REPORT OF

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI

JUNE 30, 2018 AND 2017

MOBERLY AREA COMMUNITY COLLEGE

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GKC
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, 2018 and 2017, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Moberly Area Community College, as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in total OPEB liability and related ratios (including footnotes), 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 (including footnotes), schedule of proportionate share of net pension liability and related ratios – PEERS, and schedule of employer contributions – PEERS (including footnotes) on pages 4 through 10 and pages 61 through 70 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 opinions 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 Title 2 *U.S. Code of Federal Regulations* (CFR) *Part* 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 8, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

November 8, 2018

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

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(UNAUDITED)

Introduction

The management of Moberly Area Community College offer users and other readers of the College a narrative overview of the financial position and financial activities of the College for the fiscal years ended June 30, 2018 and June 30, 2017. This discussion and analysis should be read in conjunction with the financial statements and notes that follow.

The College prepares the financial statements in accordance with Government Accounting Standards Board (GASB) principles. The College has 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. 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.

Three basic financial statements are included with this report, along with the management's discussion and analysis, the notes to the financial statements, and required supplementary information:

1. Statement of Net Position
2. Statement of Revenues, Expenses, and Changes in Net Position
3. Statement of Cash Flows

The emphasis of the discussion about the financial statements is on the current year data.

Statement of Net Position

The Statement of Net Position presents information on all of the College's assets, deferred outflows, liabilities, and deferred inflows, with the difference being reported as net position. The purpose of the Statement of Net Position is to present a snapshot of the financial condition of the College. Over time, increases or decreases in net position is one of the indicators of whether the financial position of the College is improving or deteriorating.

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, the College's current assets consist primarily of cash, short-term investments, and trade receivables while noncurrent assets consist primarily of capital assets. Capital assets are the property, plant, and equipment owned by the College, net of any related accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Current liabilities consist primarily of accrued employee wages and benefits payable, while non-current liabilities are primarily comprised of long-term net pension liability.

Deferred outflows related to pension are similar to a prepaid expense related to pension payments made for future periods, while deferred inflows represent unearned revenue related to earnings of the plan for future periods.

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.

	Year Ended June 30	
	2018	2017
Current Assets	$ 21,338,093	$ 19,732,755
Noncurrent Assets	3,991,713	1,597,562
Capital Assets	19,065,641	19,793,905
Total Assets	44,395,447	41,124,222
Deferred Outflows	9,330,674	9,340,731
Current Liabilities	3,430,454	3,164,942
Noncurrent Liabilties	16,234,625	17,736,733
Total Liabilities	19,665,079	20,901,675
Deferred Inflows	5,255,959	3,564,353
Net Investment in Capital Assets	18,385,641	18,977,905
Restricted:		
Nonexpendable	3,146,964	2,838,970
Expendable	231,303	104,158
Unrestricted	7,041,175	4,077,892
Total Net Position	$ 28,805,083	$ 25,998,925

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the College's financial results for the fiscal year. The statement includes 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 are not 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.

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(UNAUDITED)

	Year Ended June 30	
	2018	2017
Operating Revenue	$ 15,417,742	$ 15,794,240
Operating Expenses	29,726,825	29,791,126
Operating Loss	(14,309,083)	(13,996,886)
Non-Operating Revenues (Expenses)	16,819,123	16,099,047
Gain before other revenues	2,510,040	2,102,161
Additions/deletions to permanent endowments	307,993	9,009
Increase in net position	2,818,033	2,111,170
Net Position, beginning of year	25,998,925	23,887,755
Prior period adjustment	(11,875)	-
Net Position, end of year	$ 28,805,083	$ 25,998,925

	Year Ended June 30	
	2018	2017
Operating Revenues		
Student tuition & fees, net of scholarship allowances	$ 12,787,428	$ 12,914,155
Auxiliary enterprises	2,341,062	2,582,220
Contracts and grants from private sources	60,479	84,203
Other	228,773	213,662
Total Operating Revenues	$ 15,417,742	$ 15,794,240
Nonoperating Revenues (Expenses)		
Local property taxes	$ 663,063	$ 630,370
State aid and grants	6,581,807	7,231,055
Investment income	231,011	125,550
Gifts and grants	9,644,021	8,112,072
Loss on sale of fixed assets	(300,779)	-
Total Nonoperating Revenues (Expenses)	$ 16,819,123	$ 16,099,047

The following is the College's FY 2018 and 2017 operating expenses by function:

	Year Ended June 30	
	2018	2017
Operating Expenses		
Salaries and benefits	$ 17,945,638	$ 18,172,102
Supplies and other services	7,717,112	7,552,298
Depreciation	970,780	948,535
Financial aid and scholarships	3,093,295	3,118,191
Total Operating Expenses	$ 29,726,825	$ 29,791,126

In addition, the following represents the FY 2018 and 2017 operating expenses of the College by program classification:

	Year Ended June 30	
	2018	2017
Operating Expenses		
Instruction	$ 10,947,967	$ 10,877,088
Academic Support	2,823,802	2,816,074
Student Services	3,301,437	3,428,849
Institutional Support	3,277,701	3,307,045
Student Financial Aid	3,093,295	3,124,599
Plant and Maintenance	3,221,240	3,158,899
Auxilliary	2,090,603	2,130,037
Depreciation	970,780	948,535
Total Operating Expenses	$ 29,726,825	$ 29,791,126

During the year ended June 30, 2018, the College experienced an increase in net position of $2,818,033, as compared to the prior year increase of $2,111,170. This improvement was primarily associated with an increase in government and private grant funding. A large portion of this was related to growth in the Adult Education and Literacy grant funded program. The Foundation also received a large private estate contribution. Additionally, permanent endowment funds maintained by the College increased in the 2018 fiscal year by $307,993.

State Aid and Grants revenue decreased in the year ended June 30, 2018, compared to 2017, due to decreased capital projects spending funded by House Bill 19.

Student Tuition and Fees remained steady in the 2018 fiscal year compared to 2017.

Statement of Cash Flows

The Statement of Cash Flows presents information about the cash activity of the College. The statement shows the major sources and uses of cash. The following is a summary of the Statement of Cash Flows:

	Year Ended June 30	
	2018	2017
Cash provided (used) by:		
Operating activities	$ (11,611,666)	$ (13,526,611)
Noncapital financing activities	16,896,105	15,982,506
Capital and related financing activities	(378,516)	(1,302,161)
Investing activities	(7,631,877)	2,147,081
Net increase (decrease) in cash	(2,725,954)	3,300,815
Cash, beginning of year	7,059,633	3,758,818
Cash, end of year	$ 4,333,679	$ 7,059,633

Cash used by investing activities was higher in 2018, as a greater portion of available funds were invested to increase earnings for the College. This also decreased cash on hand at June 30, 2018.

Capital and Debt Activities

During the year ended June 30, 2018, the College expended $711,742 for equipment, building improvements, and leasehold improvements.

The College's investment in capital assets net of accumulated depreciation as of June 30, 2018 and 2017 amounts to $19.1 million and $19.8 million, respectively and this investment in capital assets includes land, buildings, equipment and improvements.

	Year Ended June 30	
	2018	2017
Property, plant and equipment		
Land	$ 529,200	$ 529,200
Improvements (other than buildings)	235,217	276,837
Buildings and improvements	16,870,639	17,587,929
Construction in progress	79,633	59,237
Equipment	1,350,952	1,340,702
Net Capital Assets	$ 19,065,641	$ 19,793,905

Total debt of the College as of June 30, 2018 and 2017 was $680,000 and $816,000, respectively. No new debt was acquired in these periods.

Economic Outlook

The economic position of the College is closely tied to that of the State and to a lesser degree, the County. With fluctuations in State of Missouri revenue projections and the current focus on using performance funding for allocation of all state dollars, the College anticipates receiving minimal increases in state appropriations in the near future. However, additional monies could be available to the College through workforce development grants, as skills training has gained interest at the State and Federal level.

Regular fee and tuition rates for in-district and out-of-district students increased 2.7% and 4.2%, respectively, for FY 2019. This compares to 3.8% and 5% increases for FY 2018. Fall 2018 enrollment is up 1% compared to the previous year.

The College is working with the Columbia Career Center, Columbia, Missouri, to begin offering certificate programs for Surgical Technicians, Welding Technicians, Certified Nursing Assistants, and Phlebotomists over the next two years.

