

**REPORT OF**  
**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**JUNE 30, 2019 AND 2018**

# MOBERLY AREA COMMUNITY COLLEGE

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## 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, 2019 and 2018, 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.

PARTNERS

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

PARTNER EMERITUS

*Robert A. Gerding*

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, 2019 and 2018, 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 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 63 through 74 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 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 14, 2019, 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.

*Gerding, Korte & Chitwood, P.C.*

November 14, 2019

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

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**  
**(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, 2019 and June 30, 2018. 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.

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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.

**MOBERLY AREA COMMUNITY COLLEGE  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)**

	Year Ended June 30	
	2019	2018
Current Assets	\$ 24,403,951	\$ 21,338,093
Noncurrent Assets	6,364,834	3,991,713
Capital Assets	18,274,703	19,065,641
Total Assets	49,043,488	44,395,447
Deferred Outflows	7,999,871	9,330,674
Current Liabilities	3,450,752	3,430,454
Noncurrent Liabilities	16,396,670	16,234,625
Total Liabilities	19,847,422	19,665,079
Deferred Inflows	3,899,668	5,255,959
Net Investment in Capital Assets	17,730,703	18,385,641
Restricted:		
Nonexpendable	3,212,886	3,146,964
Expendable	300,724	231,303
Unrestricted	12,051,956	7,041,175
Total Net Position	\$ 33,296,269	\$ 28,805,083

**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.

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	Year Ended June 30	
	2019	2018
Operating Revenue	\$ 16,732,264	\$ 15,417,742
Operating Expenses	30,988,258	29,726,825
Operating Loss	(14,255,994)	(14,309,083)
Non-Operating Revenues (Expenses)	18,681,257	16,819,123
Gain before other revenues	4,425,263	2,510,040
Additions/deletions to permanent endowments	65,923	307,993
Increase in net position	4,491,186	2,818,033
Net Position, beginning of year	28,805,083	25,998,925
Prior period adjustment	-	(11,875)
Net Position, end of year	<u>\$ 33,296,269</u>	<u>\$ 28,805,083</u>

	Year Ended June 30	
	2019	2018
Operating Revenues		
Student tuition & fees, net of scholarship allowances	\$ 13,631,401	\$ 12,787,428
Auxiliary enterprises	2,186,023	2,341,062
Contracts and grants	743,470	60,479
Other	171,370	228,773
Total Operating Revenues	<u>\$ 16,732,264</u>	<u>\$ 15,417,742</u>
Nonoperating Revenues (Expenses)		
Local property taxes	\$ 654,124	\$ 663,063
State aid and grants	6,556,666	6,581,807
Investment income	516,458	231,011
Gifts and grants	10,954,009	9,644,021
Loss on sale of fixed assets	-	(300,779)
Total Nonoperating Revenues (Expenses)	<u>\$ 18,681,257</u>	<u>\$ 16,819,123</u>

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The following is the College's FY 2019 and 2018 operating expenses by function:

	<u>Year Ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Operating Expenses		
Salaries and benefits	\$ 18,470,175	\$ 17,945,638
Supplies and other services	8,204,743	7,717,112
Depreciation	1,053,259	970,780
Financial aid and scholarships	3,260,081	3,093,295
Total Operating Expenses	<u>\$ 30,988,258</u>	<u>\$ 29,726,825</u>

In addition, the following represents the FY 2019 and 2018 operating expenses of the College by program classification:

	<u>Year Ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Operating Expenses		
Instruction	\$ 11,392,659	\$ 10,947,967
Academic Support	3,028,676	2,823,802
Student Services	3,403,202	3,301,437
Institutional Support	3,460,031	3,277,701
Student Financial Aid	3,260,081	3,093,295
Plant and Maintenance	3,286,657	3,221,240
Auxilliary	2,103,693	2,090,603
Depreciation	1,053,259	970,780
Total Operating Expenses	<u>\$ 30,988,258</u>	<u>\$ 29,726,825</u>

During the year ended June 30, 2019, the College experienced an increase in net position of \$4,491,186, as compared to the prior year increase of \$2,818,033. This improvement was primarily associated with the receipt of a large private gift. Additionally, permanent endowment funds maintained by the College increased in the 2019 fiscal year by \$65,922.

