined by an actuarial valuation as of that date. The College's proportionate share of the total net pension liability was based on the ratio of its actual contributions of \$1,251,056 paid to PSRS for the year ended June 30, 2014 relative to the actual contributions of \$643,964,894 from all participating employers. At June 30, 2014, the College's proportionate share was 0.1943%.

For the year ended June 30, 2015, the College recognized a pension expense of \$325,893, its proportionate share of the total pension expense.

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS pension benefits:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows Due to:		
--Differences between expected and actual experience	\$ 371,368	\$ 0
--Changes of assumptions	0	0
--Net difference between projected and actual earnings on pension plan investments	0	3,833,630
--Changes in proportion and differences between Employer contributions and proportionate share of contributions	231,507	0
--Employer contributions subsequent to the Measurement date	<u>1,322,280</u>	<u>0</u>
Total	<u>\$ 1,925,155</u>	<u>\$3,833,630</u>

\$1,322,280 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014 will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows)/outflows of resources to be recognized in pension expense:

Year Ending June 30:	
2016	\$ (846,557)
2017	(846,557)
2018	(846,557)
2019	(846,557)
2020	111,851
Thereafter	<u>43,622</u>
	<u>\$(3,230,755)</u>

**Actuarial valuations of PSRS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016.**

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 6 – PENSION PLANS (continued)**

Significant actuarial assumptions and other inputs used to measure the total pension liability:

--Measurement Date	June 30, 2014
--Valuation Date	June 30, 2014
--Expected Return on Investments	8.00%, net of investment expenses and including 2.5% inflation
--Inflation	2.5%
--Total Payroll Growth	3.5% per annum, consisting of 2.5% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings and 0.50% of real wage growth.
--Future Salary Increases	4.00%-10.00%, depending on service and including 2.5% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.0% to 7.0%
--Cost-of-Living Increases	2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime lifetime increase.
--Mortality Assumption	
Actives:	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-Disabled Retirees, Beneficiaries and Survivors:	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
Disabled Retirees:	RP 2000 Disabled Mortality Table
--Changes in Actuarial Assumptions or Methods	There were not changes in actuarial assumptions or the June 30, 2014 valuation.
--Fiduciary Net Position	PSRS issues a publicly available financial report that can be obtained at <a href="http://www.psr-s-peers.org">www.psr-s-peers.org</a>
--Expected Rate of Return	The long-term expected rate of return on PSRS' investments was determined using a building block method in which best-estimate ranges of expected future real rates of returns (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. Best estimates of arithmetic real rates of return for each major asset class included in PSRS' target allocation as of June 30, 2014 is summarized below along with the long term geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 – PENSION PLANS (continued)**

Asset Class	Target Asset Allocation	Long-term Expected Real Return Arithmetic Basis	Weighted Long-term Expected Real Return Arithmetic Basis
U.S. Public Equity	27.0%	5.85%	1.58%
Public Credit	12.0%	2.44%	0.29%
Hedged Assets	6.0%	5.22%	0.31%
Non-U.S. Public Equity	15.0%	6.64%	1.00%
U.S. Treasuries	16.0%	1.01%	0.16%
U.S. TIPS	4.0%	1.12%	0.04%
Private Credit	2.0%	7.61%	0.15%
Private Equity	10.5%	8.61%	0.90%
Private Real Estate	<u>7.5%</u>	4.60%	<u>0.35%</u>
Total	100.0%		4.78%
		Inflation	<u>2.50%</u>
		Long term arithmetical nominal return	7.28%
		Effect of covariance matrix	<u>0.81%</u>
		Long term expected geometric return	8.09%

--Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014, and is consistent with the long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

--Discount Rate Sensitivity

The sensitivity of the College's net pension liability to changes in the discount rate is presented below. The district's net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

**MOBERLY AREA COMMUNITY COLLEGE  
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JUNE 30, 2015 AND 2014**

**NOTE 6 – PENSION PLANS (continued)**

Discount Rate	<u>1% Decrease (7.00%)</u>	<u>Current Rate 8.00%</u>	<u>1% Increase (9.00%)</u>
Proportionate share Of the Net Pension Liability/(Asset)	\$16,879,316	\$7,971,304	\$499,487

As of June 30, 2015, the College recorded a payable to PSRS of \$87,820.