In addition, the College is actively working with the communities in their region to assess their workforce needs, and is developing programs to meet those needs. Specifically, growth is planned in the areas of Allied Health, Mechatronics, and Agriculture.

It is projected that enrollment will decline by less than 3% for FY 2019 after it remained steady during FY 2018. The expansion of the dual credit program, instructional programs in Columbia and Mexico, continued implementation and promotion of the mechatronics program in Columbia, additional Career Technical program initiatives, along with a restructured marketing plan 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.

Contacting the College's Financial Management

This financial report is designed to provide the College's citizens, taxpayers, customers, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Susan J. Spencer, CPA, Vice President for Finance, 101 College Street, Moberly, MO 65270.

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
STATEMENT OF NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,333,679	$ 7,059,633
Investments	11,196,607	5,727,870
Accounts receivable, net of $4,153,809 and $4,013,641 allowance for doubtful accounts, respectively	5,288,379	6,248,037
Inventories	201,441	306,837
Prepaid expenses	317,987	390,378
Total current assets	21,338,093	19,732,755
Noncurrent Assets		
Investments	3,991,713	1,597,562
Capital assets, net	19,065,641	19,793,905
Total noncurrent assets	23,057,354	21,391,467
Total assets	44,395,447	41,124,222
DEFERRED OUTFLOWS		
Deferred Outflows Related to Pension	9,330,674	9,340,731
Total Deferred Outflows	9,330,674	9,340,731
LIABILITIES		
Current Liabilities		
Accounts payable	731,357	459,643
Accrued liabilities	505	217
Accrued wages payable	1,003,611	1,213,283
Accrued post-employment benefits	1,041,648	970,500
Deposits held for others	387,650	228,290
Unearned revenue	129,683	157,009
Note payable	136,000	136,000
Total current liabilities	3,430,454	3,164,942
Noncurrent Liabilities		
Note payable	544,000	680,000
Net pension liability	15,690,625	17,056,733
Total noncurrent liabilities	16,234,625	17,736,733
Total liabilities	19,665,079	20,901,675
DEFERRED INFLOWS		
Deferred Inflows Related to Pension	5,228,362	3,564,353
Deferred Inflows Related to OPEB	27,597	-
Total Deferred Inflows	5,255,959	3,564,353
NET POSITION		
Net investment in capital assets	18,385,641	18,977,905
Restricted for:		
Nonexpendable		
Endowment	3,146,964	2,838,970
Expendable		
Endowment	231,303	104,158
Unrestricted	7,041,175	4,077,892
Total net position	$ 28,805,083	$ 25,998,925

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
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017
REVENUES		
Operating Revenues		
Student tuition and fees, net of scholarship allowances of $5,328,954 and $4,600,881, respectively	$ 12,787,428	$ 12,914,155
Auxiliary enterprises:		
Bookstore, Cafeteria, Housing, net of scholarship allowances of $133,282 and $154,735, respectively	2,341,062	2,582,220
Contracts and grants from private sources	60,479	84,203
Other operating revenues	228,773	213,662
Total operating revenues	15,417,742	15,794,240
EXPENSES		
Operating Expenses		
Salaries	13,761,324	13,320,585
Benefits	4,184,314	4,851,517
Supplies and other services	5,504,412	6,004,502
Utilities	640,620	639,731
Travel	409,592	319,965
Repairs and maintenance	1,162,488	588,100
Financial aid scholarships	3,093,295	3,118,191
Depreciation	970,780	948,535
Total operating expenses	29,726,825	29,791,126
Operating loss	(14,309,083)	(13,996,886)
NONOPERATING REVENUES (EXPENSES)		
Local property tax revenue	663,063	630,370
State aid and grants	6,285,713	6,915,436
Investment income	231,011	125,550
Vocational funding	296,094	315,619
Gifts and grants from government sources	8,694,912	7,987,385
Gifts and grants from private sources	949,109	124,687
Loss on sale of fixed assets	(300,779)	-
Total nonoperating revenues (expenses)	16,819,123	16,099,047
Gain before other revenues, expenses, gains or losses	2,510,040	2,102,161
Additions (reductions) to permanent endowments	307,993	9,009
INCREASE IN NET POSITION	2,818,033	2,111,170
NET POSITION, BEGINNING OF YEAR	25,998,925	23,887,755
Prior Period Adjustment (Note 21)	(11,875)	-
NET POSITION, BEGINNING OF YEAR, RESTATED	25,987,050	23,887,755
NET POSITION, END OF YEAR	$ 28,805,083	$ 25,998,925

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
STATEMENT OF CASH FLOWS
JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 12,778,157	$ 12,927,809
Payments to suppliers	(6,536,244)	(7,143,737)
Payments for utilities	(644,109)	(636,947)
Payments to employees	(13,861,530)	(13,483,567)
Payments for benefits	(3,898,953)	(4,102,491)
Payments for financial aid and scholarships	(3,093,295)	(3,118,191)
Auxiliary enterprise charges:		
Bookstore, vending, cafeteria, housing	2,371,828	2,893,442
Contracts and grants from private sources	33,153	71,874
Escrow receipt (return of funds)	1,239,327	-
Other receipts (payments)	-	(934,803)
Net cash used by operating activities	(11,611,666)	(13,526,611)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local property taxes	663,063	630,370
State aid and grants	6,581,807	7,231,055
Gifts and grants other than capital	9,343,242	8,112,072
Private gifts for endowment purposes	307,993	9,009
Net cash provided by noncapital financing activities	16,896,105	15,982,506
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(242,516)	(1,166,161)
Principal paid on capital debt	(136,000)	(136,000)
Net cash used by capital and related financing activities	(378,516)	(1,302,161)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale and maturities of investments	6,422,775	6,951,201
Investment income	231,011	125,550
Purchase of investments	(14,285,663)	(4,929,670)
Net cash provided by investing activities	(7,631,877)	2,147,081
NET INCREASE (DECREASE) IN CASH	(2,725,954)	3,300,815
CASH, BEGINNING OF YEAR	7,059,633	3,758,818
CASH, END OF YEAR	$ 4,333,679	$ 7,059,633

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
STATEMENT OF CASH FLOWS (CONT'D)
JUNE 30, 2018 AND 2017

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	2018	2017
Operating loss	$ (14,309,083)	$ (13,996,886)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	970,780	948,535
Changes in assets and liabilities:		
Receivables, net	959,658	(759,333)
Inventories	105,396	37,736
Other assets	72,391	(64,256)
Accounts payable and other current liabilities	292,838	(379,102)
Deferred outflows	10,057	(3,470,091)
Deferred inflows	1,691,606	134,176
Net pension liability	(1,366,108)	4,034,939
Unearned revenue	(27,326)	(12,329)
Prior period adjustment	(11,875)	-
Net cash used by operating activities	$ (11,611,666)	$ (13,526,611)

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
STATEMENT OF FIDUCIARY NET POSITION
SCHOLARSHIP FUNDS
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ -	$ 35,824
Investments	-	100,402
Total current assets	-	136,226
Noncurrent Assets		
Investments	-	175,000
Total noncurrent assets	-	175,000
Total assets	-	311,226
LIABILITIES		
Current Liabilities		
Accounts Payable	-	37,836
Total current liabilities	-	37,836
Total liabilities	-	37,836
NET POSITION		
Restricted for Scholarships	-	272,395
Unrestricted	-	995
	$ -	$ 273,390

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
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SCHOLARSHIP FUNDS
Years Ended June 30, 2018 and 2017

	2018	2017
INVESTMENT INCOME		
Interest income	$ 3,843	$ 3,965
Net investment income	3,843	3,965
CONTRIBUTIONS		
Private sources	17,000	150
Total contributions	17,000	150
DEDUCTIONS		
Scholarships	12,021	21,150
Total deductions	12,021	21,150
Net increase/(decrease)	8,822	(17,035)
Additions/(reductions) to permanent endowments	(282,212)	-
NET POSITION, BEGINNING OF YEAR	273,390	290,425
NET POSITION, END OF YEAR	$ -	$ 273,390

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

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, 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. These funds were deemed to be under the control of the College during 2018, and equity was transferred to consolidated financial statements at June 30, 2018.

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.

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.

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, 2018 and 2017 from the Moberly taxing district on taxes levied for calendar years 2017 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:

Assets	Years
Buildings	50
Building Improvement	20-30
Equipment	5-15

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018 and 2017.