Student Tuition and Fees increased in the 2019 fiscal year compared to 2018, due to decreased scholarships and waivers with steady enrollment and a modest price increase.

Contracts and grants revenue increased in the year ended June 30, 2019 compared to 2018, due to instructional fees charged under a college consortium agreement for an allied health program, as well as contracted instructional services for the Boone County Children's Services Fund.

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(UNAUDITED)**

**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	
	2019	2018
Cash provided (used) by:		
Operating activities	\$ (12,708,815)	\$ (11,611,666)
Noncapital financing activities	18,279,367	16,896,105
Capital and related financing activities	(398,321)	(378,516)
Investing activities	<u>(5,905,202)</u>	<u>(7,631,877)</u>
Net increase (decrease) in cash	(732,971)	(2,725,954)
Cash, beginning of year	<u>4,333,679</u>	<u>7,059,633</u>
Cash, end of year	<u>\$ 3,600,708</u>	<u>\$ 4,333,679</u>

Cash used by investing activities was higher in 2019, as a greater portion of available funds were invested to increase earnings for the College. This also decreased cash on hand at June 30, 2019.

**Capital and Debt Activities**

During the year ended June 30, 2019, the College expended \$345,090 for equipment, building improvements, and leasehold improvements.

The College's investment in capital assets net of accumulated depreciation as of June 30, 2019 and 2018 amounts to \$18.3 million and \$19.1 million, respectively and this investment in capital assets includes land, buildings, equipment and improvements.

	Year Ended June 30	
	2019	2018
Property, plant and equipment		
Land	\$ 529,200	\$ 529,200
Improvements (other than buildings)	211,071	235,217
Buildings and improvements	16,090,236	16,870,639
Construction in progress	-	79,633
Equipment	<u>1,444,196</u>	<u>1,350,952</u>
Net Capital Assets	<u>\$ 18,274,703</u>	<u>\$ 19,065,641</u>

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Total debt of the College as of June 30, 2019 and 2018 was \$544,000 and \$680,000, 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 1% and 3%, respectively, for FY 2020. This compares to 2.7% and 4.2% increases for FY 2019. Fall 2019 enrollment is down 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, Agriculture, Veterinary Technician, and Truck Driving.

It is projected that enrollment will decline by less than 2% for FY 2020 after it remained steady during FY 2019. The expansion of the dual credit program, instructional programs in Columbia and Mexico, continued expansion 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, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 3,600,708	\$ 4,333,679
Investments	15,138,000	11,196,607
Accounts receivable, net of \$4,037,347 and \$4,153,809 allowance for doubtful accounts, respectively	5,136,021	5,288,379
Inventories	108,945	201,441
Prepaid expenses	420,277	317,987
Total current assets	24,403,951	21,338,093
Noncurrent Assets		
Investments	6,364,834	3,991,713
Capital assets, net	18,274,703	19,065,641
Total noncurrent assets	24,639,537	23,057,354
Total assets	49,043,488	44,395,447
<b>DEFERRED OUTFLOWS</b>		
Deferred Outflows Related to Pension	7,961,465	9,330,674
Deferred Outflows Related to OPEB	38,406	-
Total Deferred Outflows	7,999,871	9,330,674
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	687,739	731,357
Accrued liabilities	44	505
Accrued wages payable	1,122,449	1,003,611
Accrued post-employment benefits	1,175,298	1,041,648
Deposits held for others	271,377	387,650
Unearned revenue	57,845	129,683
Note payable	136,000	136,000
Total current liabilities	3,450,752	3,430,454
Noncurrent Liabilities		
Note payable	408,000	544,000
Net pension liability	15,988,670	15,690,625
Total noncurrent liabilities	16,396,670	16,234,625
Total liabilities	19,847,422	19,665,079
<b>DEFERRED INFLOWS</b>		
Deferred Inflows Related to Pension	3,875,420	5,228,362
Deferred Inflows Related to OPEB	24,248	27,597
Total Deferred Inflows	3,899,668	5,255,959
<b>NET POSITION</b>		
Net investment in capital assets	17,730,703	18,385,641
Restricted for:		
Nonexpendable		
Endowment	3,212,886	3,146,964
Expendable		
Endowment	300,724	231,303
Unrestricted	12,051,956	7,041,175
Total net position	\$ 33,296,269	\$ 28,805,083