**B. Non-Certificated Employees Retirement Plan**

**General Information about the Pension Plan**

*Plan Description.* PEERS is a mandatory cost-sharing multiple employer retirement system for all full-time public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and public community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an act of the Missouri General Assembly effective October 13, 1965. Statutes governing the System are found in Sections 169.600 – 169.715 and Sections 169.560 – 169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri. A Comprehensive Annual Financial Report ("CAFR") can be obtained at [www.psrps-peers.org](http://www.psrps-peers.org).

*Benefits Provided.* PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at [www.psrps-peers.org](http://www.psrps-peers.org).

**MOBERLY AREA COMMUNITY COLLEGE  
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**NOTE 6 – PENSION PLANS (continued)**

Cost-of-Living Adjustments (COLA). The PEERS Board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

*Contributions* . PEERS members were required to contribute 6.86% of their annual covered salary during fiscal year 2015. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The College's contributions to PEERS were \$271,340 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the College recorded a liability of \$935,920 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014 and determined by an actuarial valuation as of that date. The College's proportionate share of the total net pension liability was based on the ratio of its actual contributions of \$256,363 paid to PEERS for the year ended June 30, 2014 relative to the actual contributions of \$100,035,580 from all participating employers. At June 30, 2014, the College's proportionate share was 0.2563%.

For the year ended June 30, 2015, the College recognized a pension expense of \$122,765, its proportionate share of the total pension expense.

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PEERS pension benefits:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows Due to:		
--Differences between expected and actual experience	\$ 0	\$ 27,837
--Changes of assumptions	0	0
--Net difference between projected and actual earnings on pension plan investments	0	557,466

**MOBERLY AREA COMMUNITY COLLEGE  
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**NOTE 6 – PENSION PLANS (continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
--Changes in proportion and differences between Employer contributions and proportionate share of contributions	43,985	0
--Employer contributions subsequent to the measurement date	<u>271,340</u>	<u>0</u>
Total	<u>\$315,325</u>	<u>\$585,303</u>

\$271,340 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014 will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows)/outflows of resources to be recognized in pension expense:

Year Ending June 30:	
2016	\$ (134,240)
2017	(134,240)
2018	(134,240)
2019	(138,598)
2020	0
Thereafter	0
	<u>\$(541,318)</u>

Actuarial valuations of PEERS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016.

Significant actuarial assumptions and other inputs used to measure the total pension liability:

--Measurement Date	June 30, 2014
--Valuation Date	June 30, 2014
--Expected Return on Investments	8.00%, net of investment expenses and including 2.5% inflation
--Inflation	2.5%
--Total Payroll Growth	3.75% per annum, consisting of 2.5% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings and 0.50% of real wage growth.
--Future Salary Increases	5.00%-12.00%, depending on service and including 2.5% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%
--Cost-of-Living Increases	2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime lifetime increase.
--Mortality Assumption	
Actives:	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-Disabled Retirees, Beneficiaries and Survivors:	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
Disabled Retirees:	RP 2000 Disabled Mortality Table

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**NOTE 6 – PENSION PLANS (continued)**

--Changes in Actuarial Assumptions or Methods                      There were not changes in actuarial assumptions or the June 30, 2014 valuation.

--Fiduciary Net Position    PEERS issues a publicly available financial report that can be obtained at [www.psr-s-peers.org](http://www.psr-s-peers.org)

--Expected Rate of Return    The long-term expected rate of return on PEERS' investments was determined using a building block method in which best-estimate ranges of expected future real rates of returns (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. Best estimates of arithmetic real rates of return for each major asset class included in PEERS' target allocation as of June 30, 2014 is summarized below along with the long term geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

Asset Class	Target Asset Allocation	Long-term Expected Real Return Arithmetic Basis	Weighted Long-term Expected Real Return Arithmetic Basis
U.S. Public Equity	27.0%	5.85%	1.58%
Public Credit	12.0%	2.44%	0.29%
Hedged Assets	6.0%	5.22%	0.31%
Non-U.S. Public Equity	15.0%	6.64%	1.00%
U.S. Treasuries	16.0%	1.01%	0.16%
U.S. TIPS	4.0%	1.12%	0.04%
Private Credit	2.0%	7.61%	0.15%
Private Equity	10.5%	8.61%	0.90%
Private Real Estate	<u>7.5%</u>	4.60%	<u>0.35%</u>
Total	100.0%		4.78%
		Inflation	<u>2.50%</u>
		Long term arithmetical nominal return	7.28%
		Effect of covariance matrix	<u>0.81%</u>
		Long term expected geometric return	<u>8.09%</u>