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.

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 2013 through 2017. 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, 2018 and 2017, the carrying amounts of cash and cash equivalents on the statement of net position and statement of fiduciary net position totals $4,333,679 and $7,059,633, respectively, and consists of cash deposits, cash on hand, short-term CD's and money market accounts. The bank balances of the College's cash deposits totaled $5,029,810 and $7,946,523 for the years ended June 30, 2018 and 2017, respectively. Of the College's bank balances at June 30, 2018, $432,507 was insured by the Federal Depository Insurance Corporation (FDIC) and $4,597,303 was collateralized with securities held by the pledging financial institution's agent in the College's name. As of June 30, 2017, $501,879 was insured by the FDIC and $7,444,644 was collateralized with securities held by the pledging financial institution's agent in the College's name. Of the bank balances of the Foundation's cash deposits as of June 30, 2018, $321,366 was insured by the FDIC and $54,092 was collateralized. The bank balances of the Foundation's cash deposits as of June 30, 2017, totaled $88,927, which were insured by the FDIC. The bank balances of the Facility Development Corporation's cash deposits as of June 30, 2018 and 2017, totaled $0 and $0, respectively, which were insured by the FDIC.

The College's investment policies conform to the Missouri Revised Statue 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 banker's 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, 2018, the College's deposits are categorized below. Differences between the carrying amount and deposit amount are due to timing of transactions.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

At June 30, 2018 and 2017 the College's deposits were categorized as follows:

	2018		2017	
	Carrying Amount	Deposit Amount	Carrying Amount	Deposit Amount
College:				
Insured (FDIC)	$ 432,507	$ 432,507	$ 505,452	$ 501,879
Insured or registered for which Securities held by the College or it's agent in the College's name	3,525,714	4,597,303	6,461,681	7,444,644
Unsecured	-	-	-	-
	3,958,221	5,029,810	6,967,133	7,946,523
Foundation:				
Insured (FDIC)	321,366	321,366	92,500	88,927
Insured or registered for which securities held by the Foundation or its agent in the Foundation's name	54,092	54,092	-	-
Total Deposits	$ 4,333,679	$ 5,405,268	$ 7,059,633	$ 8,035,450

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)
  - 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

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

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.

At June 30, 2018 and 2017, the College had the following investments:

2018

Type	Fair Value	Book Value	Book Value Less Than One year	Book Value Greater Than One Year (or stocks)
College:				
Certificates of Deposit	$ 11,609,607	$ 11,609,607	$ 11,196,607	$ 413,000
US Agency Notes	-	-	-	-
Commerce Bancshares	25,949	25,949	-	25,949
Other Equities/Bonds	-	-	-	-
	$ 11,635,556	$ 11,635,556	$ 11,196,607	$ 438,949
Foundation:				
Certificates of Deposit	$ -	$ -	$ -	$ -
Equities	598,834	598,834	-	598,834
Corporate Bonds	581,137	581,137	-	581,137
Mutual Funds	2,372,793	2,372,793	-	2,372,793
	$ 3,552,764	$ 3,552,764	$ -	$ 3,552,764

2017

Type	Fair Value	Book Value	Book Value Less Than One year	Book Value Greater Than One Year (or stocks)
College:				
Certificates of Deposit	$ 6,493,870	$ 6,493,870	$ 3,000,000	$ 3,493,870
US Agency Notes	-	-	-	-
Commerce Bancshares	21,709	21,709	-	21,709
Other Equities/Bonds	-	-	-	-
	$ 6,515,579	$ 6,515,579	$ 3,000,000	$ 3,515,579
Foundation:				
Certificates of Deposit	$ -	$ -	$ -	$ -
Equities	97,040	97,040	-	97,040
Corporate Bonds	101,542	101,542	-	101,543
Mutual Funds	611,271	611,271	-	611,271
	$ 809,853	$ 809,853	$ -	$ 809,854

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

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 $38,204 and $62,491 in fiscal year ended June 30, 2018 and 2017, respectively.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2018 and 2017, was composed of the following:

	2018	2017
Student charges (net of allowances)	$ 2,842,312	$ 2,833,041
Federal grants/contracts	2,114,987	2,691,003
State grants/contracts	1,932	296,773
Interest receivable	69,650	3,042
Other	259,498	424,178
Total	$ 5,288,379	$ 6,248,037

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: Valuation 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.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

Equities: 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.

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, 2018 and 2017, aggregated by the level in the fair value hierarchy within which those measurements fall:

	2018			
	Level 1	Level 2	Level 3	Total
Cash Equivalents	$15,943,286	$ -	$ -	$15,943,286
Mutual Funds	2,372,793	-	-	2,372,793
US Agency Notes/Bonds	-	-	-	-
Equities	1,205,920	-	-	1,205,920
Total	$19,521,999	$ -	$ -	$19,521,999

	2017			
	Level 1	Level 2	Level 3	Total
Cash Equivalents	$13,553,502	$ -	$ -	$13,553,502
Mutual Funds	611,271	-	-	611,271
US Agency Notes/Bonds	-	-	-	-
Equities	220,292	-	-	220,292
Total	$14,385,065	$ -	$ -	$14,385,065

NOTE 5 – CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2018 are summarized below:

	July 1, 2017	Additions	Deletions	June 30, 2018
Capital Assets Not Being Depreciated:				
Land	$ 529,200	$ -	$ -	$ 529,200
Capital Assets Being Depreciated:				
Improvements (other than buildings)	1,840,271	-	70,214	1,770,057
Buildings and building improvements	27,898,767	418,258	783,161	27,533,864
Construction in progress	59,237	79,633	59,237	79,633
Equipment	3,337,562	213,851	19,274	3,532,139
Sub-Total	33,135,837	711,742	931,886	32,915,693
Total	$ 33,665,037	$ 711,742	$ 931,886	$ 33,444,893
Less Accumulated Depreciation:				
Improvements (other than buildings)	1,563,434	27,529	56,123	1,534,840
Buildings and building improvements	10,310,838	742,260	389,873	10,663,225
Equipment	1,996,860	200,991	16,664	2,181,187
Total	13,871,132	970,780	462,660	14,379,252
Capital Assets, Net	$ 19,793,905	$ (259,038)	$ 469,226	$ 19,065,641

Changes in capital assets for the year ended June 30, 2017 are summarized below:

	July 1, 2016	Additions	Deletions	June 30, 2017
Capital Assets Not Being Depreciated:				
Land	$ 529,200	$ -	$ -	$ 529,200
Capital Assets Being Depreciated:				
Improvements (other than buildings)	1,818,455	21,816	-	1,840,271
Buildings and building improvements	26,540,095	1,358,672	-	27,898,767
Construction in progress	519,631	59,237	519,631	59,237
Equipment	3,149,660	254,633	66,731	3,337,562
Sub-Total	32,027,841	1,694,358	586,362	33,135,837
Total	$ 32,557,041	$ 1,694,358	$ 586,362	$ 33,665,037
Less Accumulated Depreciation:				
Improvements (other than buildings)	1,532,272	31,162	-	1,563,434
Buildings and building improvements	9,586,083	724,755	-	10,310,838
Equipment	1,862,407	192,618	58,165	1,996,860
Total	12,980,762	948,535	58,165	13,871,132
Capital Assets, Net	$ 19,576,279	$ 745,823	$ 528,197	$ 19,793,905

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 and the Public Education Employee Retirement System of Missouri (PSRS and PEERS, also referred to as the Systems) is prepared in accordance with Governmental Accounting Standards Board (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*, by Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, and by GASB Statement No. 82, *Pension Issues*.

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 the Systems. 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 the Systems. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value. 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. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psrs-peers.org.

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-thirds the normal benefit amount.

NOTE 6 – PENSION PLANS (continued)

PEERS is a mandatory cost-sharing multiple employer retirement system for all 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.

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.

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.

NOTE 6 – PENSION PLANS (continued)

Summary Plan Descriptions detailing the provisions of the plans can be found on the Systems' website at www.psrs-peers.org.

Cost-of-Living Adjustments ("COLA"). The Board of Trustees 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 PSRS member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. For PEERS members, 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. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2017 and 2018. 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.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2017 and 2018. 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 PSRS and PEERS were $1,319,994 and $280,623, respectively, for the year ended June 30, 2018, and were $1,305,262 and $276,235, respectively, for the year ended June 30, 2017.

NOTE 6 – PENSION PLANS (continued)

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

At June 30, 2018, the College recorded a liability of $13,778,670 for its proportionate share of PSRS' net pension liability and $1,911,955 for its proportionate share of PEERS' net pension liability. In total the College recorded net pension liabilities of $15,690,625. The net pension liability for the plan in total was measured as of June 30, 2017, 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 paid to PSRS and PEERS of $1,305,485 and $276,235, respectively, for the year ended June 30, 2017, relative to the actual contributions of $684,085,861 for PSRS and $110,244,418 for PEERS from all participating employers. At June 30, 2017, the College's proportionate share was 0.1908% for PSRS and 0.2506% for PEERS.

For the year ended June 30, 2018, the College recognized pension expense of $1,531,159 for PSRS and $376,891 for PEERS, its proportionate share of the total pension expense.

At June 30, 2017, the College recorded a liability of $15,000,348 for its proportionate share of PSRS' net pension liability and $2,056,385 for its proportionate share of PEERS' net pension liability. In total the College recorded net pension liabilities of $17,056,733. The net pension liability for the plan in total was measured as of June 30, 2016, 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 paid to PSRS and PEERS of $1,350,140 and $271,536, respectively, for the year ended June 30, 2016, relative to the actual contributions of $669,858,142 for PSRS and $105,934,385 for PEERS from all participating employers. At June 30, 2016, the College's proportionate share was 0.2016% for PSRS and 0.2563% for PEERS.

For the year ended June 30, 2017, the College recognized pension expense of $1,888,291 for PSRS and $387,084 for PEERS, its proportionate share of the total pension expense.

At June 30, 2018 the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS and PEERS pension benefits:

	PSRS		PEERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows due to:						
Difference between expected and actual experience	$ 818,430	$ 877,317	$ 30,486	$ 77,453	$ 848,916	$ 954,770
Changes in assumptions	2,174,040	-	329,165	-	2,503,205	-
Net difference between projected and actual earnings on pension plan investments	3,497,543	3,212,510	530,218	489,080	4,027,761	3,701,590
Changes in proportion and differences between employer contributions and proportionate share of contributions	336,141	528,492	14,033	43,510	350,174	572,002
Employer contributions subsequent to the measurement date	1,319,994	-	280,623	-	1,600,617	-
Total	$ 8,146,148	$ 4,618,319	$ 1,184,525	$ 610,043	$ 9,330,673	$ 5,228,362

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2017, will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as collective deferred (inflows)/outflows of resources are to be recognized in pension expense as follows:

Year Ending June 30:	PSRS	PEERS	Total
2019	$ 294,135	$ 94,474	$ 388,609
2020	1,235,279	197,190	1,432,469
2021	685,432	90,398	775,830
2022	(311,607)	(88,203)	(399,810)
2023	262,247	-	262,247
Thereafter	42,348	-	42,348
Total	$ 2,207,834	$ 293,859	$ 2,501,693

At June 30, 2017 the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS and PEERS pension benefits:

	PSRS		PEERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows due to:						
Difference between expected and actual experience	$ 1,079,268	$ 1,146,119	$ 59,524	$ 120,522	$ 1,138,792	$ 1,266,641
Changes in assumptions	169,660	-	122,478	-	292,138	-
Net difference between projected and actual earnings on pension plan investments	5,097,249	1,988,831	747,496	278,733	5,844,745	2,267,564
Changes in proportion and differences between employer contributions and proportionate share of contributions	444,709	-	38,850	30,148	483,559	30,148
Employer contributions subsequent to the measurement date	1,305,262	-	276,235	-	1,581,497	-
Total	$ 8,096,148	$ 3,134,950	$ 1,244,583	$ 429,403	$ 9,340,731	$ 3,564,353

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2016, will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as collective deferred (inflows)/outflows of resources are to be recognized in pension expense as follows:

Year Ending June 30:	PSRS	PEERS	Total
2018	$ 585,013	$ 103,524	$ 688,537
2019	585,013	99,166	684,179
2020	1,579,429	204,415	1,783,844
2021	999,942	131,841	1,131,783
2022	(50,922)	-	(50,922)
Thereafter	(42,541)	-	(42,541)
Total	$ 3,655,934	$ 538,946	$ 4,194,880

NOTE 6 – PENSION PLANS (continued)

Actuarial Assumptions (June 30, 2018)

Actuarial valuations of the Systems involve assumptions about probability of occurrence of events far into the future in order to estimate the reported amounts. Examples include assumptions about future employment, salary increases, and mortality. 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 Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year and from Board policies concerning investments and COLAs. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the studies and effective with the June 30, 2016 valuation. For the June 30, 2017 valuations, the investment rate of return was reduced from 7.75% to 7.6% and the assumption for the annual cost-of-living adjustments was updated in accordance with the funding policies amended by the Board of Trustees at their November 2017 meeting. Significant actuarial assumption and methods, including changes from the prior year resulting from changes in Board policy are detailed below. For additional information please refer to the Systems' Comprehensive Annual Financial Report (CAFR). The next experience studies are scheduled for 2021.

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

Measurement Date	June 30, 2017
Valuation Date	June 30, 2017
Expected Return on Investments	7.60%, net of investment expenses and including 2.25% inflation.
Inflation	2.25%
Total Payroll Growth-PSRS	2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
Total Payroll Growth-PEERS	3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
Future Salary Increases-PSRS	3.00%-9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
Future Salary Increases-PEERS	4.00%-11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.

NOTE 6 – PENSION PLANS (continued)

Cost-of-Living Increases-
PSRS & PEERS

The annual COLA assumed in the valuation increases from 1.20% to 1.65% over nine years, beginning January1, 2019. The COLA reflected for January 1, 2018 is 1.63%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.80% to a normative inflation assumption of 2.25% over nine years. It is also based on the current policy of the Board to grant a COLA on each January 1 as follows:

- If the June to June change in the CPI-U is less than 2% for consecutive one year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of-living increase is granted.
- If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted.
- If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted.
- If the CPI decreases, no COLA is provided.

The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS member receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.

NOTE 6 – PENSION PLANS (continued)

Mortality Assumption	
Actives:	
PSRS	RP 2006 White Collar Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
PEERS	RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
Non-Disabled Retirees, Beneficiaries and Survivors:	
PSRS	RP 2006 White Collar Mortality Table with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
PEERS	RP 2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
Disabled Retirees:	
PSRS & PEERS	RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
Changes in Actuarial Assumptions or Methods PSRS & PEERS	The investment return and COLA assumptions were updated by the Board as follows based on changes to the Board's funding policy adopted at the November 3, 2017 meeting: - The investment return assumption was lowered from 7.75% to 7.60% per year. - The Board adopted a new COLA policy on November 3, 2017 resulting in a change to the future COLA assumption from an increasing assumption of 1.05%-1.50% over nine years to an increasing assumption of 1.20%-1.65% over nine years, beginning January 1, 2019.
Fiduciary Net Position	The Systems issue a publicly available financial report (CAFR) that can be obtained at www.psrs-peers.org

NOTE 6 – PENSION PLANS (continued)

Expected Rate of Return

The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations.* ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on the Systems' 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 weighing 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 the Systems' target allocation as of June 30, 2017 are summarized below along with the long term geometric return. 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%	5.16%	1.39%
Public Credit	7.0%	2.17%	0.15%
Hedged Assets	6.0%	4.42%	0.27%
Non-U.S. Public Equity	15.0%	6.01%	0.90%
U.S. Treasuries	16.0%	0.96%	0.15%
U.S. TIPS	4.0%	0.80%	0.03%
Private Credit	4.0%	5.60%	0.22%
Private Equity	12.0%	9.86%	1.18%
Private Real Estate	9.0%	3.56%	0.32%
Total	100.0%		4.61%
		Inflation	2.25%
		Long-term arithmetical nominal return	6.86%
		Effect of covariance matrix	0.74%
		Long-term expected geometric return	7.60%

NOTE 6 – PENSION PLANS (continued)

Discount Rate

The long-term expected rate of return used to measure the total pension liability was 7.6% as of June, 30, 2017, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% effective with the June 30, 2016 valuation based on the actuarial experience studies and asset-liability study conducted during the 2016 fiscal year. As previously discussed, the Board of Trustees further reduced the assumed rate of return to 7.6% effective with the June 30, 2017 valuation. 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 Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarial 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 liabilities to changes in the discount rate is presented below. The college's net pension liabilities calculated using the discount rate of 7.60% is presented as well as the net pension liabilities using a discount rate that is 1.0% lower (6.60%) or 1.0% higher (8.60%) than the current rate.