**MOBERLY AREA COMMUNITY COLLEGE  
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**NOTE 6 – PENSION PLANS (continued)**

--Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014, and is consistent with the long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

--Discount Rate Sensitivity

The sensitivity of the College's net pension liability to changes in the discount rate is presented below. The district's net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

Discount Rate	<u>1% Decrease (7.00%)</u>	<u>Current Rate 8.00%</u>	<u>1% Increase (9.00%)</u>
Proportionate share Of the Net Pension Liability/(Asset)	\$2,245,847	\$935,920	\$(170,696)

**NOTE 7 – POST RETIREMENT BENEFITS OTHER THAN PENSIONS**

Effective July 1, 2009, Moberly Area Community College adopted Governmental Accounting Standards Board Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension (OPEB)*. This statement requires the accounting for annual cost of other post employment benefits and the related outstanding liability using an actuarial approach similar to pensions. The College implemented prospectively (zero net obligation at transition).

**Plan Description**

The College provides healthcare benefits to retirees and their dependents, including medical, life, dental and vision coverage and receives premium payments from the retirees for that coverage. The rates paid by retirees for benefits were lower than the costs of providing coverage. The

**MOBERLY AREA COMMUNITY COLLEGE  
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**NOTE 7 – POST RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)**

difference between these amounts is the implicit rate subsidy, which is considered OPEB under GASB Statement No. 45.

This plan does not issue stand-alone financial statements.

**Funding Policy**

GASB Statement No. 45 does not require funding of the OPEB liability, and at this time, the liability for the College is unfunded. Contributions are made to this plan on a pay-as-you-go basis.

For the years ended June 30, 2015 and 2014, retirees receiving benefits contributed approximately \$103,583 and \$102,207, respectively, for current premiums through the College for the plan offered. Total premiums paid for the years ended June 30, 2015 and 2014 were approximately \$103,583 and \$102,207, respectively.

**Annual OPEB Cost and Net OPEB Obligation**

The College's annual OPEB cost is calculated on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the College's OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation.

Normal Cost	\$135,500
Amortization of unfunded actuarial accrued liability	<u>48,000</u>
Annual OPEB cost	\$183,500
Contributions made (employer)	(57,000)
Interest on net OPEB obligation	22,700
Adjustment to the ARC	<u>(23,000)</u>
Change in net OPEB obligation	126,200
Net OPEB obligation, beginning of year	<u>604,100</u>
Net OPEB obligation, end of year	<u>\$730,300</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending 2015, 2014, 2013, 2012, 2011 and 2010 were as follows:

**MOBERLY AREA COMMUNITY COLLEGE  
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**NOTE 7 – POST RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)**

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost (AOC)</u>	Percentage of AOC <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2015	\$183,500	0%	\$730,300
June 30, 2014	\$182,100	0%	\$604,100
June 30, 2013	\$152,400	0%	\$468,400
June 30, 2012	\$150,900	0%	\$348,000
June 30, 2011	\$132,800	0%	\$219,000
June 30, 2010	\$132,800	0%	\$132,800

**Funded Status and Funding Progress**

As of June 30, 2014, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was \$1,299,100, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,299,100. The covered payroll (annual payroll of active employees covered by the plan) was \$10,340,300 and the ratio of the UAAL to covered payroll was 12.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

In the June 30, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.75% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend rate of 5.6% initially, adjusted according to healthcare trends generated by the Getzen Model, annually for 6 years then adjusted every 5 years, to a rate of 4.4% after seventy years and an annual dental cost trend rate of 5.0% initially,

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 7 – POST RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)**

reduced by the decrements to an ultimate rate of 4.2% after four years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized in a manner to produce annual payments that increase over time as payroll grows. The remaining amortization period at June 30, 2014 was twenty-six years.