NOTE 6 – PENSION PLANS (continued)

Actuarial Assumptions (June 30, 2017)

Actuarial valuations of the Systems involve 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 Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the study and effective with the June 30, 2016 valuation. Significant actuarial assumption and method changes are detailed below. For additional information please refer to the Systems' CAFR. The next experience studies are scheduled for 2021.

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

Measurement Date	June 30, 2016
Valuation Date	June 30, 2016
Expected Return on Investments	7.75%, net of investment expenses and including 2.25% inflation.
Inflation	2.25%
Total Payroll Growth-PSRS	2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
Total Payroll Growth-PEERS	3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
Future Salary Increases-PSRS	3.00%-9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
Future Salary Increases-PEERS	4.00%-11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.

NOTE 6 – PENSION PLANS (continued)

Cost-of-Living Increases-PSRS	The long-term cost-of-living adjustment (COLA)assumed in the valuation is 1.50% per year, based on the current policy of the Board to grant a 0.00% COLA when annual inflation, as measured by the CPI-U index for a fiscal year, increases between 0.00% and 2.00%and to grant 2.00% when the increase is between 2.00% and 5.00%. The actuarial assumption increases from 1.00% to 1.50% over ten years (from fiscal year 2017 to fiscal year 2027). The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS member receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.
Mortality Assumption	
Actives	
PSRS	RP 2006 White Collar Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
PEERS	RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
Non-Disabled Retirees, Beneficiaries and Survivors:	
PSRS	RP 2006 White Collar Mortality Table with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
PEERS	RP 2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
Disabled Retirees:	RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

NOTE 6 – PENSION PLANS (continued)

Changes in Actuarial Assumptions or Methods	An experience study was completed in June 2016 resulting in an update to the following assumptions.
PSRS & PEERS	The inflation assumption decreased from 2.50% to 2.25% per year.
PSRS	The payroll growth assumption decreased from 3.50% to 2.75% per year.
	The future salary increase assumption decreased from 4.00%-10.00%, depending on service to 3.00%-9.50%, depending on service.
	The investment return assumption decreased from 8.00% to 7.75% per year.
	The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males to six years for females, then projected to 2016 using Scale AA to 75% of the RP-2006 White Collar Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
	The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA to the RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
	The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to be RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
PEERS	The payroll growth assumption decreased from 3.75% to 3.25% per year.
	The future salary increase assumption decreased from 5.00%-12.00%, depending on service to 4.00%-11.00%, depending on service.
	The investment return assumption decreased from 8.00% to 7.75% per year.
	The active mortality assumption changed from the RP 2000 Mortality Table set back one year from males and six years for females, then projected to 2016 using Scale AA to 75% of the RP-2006 Total Dataset Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

NOTE 6 – PENSION PLANS (continued)

	The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA to the RP-2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale. The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
PSRS & PEERS	In addition, the Board adopted a new COLA policy during fiscal 2016 resulting in a decrease in the future COLA assumption from 2.00% per year to a variable, increasing assumption of 1.00%-1.50% over ten years beginning January 1, 2018.
Fiduciary Net Position	The Systems issue a publicly available financial report that can be obtained at www.psrs-peers.org
Expected Rate of Return	The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on the Systems' 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 weighing 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 the Systems' target allocation as of June 30, 2016 are summarized below along with the long term geometric return. 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.

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%	5.16%	1.39%
Public Credit	7.0%	2.17%	0.15%
Hedged Assets	6.0%	4.42%	0.27%
Non-U.S. Public Equity	15.0%	6.01%	0.90%
U.S. Treasuries	16.0%	0.96%	0.15%
U.S. TIPS	4.0%	0.80%	0.03%
Private Credit	4.0%	5.60%	0.22%
Private Equity	12.0%	9.86%	1.18%
Private Real Estate	9.0%	3.56%	0.32%
Total	100.0%		4.61%
		Inflation	2.25%
		Long-term arithmetical nominal return	6.86%
		Effect of covariance matrix	0.89%
		Long-term expected geometric return	7.75%

Discount Rate

The long-term expected rate of return used to measure the total pension liability was 7.75% as of June, 30, 2016, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new 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 Board 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 liabilities to changes in the discount rate is presented below. The College's net pension liabilities calculated using the discount rate of 7.75% is presented as well as the net pension liabilities using a discount rate that is 1.0% lower (6.75%) or 1.0% higher (8.75%) than the current rate.

NOTE 6 – PENSION PLANS (continued)

For the year ended June 30, 2018:

	Discount Rate	1% Decrease (6.60%)	Current Rate (7.60%)	1% Increase (8.60%)
PSRS	Proportionate share of the Net Pension Liability/(Asset)	$ 24,471,682	$ 13,778,670	$ 4,888,895
PEERS	Proportionate share of the Net Pension Liability/(Asset)	$ 3,522,059	$ 1,911,955	$ 561,414

For the year ended June 30, 2017:

	Discount Rate	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
PSRS	Proportionate share of the Net Pension Liability/(Asset)	$ 25,447,469	$ 15,000,348	$ 6,301,532
PEERS	Proportionate share of the Net Pension Liability/(Asset)	$ 3,576,126	$ 2,056,385	$ 780,949

For the years ended June 30, 2018 and 2017, the College recorded a payable to PSRS of $80,602 and $81,127, respectively, and had no payable to PEERS for either year.

NOTE 7 – POST RETIREMENT BENEFITS OTHER THAN PENSIONS

(June 30, 2018)

Effective July 1, 2017, Moberly Area Community College adopted Governmental Accounting Standards Board Statement No. 75 (GASB 75), *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.

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 difference between these amounts is the implicit rate subsidy, which is considered OPEB under GASB Statement No. 75.

This plan does not issue stand-alone financial statements.

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

The following are the plan provisions:

Eligibility	Employees who are eligible for Normal or Early retirement under PSRS or PEERS. Normal retirement age is the earlier of age 60 with 5 years of service, age plus service equal to 80 points (“Rule of 80”), or any age with 30 years of service. Early retirement is age 55 with 5 years of service.
Dependents	Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree’s death.
OPEB Benefits	Medical including prescription drugs, dental and vision for retirees and their dependents. Retirees can continue coverage past Medicare eligibility age (age 65).
Cost Sharing	Medical contributions effective for February 1, 2017 are as follows:

	Active Rates		
	PPO	Flexpoint	H.S.A.
Employee	$ 552.00	$ 522.00	$ 522.00
Employee/Spouse	1,103.00	1,043.00	949.00
Employee/Children	966.00	913.00	845.00
Family	1,517.00	1,439.00	1,213.00

	Retiree Rates*		
	PPO	Flexpoint	H.S.A.
Retiree	$ 552.00	$ 522.00	$ 420.00
Retiree/Spouse	1,103.00	1,043.00	847.00

* rates are the same for both Medicare eligible and Medicare ineligible retirees.

Dental contributions effective for February 1, 2017 are as follows:

	Active and Retiree Rates
Employee	$ 43.77
Employee/Spouse	91.10
Employee/Children	88.81
Family	136.76

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

Funding Policy

GASB Statement No. 75 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.

OPEB Liability, OPEB Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the College recorded a liability of $1,041,648 related to OPEB. The OPEB was measured and an actuarial valuation was performed as of June 30, 2018. Since fiscal year 2018 was the first year of implementation of GASB 75, the actuarial valuation also determined the OPEB liability at June 30, 2017 ($982,375).

For the year ended June 30, 2018, the College recognized OPEB expense of $86,870.

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to OPEB:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows due to:		
Differences between expected and actual expenses	$ -	$ -
Changes of assumptions	-	(27,597)
Total	$ -	$ (27,597)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other post-employment benefits will be recognized in OPEB expense as follows:

Year Ended June 30	
2019	$ (3,349)
2020	(3,349)
2021	(3,349)
2022	(3,349)
2023	(3,349)
Thereafter	(10,852)

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

The following were included in the analysis of OPEB as of June 30, 2018:

Number of Members	
Active	247
Retired	16
Spouses of Retirees	9
Total	272

Average Age	
Active	47.6
Retired	67.3

Actuarial Assumptions

Discount Rate (Adopted 6/30/2018)

The interest rate for discounting liabilities is 3.87% per annum based on the 20 year bond GO index at the fiscal year end. The rate for the prior fiscal year was 3.58%

Medical/Retiree Premium Inflation Rate

Year	Medical	Year	Medical
2018	5.70%	2050	5.20%
2019	6.40%	2055	5.30%
2020	4.90%	2060	5.30%
2025	4.80%	2065	5.00%
2030	4.80%	2070	4.50%
2035	4.90%	2075	4.20%
2040	4.90%	2080	4.20%
2045	5.30%	2085	4.20%
		2088+	4.10%

The healthcare trends used in this valuation are based on long term healthcare trends generated by the Getzen Model. The Getzen Model is the result of research sponsored by the Society of Actuaries and completed by a committee of economists and actuaries. This model is the current industry standard for projecting long term medical trends. Inputs to the model are consistent with the assumptions used in deriving the discount rate used in the valuation.

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

Dental Premium Inflation Rate	Inflation rate 4.00%
Salary Increase (Adopted 6/30/2014)	Salary is assumed to increase at a rate of 3.00% per annum.
Healthy Mortality (Adopted 6/30/2018)	RP 2014 Mortality Table (employee and healthy annuitant tables), projected generationally using Scale MP-2017.
Turnover	Rates based on length of service:

Service	Rate
0	23.4%
1	15.1%
2	11.1%
3	9.2%
4	7.7%
5	6.4%
10	3.3%
15	2.0%
20	1.0%

Retirement
(Adopted 6/30/2014)

	Rate	
Age	Eligible For Early Retirement	Eligible For Normal/Unreduced
50-54	0.0%	20.0%
55-59	4.0%	20.0%
60-64	N/A	25.0%
65-69	N/A	35.0%
70 & up	N/A	100.0%

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

Future Retiree Coverage

40% of employees who retire prior to age 65 are assumed to elect medical coverage under the plan.

Medicare eligible retirees:
Medicare eligible retirees and dependents are assumed to discontinue coverage under the plan when they reach age 65.

Non Medicare eligible retirees:
20% of teachers hired prior to 1986 are assumed to never be eligible for Medicare. These employees are assumed to continue coverage under the plan after age 65. 20% of retired teachers, hired prior to 1986 and currently under age 65 are assumed to not be eligible for Medicare. These retirees are assumed to continue coverage under the plan after age 65.

Dental Coverage:
Dental coverage is assumed to be elected at the rate of 40%.

Vision Coverage:
Vision coverage is not assumed to include a material subsidy for retirees.

Future Dependent Coverage

Current active members are assumed to elect spouse coverage at retirement as follows. All female spouses are assumed to be 3 years younger than males.
Male – 30%
Female – 30%

No dependent children are assumed to be covered in retirement.

These assumptions are based on statistics provided by the College.

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

Sensitivity Analysis

The following presents the total OPEB liability of the College, calculated using the discount rate of 3.87%, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate.

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	$ 1,154,077	$ 1,041,648	$ 944,151

The following presents the total OPEB liability of the College, calculated using the current healthcare cost trend rates as well as what the College's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ 914,734	$ 1,041,648	$ 1,196,379

At June 30, 2018, the College had no payable for OPEB.

(June 30, 2017)

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 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.

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

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 year ended June 30, 2017 retirees receiving benefits contributed approximately $107,636 for current premiums through the College for the plan offered. Total premiums paid for the year ended June 30, 2017 were approximately $107,636.

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 ended June 30, 2017, the amount actually contributed to the plan, and changes in the College's net OPEB obligation.

Normal Cost	$ 148,600
Amortization of unfunded actuarial accrued liability	59,300
Annual OPEB cost	207,900
Contributions made (employer)	(93,700)
Interest on net OPEB obligation	30,000
Adjustment to the ARC	(31,600)
Change in net OPEB obligation	112,600
Net OPEB obligation, beginning of year	857,900
Net OPEB obligation, end of year	$ 970,500

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 2017, 2016, 2015, 2014, 2013, 2012, 2011and 2010 were as follows:

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

Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
June 30, 2017	$ 207,900	0%	$ 970,500
June 30, 2016	206,100	0%	857,900
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, 2016, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was $1,659,600, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,659,600. The covered payroll (annual payroll of active employees covered by the plan) was $10,914,500 and the ratio of the UAAL to covered payroll was 15.2%.

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.

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

In the June 30, 2016, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.50% 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 6.7% initially, adjusted according to healthcare trends generated by the Getzen Model, annually for 5 years then adjusted every 5 years, to a rate of 4.10% after eighty years and an annual dental cost trend rate of 5.0% initially, reduced by the decrements to an ultimate rate of 4.0% 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, 2016 was twenty-seven 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, 2017 and 2016, upon which 2017 and 2016 tax rates of $.3296 and $.3296, respectively, per $100 of the assessed valuation was levied for purposes of local taxation, was $200,415,613 and $192,022,311, respectively.

The receipt of current and delinquent property taxes during the fiscal years ended June 30, 2018 and 2017, aggregated approximately 100.0% and 99.6%, 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:

Fiscal Year		
2019	$	439,704
2020		347,075
2021		339,914
2022		283,262

During 2018 and 2017, the College recorded lease expense in the amount of $454,606 and $431,710, 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.

- 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, 2018 is summarized as follows:

	Balance June 30, 2017	New Debt	Principal Repayment	Balance June 30, 2018
Notes payable	$ 816,000	$ -	$ 136,000	$ 680,000
Less current portion	136,000	-	-	136,000
	$ 680,000	$ -	$ 136,000	$ 544,000

Long-term debt activity for the year ended June 30, 2017 is summarized as follows:

	Balance June 30, 2016	New Debt	Principal Repayment	Balance June 30, 2017
Notes payable	$ 952,000	$ -	$ 136,000	$ 816,000
Less current portion	136,000	-	-	136,000
	$ 816,000	$ -	$ 136,000	$ 680,000

Future annual minimum payments at June 30, 2018 toward reducing the principal balance are as follows:

Year Ended June 30,	Principal Payment
2019	$ 136,000
2020	136,000
2021	136,000
2022	136,000
2023	136,000
Total	$ 680,000

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. In February, 2017, the College obtained coverage through a fully insured plan. Remaining claims under the prior plan were allowed to run out.

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, 2018 and 2017 and for the years then ended:

	June 30, 2018	June 30, 2017
Cash and cash equivalents	$ -	$ 273,882
Deposits	-	658,606
Total assets	-	932,488
Deferred revenue	-	-
Total liabilities	-	-
Net Position	-	932,488
Premiums received	4,770	1,409,721
Interest income	-	3,230
Claims paid/refunded	(14,003)	1,250,917
Premiums and adminstrative costs	-	262,417
Transfer of remaining self-funded health plan fund reserves	(923,255)	-
Increase (decrease) in net position	(932,488)	(100,383)
Net position, beginning of year	932,488	1,032,871
Net position, end of year	$ -	$ 932,488

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, 2018 and 2017.

Total Budget and Accumulated Revenues and Expenditures as of June 30, 2018:

Company	Total Budget	Revenues	Expenditures
International Business Machines Corporation-11-09-10-07-E	$710,000	$710,758	$710,758
International Business Machines Corporation-11-09-10-09-E	$698,100	$698,134	$698,134
International Business Machines Corporation-12-09-10-11-E	$698,950	$699,350	$699,350
International Business Machines Corporation-12-09-10-12-E	$698,950	$698,950	$698,950
Mortgage Research Center, LLC 11-09-10-10-E	$892,948	$893,085	$893,085
Watlow Electric Manufacturing Company M-16-09-10-02-R	$800,000	$458,775	$458,654

Total Budget and Accumulated Revenues and Expenditures as of June 30, 2017:

Company	Total Budget	Revenues	Expenditures
International Business Machines Corporation-11-09-10-07-E	$710,000	$710,008	$710,000
International Business Machines Corporation-11-09-10-09-E	$698,100	$671,332	$656,033
International Business Machines Corporation-12-09-10-11-E	$698,950	$466,318	$466,315
International Business Machines Corporation-12-09-10-12-E	$698,950	$399,860	$399,860
Mortgage Research Center, LLC 11-09-10-10-E	$892,948	$893,085	$893,085
Watlow Electric Manufacturing Company M-16-09-10-02-R	$800,000	$241,657	$241,653

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 challenged others. In September 2016 the College received the Final Program Review Determination indicating a liability in the amount of $57,257.64. A check was issued for that amount to the U. S. Department of Education on November 28, 2016. Corrective action has been taken relative to the deficiencies that were noted. Additional penalties may be assessed for deficiencies regarding the College drug and alcohol policy and Cleary Act reporting.