**NOTE 8 – PROPERTY TAXES**

Property taxes are billed in the fall of the year and are due and payable by December 31 of the same year. Property taxes are collected by the Randolph County collector who remits them to the College.

The total assessed valuation of the tangible taxable property located in the junior college district as of January 1, 2014 and 2013, upon which 2014 and 2013 tax rates of \$.3282 and \$.3266, respectively, per \$100 of the assessed valuation was levied for purposes of local taxation, was \$185,832,739 and \$185,196,564, respectively.

The receipt of current and delinquent property taxes during the fiscal years ended June 30, 2015 and 2014, aggregated approximately 99.06% and 102.3%, respectively, of the current assessment computed on the basis of the levy as shown above.

**NOTE 9 – OPERATING LEASES**

The College leases property for the purposes of conducting various courses of study at various locations.

Future annual minimum lease commitments under the terms of the above-noted leases are as follows:

FY 2016	\$414,473	FY 2017	\$414,473
FY 2018	\$360,078		

During 2015 and 2014, the College recorded lease expense in the amount of \$414,473 and \$356,723, respectively.

**NOTE 10 – NET POSITION**

Net position is presented in three categories, net investment in capital assets, restricted and unrestricted. The restricted category of the fund balance is created to either (a) satisfy legal covenants which require a portion of the fund balance to be segregated or (b) identify the portion of the fund balance that is not available for future appropriation. Specific classifications of net position are summarized below:

- Net Investment in Capital Assets – This classification accounts for the value of the College’s capital assets net of accumulated depreciation and net of the related debt.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 10 – NET POSITION (continued)**

- Restricted for Nonexpendable Endowment – This classification accounts for funds received by the College with restricted purposes, with the principal amounts to be held in perpetuity.
- Restricted for Expendable Endowment – This classification accounts for funds received by the College but expendable for restricted purposes.
- Unrestricted – This classification accounts for the unreserved category after the designated accounts have been taken into consideration.

**NOTE 11 – CHANGES IN LONG-TERM DEBT**

On September 23, 2013, the College entered into two long-term agreements with Ralls County Electric Cooperative (RCEC) acting through the Rural Economic Development Loan and Grant Program of the Rural Business-Cooperative Service Administrator of the Rural Utilities Service pursuant to the Rural Electrification Act of 1936, as amended, and 7 CFR Part 4280, Subpart A. The proceeds of these loans provided a portion of the financing for the construction of a new educational facility located in Hannibal, Missouri. These are non-interest bearing loans. Moberly Area Community College has pledged two certificates of deposit totaling \$1,360,000 and will maintain certificates of deposits as security for the unpaid principal of the loans.

Long-term debt activity for the year ended June 30, 2015 is summarized as follows:

	<u>Balance June 30, 2014</u>	<u>New Debt</u>	<u>Principal Repayment</u>	<u>Balance June 30, 2015</u>
Notes payable	\$1,224,000	--	\$136,000	\$1,088,000
Less current portion	<u>136,000</u>	<u>--</u>	<u>--</u>	<u>136,000</u>
	<u>\$1,088,000</u>	<u>--</u>	<u>\$136,000</u>	<u>\$ 952,000</u>

Long-term debt activity for the year ended June 30, 2014 is summarized as follows:

	<u>Balance June 30, 2013</u>	<u>New Debt</u>	<u>Principal Repayment</u>	<u>Balance June 30, 2014</u>
Notes payable	\$ --	\$1,360,000	\$136,000	\$1,224,000
Less current portion	<u>--</u>	<u>--</u>	<u>--</u>	<u>136,000</u>
	<u>\$ --</u>	<u>\$1,360,000</u>	<u>\$136,000</u>	<u>\$1,088,000</u>

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 11 – CHANGES IN LONG-TERM DEBT (continued)**

Future annual minimum payments toward reducing the principal balance are as follows for the years ended June 30:

<u>Year</u>	<u>Principal Payment</u>
2016	136,000
2017	136,000
2018	136,000
2019	136,000
2020	136,000
2020-2024	<u>408,000</u>
Total payments	<u>\$1,088,000</u>

**NOTE 12 – DESIGNATED FUND BALANCES**

The College has designated certain fund balances for future expenditures for buildings and equipment. Endowment funds are designated for scholarships.