NOTE 17 – RELATED PARTY TRANSACTIONS

The College purchased insurance policies during fiscal year 2017 for $980,256, from businesses owned by board members. The board members' businesses received commissions of $31,061 in 2017 related to these transactions. In fiscal year 2018, the insurance was purchased by a health insurance consortium, so no transactions between the College and board members occurred.

NOTE 18 – LITIGATION

In October, 2018, three charges were filed against the College with the Missouri Commission on Human Rights and the Equal Employment Opportunity Commission alleging discrimination in employment and race discrimination. These charges are being handled by the College's attorney.

NOTE 19 – 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, 2018 and 2017 and for the years then ended:

	June 30, 2018	June 30, 2017
Cash and cash equivalents	$ 375,456	$ 92,500
Investments	3,552,764	809,853
Accounts receivable	3,350	-
Total assets	3,931,570	902,353
Accounts payable	25,570	7,657
Total liabilities	25,570	7,657
Net Position	3,906,000	894,696
Gifts and grants from private sources	3,012,761	454,688
Investment income (loss)	86,683	70,710
Supplies and other services	(51,645)	(67,996)
Financial aid scholarships	(36,495)	-
Increase (decrease) in net position	3,011,304	457,402
Net position, beginning of year	894,696	437,294
Net position, end of year	$ 3,906,000	$ 894,696

NOTE 20 – 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. (MACCFDA) are combined with the College in the accompanying financial statements. During the year ended June 30, 2015, MACCFDA disposed of all assets and have temporarily suspended operations.

NOTE 21 – TAX ABATEMENTS

The College has adopted GASB 77, *Tax Abatement Disclosures*, in fiscal year 2017. This statement requires disclosures of tax abatement information, including a description of agreements, gross dollars abated, and commitments made. The City of Moberly, Missouri has entered into agreements with various organizations under Section 135.200-135.260 (Enterprise Zones) and Section 353.110 (Urban Redevelopment) of state statutory authority. The tax abatement agreements provide for the abatement of real estate and personal property taxes. The assessed value of the property included in the Enterprise Zone and Urban Redevelopment for fiscal years 2018 and 2017 was $6,225,950 and $4,065,559, respectively. The total property taxes relating to the College abated in fiscal years 2018 and 2017 were $20,521 and $13,400, respectively.

NOTE 22 – PRIOR PERIOD ADJUSTMENT

The College recognized a prior period adjustment of ($11,875) as of June 30, 2018, as a result of adopting GASB 75.

The following illustrates the prior period adjustment and resulting net position adjustment:

Net Position, Beginning of Year	$ 25,998,925
Prior Period Adjustment for GASB 75	(11,875)
Net Positon, Beginning of Year, Restated	$ 25,987,050

NOTE 23 – 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 November 8, 2018, the date the financial statements were issued. In October, 2018, three charges of discrimination were filed against the College. See Note 18 for details.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
Schedule of Changes in Total OPEB Liability and Related Ratios
Year Ended June 30, 2018

Total OPEB Liability	Fiscal Year Ending June 30 2018
Service cost	$ 89,941
Interest on total OPEB liability	37,725
Changes of benefit terms	-
Effect of economic/demographic gains or (losses)	-
Effect of assumption changes or inputs	(30,946)
Benefit payments	(37,447)
Net change in total OPEB liability	59,273
Total OPEB liability, beginning	982,375
Total OPEB liability, ending	$ 1,041,648
Covered payroll	13,308,544
Total OPEB liability as a % of covered payroll	7.83%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Actuarial Assumptions

Discount Rate (Adopted 6/30/2018)	The interest rate for discounting liabilities is 3.87% per annum based on the 20 year bond GO index at the fiscal Year end. The rate for the prior fiscal year was 3.58%.

Medical/Retiree Premium Inflation Rate

Year	Medical	Year	Medical
2018	5.70%	2050	5.20%
2019	6.40%	2055	5.30%
2020	4.90%	2060	5.30%
2025	4.80%	2065	5.00%
2030	4.80%	2070	4.50%
2035	4.90%	2075	4.20%
2040	4.90%	2080	4.20%
2045	5.30%	2085	4.20%
		2088+	4.10%

The healthcare trends used in this valuation are based on long term healthcare trends generated by the Getzen Model. The Getzen Model is the result of research sponsored by the Society of Actuaries and completed by a committee of economists and actuaries. This model is the current industry standard for projecting a long term medical trends. Inputs to the model are consistent with the assumptions used in deriving the discount rate used in the valuation.

Dental Premium Inflation Rate

Inflation rate 4.00%

Salary Increase (Adopted 6/30/2014)	Salary is assumed to increase at a rate of 3.00% per annum.
Healthy Mortality (Adopted 6/30/2018)	RP 2014 Mortality Table (employee and healthy annuitant tables), projected generationally using Scale MP-2017.

Turnover

Rates based on length of service:

Service	Rate
0	23.4%
1	15.1%
2	11.1%
3	9.2%
4	7.7%
5	6.4%
10	3.3%
15	2.0%
20	1.0%

Retirement
(Adopted 6/30/2014)

	Rate	
Age	Eligible For Early Retirement	Eligible For Normal/Unreduced
50-54	0.0%	20.0%
55-59	4.0%	20.0%
60-64	N/A	25.0%
65-69	N/A	35.0%
70 & up	N/A	100.0%

Future Retiree Coverage

40% of employees who retire prior to age 65 are assumed to elect medical coverage under the plan.

Medicare eligible retirees:
Medicare eligible retirees and dependents are assumed to discontinue coverage under the plan when they reach age 65.

Non Medicare eligible retirees:
20% of teachers hired prior to 1986 are assumed to never be eligible for Medicare. These employees are assumed to continue coverage under the plan after age 65. 20% of retired teachers, hired prior to 1986 and currently under age 65 are assumed to not be eligible for Medicare. These retirees are assumed to continue coverage under the plan after age 65.

Dental Coverage:
Dental coverage is assumed to be elected at the rate of 40%.

Vision Coverage:
Vision coverage is not assumed to include a material subsidy for retirees.

Future Dependent Coverage	Current active members are assumed to elect spouse coverage at retirement as follows. All female spouses are assumed to be 3 years younger than males. Male – 30% Female – 30% No dependent children are assumed to be covered in retirement. These assumptions are based on statistics provided by the College.

Certain actuarial demographic assumptions are based on the assumptions used in the valuation of the Public School and Public Educational Employees Retirement Systems of Missouri.

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Year Ended June 30, 2017

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%
June 30, 2016	-	1,659,600	1,659,600	0%	10,914,500	15.2%

Schedule of Employer Contributions

Fiscal Year Ending	Required Contribution	Net OPEB Obligation	Adjustment to the ARC	Net OPEB Cost	Actual Contribution	Net OPEB Obligation	
June 30, 2010	$ 132,800	$ -	$ -	$ 132,800	$ 16,100	$ 116,700	(1)
June 30, 2011	132,800	-	-	132,800	30,500	219,000	(1)
June 30, 2012	150,900	8,800	7,300	152,400	23,400	348,000	
June 30, 2013	152,400	13,900	12,000	154,300	33,900	468,400	
June 30, 2014	182,100	17,600	17,300	182,400	46,700	604,100	
June 30, 2015	183,500	22,700	23,000	183,200	57,000	730,300	
June 30, 2016	206,100	25,600	26,100	205,600	78,000	857,900	
June 30, 2017	207,900	30,000	31,600	206,300	93,700	970,500	

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

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
Public School and Education Employee Retirement Systems of Missouri
Year Ended June 30, 2018

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

Public School Retirement System of Missouri

Year Ended *	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage Total Pension Liability
June 30, 2014	0.1943%	$ 7,971,304	$ 8,735,579	91.25%	89.34%
June 30, 2015	0.2014%	11,626,540	9,237,470	125.86%	85.78%
June 30, 2016	0.2016%	15,000,348	9,426,609	159.13%	82.18%
June 30, 2017	0.1908%	13,778,670	9,120,652	151.07%	83.77%

Public Education Employee Retirement System of Missouri

Year Ended *	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage Total Pension Liability
June 30, 2014	0.2563%	$ 935,920	$ 3,737,079	25.04%	91.33%
June 30, 2015	0.2638%	1,395,254	3,955,390	35.27%	88.28%
June 30, 2016	0.2563%	2,056,385	3,958,246	51.95%	83.32%
June 30, 2017	0.2506%	1,911,955	4,026,744	47.48%	85.35%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

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

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
Public School and Education Employee Retirement Systems of Missouri
Year Ended June 30, 2018

Schedule of Employer Contributions

Public School Retirement System of Missouri

Year Ended	Staturily Required Contribution	Actual Employer Contributions	Contributions Excess/ (Deficiency)	Covered Member Payroll	Contributions as of Percentage of Covered Payroll
June 30, 2009	$ 835,345	$ 835,345	$ -	$ 6,425,731	13.00%
June 30, 2010	929,859	929,859	-	6,887,844	13.50%
June 30, 2011	1,020,676	1,020,676	-	7,290,543	14.00%
June 30, 2012	1,115,646	1,115,646	-	7,790,824	14.32%
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	-	9,237,470	14.31%
June 30, 2016	1,350,140	1,350,140	-	9,426,609	14.32%
June 30, 2017	1,305,485	1,305,485	-	9,120,652	14.31%
June 30, 2018	1,319,994	1,319,994	-	9,217,835	14.32%

Public Education Employee Retirement System of Missouri

Year Ended	Staturily Required Contribution	Actual Employer Contributions	Contributions Excess/ (Deficiency)	Covered Member Payroll	Contributions as of Percentage of Covered Payroll
June 30, 2009	$ 149,689	$ 149,689	$ -	$ 2,395,024	6.25%
June 30, 2010	168,123	168,123	-	2,586,508	6.50%
June 30, 2011	195,027	195,027	-	2,941,584	6.63%
June 30, 2012	225,204	225,204	-	3,282,857	6.86%
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%
June 30, 2016	271,536	271,536	-	3,958,246	6.86%
June 30, 2017	276,235	276,235	-	4,026,744	6.86%
June 30, 2018	280,623	280,623	-	4,090,709	6.86%

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
Note to Schedule of Employee Contributions
Year Ended June 30, 2018

Actuarial Assumptions

Actuarial valuations of the Systems involve assumptions about probability of occurrence of events far into the future in order to estimate the reported amounts. Examples include assumptions about future employment, salary increases, and mortality. 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 Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year and from Board policies concerning investments and COLAs. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the studies and effective with the June 30, 2016 valuation. For the June 30, 2017 valuations, the investment rate of return was reduced from 7.75% to 7.6% and the assumption for the annual cost-of-living adjustments was updated in accordance with the funding policies amended by the Board of Trustees at their November 2017 meeting. Significant actuarial assumption and methods, including changes from the prior year resulting from changes in Board policy are detailed below. For additional information please refer to the Systems' Comprehensive Annual Financial Report (CAFR). The next experience studies are scheduled for 2021.

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

Measurement Date	June 30, 2017
Valuation Date	June 30, 2017
Expected Return on Investments	7.60%, net of investment expenses and including 2.25% inflation.
Inflation	2.25%
Total Payroll Growth-PSRS	2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
Total Payroll Growth-PEERS	3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
Future Salary Increases-PSRS	3.00%-9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
Future Salary Increases-PEERS	4.00%-11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.

Cost-of-Living Increases- PSRS & PEERS

The annual COLA assumed in the valuation increases from 1.20% to 1.65% over nine years, beginning January1, 2019. The COLA reflected for January 1, 2018 is 1.63%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.80% to a normative inflation assumption of 2.25% over nine years. It is also based on the current policy of the Board to grant a COLA on each January 1 as follows:

- If the June to June change in the CPI-U is less than 2% for consecutive one year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of-living increase is granted.
- If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted.
- If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted.
- If the CPI decreases, no COLA is provided.

The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS member receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.

Mortality Assumption	
Actives:	
PSRS	RP 2006 White Collar Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
PEERS	RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
Non-Disabled Retirees, Beneficiaries and Survivors:	
PSRS	RP 2006 White Collar Mortality Table with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
PEERS	RP 2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
Disabled Retirees:	
PSRS & PEERS	RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
Changes in Actuarial Assumptions or Methods PSRS & PEERS	The investment return and COLA assumptions were updated by the Board as follows based on changes to the Board's funding policy adopted at the November 3, 2017 meeting: - The investment return assumption was lowered from 7.75% to 7.60% per year. - The Board adopted a new COLA policy on November 3, 2017 resulting in a change to the future COLA assumption from an increasing assumption of 1.05%-1.50% over nine years to an increasing assumption of 1.20%-1.65% over nine years, beginning January 1, 2019.
Fiduciary Net Position	The Systems issue a publicly available financial report (CAFR) that can be obtained at www.psrs-peers.org

SUPPLEMENTARY INFORMATION

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Project No.	Program or Award Amount	Receipts or Revenue Recognized	Disbursements Expenditures
Department of Education					
Direct Program:					
Title IV					
FSEOG Grants	84.007	N/A	$ 122,250	$ 122,250	$ 122,250
Federal Work-Study	84.033	N/A	60,511	60,511	60,511
Federal Pell Grants	84.063	N/A	7,592,598	7,592,598	7,592,598
Federal Direct Student Loans	84.268	N/A	4,624,784	4,624,784	4,624,784
Sub-Total Student Financial Aid Cluster				12,400,143	12,400,143
Passed through the Missouri Department of Education					
Title II-C, Perkins	84.048A	13-24	255,776	255,776	255,776
Adult Basic Education	84.002A	N/A	500,483	500,483	500,483
Vocational Rehabilitation	84.126A	N/A	N/A	172,677	172,677
Total Passed through the Missouri Dept. of Education				928,936	928,936
Total Department of Education				13,329,079	13,329,079
Department of Labor					
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants Program					
Passed-through Metropolitan Community College					
MoSTEMWINS	17.282	N/A	522,802	99,060	99,060
Passed through the Missouri Department of Education					
Trade Relief Act	17.245	N/A	N/A	7,273	7,273
Work Force Invest. Act (incl. ARRA)	17.258	N/A	N/A	34,011	34,011
Total Department of Labor				140,344	140,344
National Aeronautics and Space Administration (NASA)					
Passed Through - University of Missouri					
Missouri Space Grant Consortium	43.008	00050027-11	2,287	2,214	2,214
Total National Aeronautics and Space Administration (NASA)				2,214	2,214
U. S. Department of Transportation					
Passed through the Missouri Highway and Transportation Commission					
Ladders of Opportunity Initiative	20.205	RFI-OJT/SS	91,800	19,212	19,212
Total U. S. Department of Transportation				19,212	19,212
U. S. Department of Veterans Affairs					
Direct Program:					
Post-9/11 Veterans Educational Assistance	64.028	N/A	N/A	15,316	15,316
Total U. S. Department of Veterans Affairs				15,316	15,316
U. S. Department of Health & Human Services					
Child Development Associate Grant	93.575	N/A	N/A	13,787	13,787
Total U. S. Department of Health & Human Services				13,787	13,787
Total Federal Awards Expended				$ 13,519,952	$ 13,519,952

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

OMB Compliance Supplement 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.

B. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which recognizes expenditures in the period the liabilities are incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The College has elected not to use the 10% *de minimis* indirect cost rate as allowed under the uniform guidance.

2. Subrecipients

The College provided no federal awards to subrecipients during the year ended June 30, 2018.

COMPLIANCE AND INTERNAL CONTROL

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

To the Board of Trustees
Moberly Area Community College
Moberly, Missouri

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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures 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.

Gerding, Korte & Chitwood

November 8, 2018

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

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

To the Board of Trustees
Moberly Area Community College
Moberly, Missouri

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 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Gerding, Korte & Chitwood

November 8, 2018

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

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND SUMMARY OF AUDITOR'S RESULTS
JUNE 30, 2018

Section I: Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?	____	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	____	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____	Yes	X	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
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
MOBERLY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND SUMMARY OF AUDITOR'S RESULTS (CONTINUED)
JUNE 30, 2018

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? __X__ Yes ___ No

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None