**NOTE 13 – RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the College carries commercial insurance.

**NOTE 14 – GROUP HEALTH INSURANCE PROGRAM**

Moberly Area Community College implemented a self-funded group health insurance program, effective January 1, 2001. This plan provides unlimited lifetime coverage per insured person for group medical coverage. The College's liability for coverage is also limited by reinsurance for claims in excess of \$80,000.

The program is accounted for in the internal service fund. The following schedule presents summarized information for the group health insurance program that is included in the accompanying financial statements as of June 30, 2015 and 2014 and for the years then ended:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash and cash equivalents	\$ 596,386	\$ 330,469
Deposits	<u>652,624</u>	<u>649,866</u>
Total assets	<u>1,249,010</u>	<u>980,335</u>
Deferred revenue	<u>404,094</u>	<u>0</u>
Total liabilities	<u>404,094</u>	<u>0</u>
Net Position	<u>844,916</u>	<u>980,335</u>
Premiums received	2,250,104	1,940,683

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 14 – GROUP HEALTH INSURANCE PROGRAM (continued)**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Interest Income	2,763	2,745
Claims paid	2,031,303	1,916,749
Premiums and admin. costs	<u>356,983</u>	<u>296,394</u>
Increase (decrease) in net position	(135,419)	(269,715)
Net position, beginning of year	<u>980,335</u>	<u>1,020,050</u>
Net position, end of year	<u>\$ 844,916</u>	<u>\$ 980,335</u>

**NOTE 15 – NEW JOBS TRAINING PROJECTS**

The College has entered into New Jobs Training agreements that provide tax-aided training for employees of industries which are new to or expanding in the State of Missouri. These projects are funded by payroll tax withholdings from the new jobs that are created. A trust fund is maintained for the deposit of tax withholdings received from the state and to disburse amounts received for program costs. The following projects were funded during the year ended June 30, 2015 and 2014.

Total Budget and Accumulated Revenues and Expenditures as of June 30, 2015:

<u>Company</u>	<u>Total Budget</u>	<u>Revenues</u>	<u>Expenditures</u>
International Business Machines Corporation – 11-09-10-07-E	\$710,000	\$666,045	\$628,356
International Business Machines Corporation – 11-09-10-09-E	\$698,100	\$517,079	\$517,079
International Business Machines Corporation – 12-09-10-11-E	\$698,950	\$428,743	\$414,626
International Business Machines Corporation – 12-09-10-12-E	\$698,950	\$269,752	\$269,958
Mortgage Research Center, LLC	\$892,948	\$893,060	\$181,129

Total Budget and Accumulated Revenues and Expenditures as of June 30, 2014:

<u>Company</u>	<u>Total Budget</u>	<u>Revenues</u>	<u>Expenditures</u>
International Business Machines Corporation – 11-09-10-07-E	\$710,000	\$503,527	\$503,526
International Business Machines Corporation – 11-09-10-09-E	\$698,100	\$373,959	\$373,958
International Business Machines Corporation – 12-09-10-11-E	\$698,950	\$280,631	\$280,630
International Business Machines Corporation – 12-09-10-12-E	\$698,950	\$130,108	\$129,107
Mortgage Research Center, LLC	\$892,948	\$792,985	\$180,279

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 16– CONTINGENT LIABILITIES**

The College receives federal grants and state funding for specific purposes that are subject to review and audit. These reviews and audits could lead to request for reimbursement or to withholding of future funding for expenditures disallowed under or other noncompliance with the terms of the grants and state funding. The federal granting agency will determine whether or not any expenditures will be disallowed.

The U. S. Department of Education conducted a program review of the College’s student financial aid activity. They issued a report dated January 21, 2015, to which the College replied on August 31, 2015. The College agreed with some findings and has challenged others. The total liability to the College has not yet been determined. Corrective action has been taken relative to the deficiencies that were noted.

The College is not aware of any other noncompliance with federal or state provisions that might require the College to provide reimbursement.

**NOTE 17– CONSTRUCTION/EXPANSION IN PROGRESS**

The College completed two expansion projects during the year ending June 30, 2014.

A 16,500 square foot expansion was completed during December 2013 and January 2014 at the MACC – Columbia Higher Education Center leased facility. This expansion was financed through the College general fund and provides expanded capacity for instruction and additional office and resource space. This space became available for the spring 2014 semester.

An 18,000 square foot instructional building was also completed during December 2013 in Hannibal. The MACC – Hannibal Higher Education Center vacated leased facilities and began offering courses at the new location during the spring 2014 semester. Funding for this facility included \$1,275,241 in funds provided by the Federal Emergency Management Agency and passed through the Missouri State Emergency Agency, \$1,360,000 in interest-free loans from the United State Department of Agriculture, approximately \$1,000,000 from College general funds, approximately \$1,050,000 from private funds, and land valued at \$1,083,775. Additionally, funds have been received from private sources.

**NOTE 18– MOBERLY AREA COMMUNITY COLLEGE FOUNDATION, INC.**

As discussed in the summary of significant accounting policies, the accounts of Moberly Area Community College Foundation are combined with the College in the accompanying financial statements. The following schedule presents summarized information for the Foundation that is included in the accompanying financial statements as of June 30, 2015 and 2014 and for the years then ended:

	June 30, 2015	June 30, 2014
Cash and cash equivalents	\$ 14,859	\$ 39,099
Short term investments	<u>386,121</u>	<u>370,850</u>
Total assets	<u>400,980</u>	<u>409,949</u>



**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 18 – MOBERLY AREA COMMUNITY FOUNDATION, INC. (continued)**

	June 30, 2015	June 30, 2014
Accounts payable	<u>2,742</u>	<u>18,929</u>
Total liabilities	<u>2,742</u>	<u>18,929</u>
Net position	<u>398,238</u>	<u>391,020</u>
Gifts and grants from private sources	44,817	46,518
Investment income (loss)	11,255	54,685
Supplies and other services	<u>48,854</u>	<u>43,473</u>
Increase (decrease) in net position	7,218	57,730
Net position, beginning of year	<u>391,020</u>	<u>333,290</u>
Net position, end of year	<u>\$ 398,238</u>	<u>\$ 391,020</u>

**NOTE 19 – MOBERLY AREA COMMUNITY COLLEGE FACILITY DEVELOPMENT AUTHORITY, INC.**

As discussed in the summary of significant accounting policies, the accounts of Moberly Area Community College Facility Development Authority, Inc. are combined with the College in the accompanying financial statements. The following schedule presents summarized information for the Foundation that is included in the accompanying financial statements as of June 30, 2015 and 2014 and for the years then ended:

	June 30, 2015	June 30, 2014
Cash and cash equivalents	\$ -	\$ -
Capital asset, net of depreciation	<u>-</u>	<u>3,212,832</u>
Total assets	<u>-</u>	<u>3,212,832</u>
Deferred revenue	-	-
Notes payable	<u>-</u>	<u>100,000</u>
Total liabilities	<u>-</u>	<u>100,000</u>
Net investment in capital assets	<u>-</u>	<u>3,112,832</u>
Unrestricted net position	-	-
Transfer of land/building to MACC	(2,965,518)	
Depreciation expense	<u>(147,314)</u>	<u>(147,314)</u>
Decrease in net position	(3,112,832)	(147,314)
Net position, beginning of year	<u>3,112,832</u>	<u>3,260,146</u>
Net position, end of year	<u>\$ -</u>	<u>\$3,112,832</u>

**NOTE 20 – CONSIDERATION OF SUBSEQUENT EVENTS**

The preparation of financial statements in conformity with generally accepted accounting principles requires a review of subsequent events which could result in disclosure of events materially impacting these financial statements. Subsequent events have been evaluated through

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 20 – CONSIDERATION OF SUBSEQUENT EVENTS (continued)**

December 29, 2015, the date the financial statements were issued. No events requiring disclosure were identified as a result of this review.

**NOTE 21 – PRIOR PERIOD ADJUSTMENT**

The College adopted GASB Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date”, in fiscal year 2015. The College has recognized a prior period adjustment of \$12,230,639 in the fiscal year 2015 financial statements as a result of the adoption of these two statements. See Note 6 for further discussion of GASB Statements 68 and 71.

Net Position, Beginning of Year	\$ 31,756,455
Prior Period Adjustment	<u>(12,230,639)</u>
Net Position, Beginning of Year, Restated	<u>\$ 19,525,816</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**MOBERLY AREA COMMUNITY COLLEGE**

**Required Supplementary Information (Unaudited)  
Schedule of Funding Progress  
Year Ended June 30, 2015**

Postretirement Benefits Other Than Pensions

Schedule of Funding Progress

Actuarial Valuation Date	(a) Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-1) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
June 30, 2010	\$ -	\$922,000	\$922,000	0%	\$ 8,258,700	11.2%
June 30, 2012	\$ -	\$1,106,400	\$1,106,400	0%	\$ 9,157,300	12.1%
June 30, 2014	\$ -	\$1,299,100	\$1,299,100	0%	\$10,340,300	12.6%

Schedule of Employer Contributions

Fiscal Year Ending June 30,	Annual Required Contribution	Interest on Net OPEB Obligation	Adjustment to the ARC	Net OPEB Cost	Actual Contribution	Net OPEB Obligation
2010	\$132,800	\$0	\$0	\$132,800	\$16,100	\$116,700 (1)
2011	\$132,800	\$0	\$0	\$132,800	\$30,500	\$219,700 (1)
2012	\$150,900	\$8,800	\$ 7,300	\$152,400	\$23,400	\$348,000
2013	\$152,400	\$13,900	\$12,000	\$154,300	\$33,900	\$468,400
2014	\$182,100	\$17,600	\$17,300	\$182,400	\$46,700	\$604,100
2015	\$183,500	\$22,700	\$23,000	\$183,200	\$57,000	\$730,300

(1) \$132,800 and \$265,600 reported in the 2010 and 2011 financial statements, respectively.

**MOBERLY AREA COMMUNITY COLLEGE**

**Required Supplementary Information (Unaudited)  
Public School Retirement System of Missouri  
Year Ended June 30, 2015**

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

<u>Year Ended*</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
June 30, 2015	0.1943%	\$7,971,304	\$8,735,579	91.25%	89.30%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

\*The data provided in the schedule is based as of the measurement date of PSRS' net pension liability, which is as of the beginning of the College's fiscal year.

**MOBERLY AREA COMMUNITY COLLEGE**

**Required Supplementary Information (Unaudited)  
Public School Retirement System of Missouri  
Year Ended June 30, 2015**

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/ (Deficiency)</u>	<u>Covered Member Payroll</u>	<u>Contributions as of Percentage of Covered Payroll</u>
June 30, 2013	\$1,193,415	\$1,193,415	\$ -	\$8,331,334	14.32%
June 30, 2014	\$1,251,056	\$1,251,056	\$ -	\$8,735,579	14.32%
June 30, 2015	\$1,322,280	\$1,322,280	\$ -	\$9,233,799	14.32%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**MOBERLY AREA COMMUNITY COLLEGE**

**Required Supplementary Information (Unaudited)  
Public Education Employee Retirement System of Missouri  
Year Ended June 30, 2015**

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

<u>Year Ended*</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
June 30, 2015	0.2563%	\$ 935,920	\$3,737,079	25.0%	91.3%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

\*The data provided in the schedule is based as of the measurement date of PEERS' net pension liability, which is as of the beginning of the College's fiscal year.

**MOBERLY AREA COMMUNITY COLLEGE**

**Required Supplementary Information (Unaudited)  
Public Employee Education Retirement System of Missouri  
Year Ended June 30, 2015**

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/ (Deficiency)</u>	<u>Covered Member Payroll</u>	<u>Contributions as of Percentage of Covered Payroll</u>
June 30, 2013	\$238,447	\$238,447	\$ -	\$3,475,903	6,86%
June 30, 2014	\$256,363	\$256,363	\$ -	\$3,737,079	6,86%
June 30, 2015	\$271,340	\$271,340	\$ -	\$3,955,390	6,86%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.



## **SUPPLEMENTARY INFORMATION**

**MOBERLY AREA COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Project No.</u>	<u>Program or Award Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements Expenditures</u>
<u>Department of Education</u>					
Direct Program:					
Title IV					
FSEOG Grants	84.007	N/A	87,943	87,943	87,943
Federal Work-Study	84.033	N/A	104,062	104,062	104,062
Federal Pell Grants	84.063	N/A	9,136,426	9,136,426	9,136,426
Federal Direct Student Loans	84.268	N/A	7,748,464	7,748,464	7,748,464
Passed through the Missouri					
Department of Ed.:					
Title II-C, Perkins	84.048A	13-24	337,797	337,797	337,797
Adult Basic Education	84.002A	N/A	58,669	58,669	58,669
Vocational Rehabilitation	84.126A	N/A	N/A	93,287	93,287
Child Development Associate Grant	93.575	N/A	N/A	8,771	8,771
Total Department of Education				<u>17,575,419</u>	<u>17,575,419</u>
<u>Department of Labor</u>					
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants Program					
MoHEALTHWINS	17.282	N/A	325,969	80,835	80,835
MoSTEMWINS	17.282	N/A	522,802	500	500
Passed through the Missouri Department of Education					
Trade Relief Act	17.245	N/A	N/A	59,643	59,643
Work Force Invest. Act (incl. ARRA)	17.258	N/A	N/A	25,599	25,599
Total Department of Labor				<u>166,577</u>	<u>166,577</u>
<u>U. S. Small Business Administration</u>					
Passed Through -					
Small Business Development Center	59.037	C00048775-1	61,923	49,298	49,298
Small Business Development Center	59.037	E00042414-4	76,775	18,156	18,156
Total U. S. Small Business Administration				<u>67,454</u>	<u>67,454</u>
<u>U. S. Department of Veterans Affairs</u>					
Direct Program:					
Post-9/11 Veterans					
Educational Assistance	64.028	N/A	N/A	7,283	7,283
Total U. S. Department of Veterans Affairs				<u>7,283</u>	<u>7,283</u>
<b>Total Federal Awards Expended</b>				<u><u>\$17,816,733</u></u>	<u><u>\$17,816,733</u></u>

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

1. Summary of Significant Accounting Policies

A. Purpose of Schedule of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Moberly Area Community College.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food, commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under-grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

The schedule is presented on the accrual basis of accounting.

2. Subrecipients

The College provided no federal awards to subrecipients during the year ended June 30, 2015.

## **COMPLIANCE AND INTERNAL CONTROL**



GERDING, KORTE & CHITWOOD CPAS

Professional Corporation

Certified Public Accountants

**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**

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Boonville, MO 65233  
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To the Board of Trustees  
Moberly Area Community College

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 accompanying basic financial statements of Moberly Area Community College (the 'College'), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 29, 2015.

PARTNERS

*Robert A. Gerding*

*Fred W. Korte, Jr.*

*Joseph E. Chitwood*

*Travis W. Hundley*

*Jeffrey A. Chitwood*

*Amy L. Watson*

*Heidi N. Ross*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting 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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 29, 2015

Gerding, Korte & Chitwood, P.C.  
Certified Public Accountants  
Boonville, Missouri



GERDING, KORTE & CHITWOOD CPAS  
Professional Corporation  
Certified Public Accountants

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

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To the Board of Trustees  
Moberly Area Community College

### Report on Compliance for Each Major Federal Program

We have audited the Moberly Area Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2015 and 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### PARTNERS

Robert A. Gerding  
Fred W. Korte, Jr.  
Joseph E. Chitwood  
Travis W. Hundley  
Jeffrey A. Chitwood  
Amy L. Watson  
Heidi N. Ross

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with 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, Moberly Area Community College complied, in all material respects, with the 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, 2015 and June 30, 2014.

### Report on Internal Control Over Compliance

The management of Moberly Area Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

December 29, 2015



Gerding, Korte & Chitwood, P.C.  
Certified Public Accountants  
Boonville, Missouri



**MOBERLY AREA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
AND SUMMARY OF AUDITOR'S RESULTS  
JUNE 30, 2015**

Section I: Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statement noted?  Yes  No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditor's reports issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Student Financial Assistance Cluster:	
84.007	Title IV - FSEOG Grants
84.033	Title IV - Federal Work-Study
84.063	Pell Grant Program
84.268	Title IV - Federal Direct Student Loans

**MOBERLY AREA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
AND SUMMARY OF AUDITOR'S RESULTS (CONTINUED)  
JUNE 30, 2015**

Dollar threshold used to distinguish between type A and type B programs: \$534,502

Auditee qualified as low-risk auditee?        X   Yes      \_\_\_\_\_ No

Section II:      Financial Statement Findings

None

Section III:      Federal Award Findings and Questioned Costs

None