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

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**JUNE 30, 2019 AND 2018**

<b>REVENUES</b>	2019	2018
Operating Revenues		
Student tuition and fees, net of scholarship allowances of \$5,082,229 and \$5,328,954, respectively	\$ 13,631,401	\$ 12,787,428
Auxiliary enterprises:		
Bookstore, Cafeteria, Housing, net of scholarship allowances of \$159,652 and \$133,282, respectively	2,186,023	2,341,062
Contracts and grants from government sources	602,193	-
Contracts and grants from private sources	141,277	60,479
Other operating revenues	171,370	228,773
Total operating revenues	16,732,264	15,417,742
<b>EXPENSES</b>		
Operating Expenses		
Salaries	14,126,060	13,761,324
Benefits	4,344,115	4,184,314
Supplies and other services	5,912,028	5,504,412
Utilities	608,604	640,620
Travel	390,569	409,592
Repairs and maintenance	1,293,542	1,162,488
Financial aid scholarships	3,260,081	3,093,295
Depreciation	1,053,259	970,780
Total operating expenses	30,988,258	29,726,825
Operating loss	(14,255,994)	(14,309,083)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Local property tax revenue	654,124	663,063
State aid and grants	6,254,504	6,285,713
Investment income	516,458	231,011
Vocational funding	302,162	296,094
Gifts and grants from government sources	8,794,411	8,694,912
Gifts and grants from private sources	2,159,598	949,109
Loss on sale of fixed assets	-	(300,779)
Total nonoperating revenues (expenses)	18,681,257	16,819,123
Gain before other revenues, expenses, gains or losses	4,425,263	2,510,040
Additions (reductions) to permanent endowments	65,923	307,993
<b>INCREASE IN NET POSITION</b>	4,491,186	2,818,033
<b>NET POSITION, BEGINNING OF YEAR</b>	28,805,083	25,998,925
<b>Prior Period Adjustment (Note 20)</b>	-	(11,875)
<b>NET POSITION, BEGINNING OF YEAR, RESTATED</b>	28,805,083	25,987,050
<b>NET POSITION, END OF YEAR</b>	\$ 33,296,269	\$ 28,805,083

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

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**STATEMENTS OF CASH FLOWS**  
**JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 13,497,993	\$ 12,778,157
Payments to suppliers	(7,652,733)	(6,536,244)
Payments for utilities	(619,866)	(644,109)
Payments to employees	(14,159,444)	(13,861,530)
Payments for benefits	(3,785,686)	(3,898,953)
Payments for financial aid and scholarships	(3,260,081)	(3,093,295)
Auxiliary enterprise charges:		
Bookstore, vending, cafeteria, housing	2,299,245	2,371,828
Contracts and grants from government sources	602,193	-
Contracts and grants from private sources	69,439	33,153
Escrow receipt (return of funds)	-	1,239,327
Other receipts (payments)	300,125	-
	<u>(12,708,815)</u>	<u>(11,611,666)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local property taxes	654,124	663,063
State aid and grants	6,556,666	6,581,807
Gifts and grants other than capital	11,002,654	9,343,242
Private gifts for endowment purposes	65,923	307,993
	<u>18,279,367</u>	<u>16,896,105</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(262,321)	(242,516)
Principal paid on capital debt	(136,000)	(136,000)
	<u>(398,321)</u>	<u>(378,516)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale and maturities of investments	11,500,556	6,422,775
Investment income	409,312	231,011
Purchase of investments	(17,815,070)	(14,285,663)
	<u>(5,905,202)</u>	<u>(7,631,877)</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	<u>(732,971)</u>	<u>(2,725,954)</u>
 <b>CASH, BEGINNING OF YEAR</b>	<u>4,333,679</u>	<u>7,059,633</u>
 <b>CASH, END OF YEAR</b>	<u>\$ 3,600,708</u>	<u>\$ 4,333,679</u>

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

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
STATEMENTS OF CASH FLOWS (CONT'D)  
JUNE 30, 2019 AND 2018**

<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	2019	2018
Operating loss	\$ (14,255,994)	\$ (14,309,083)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,053,259	970,780
Changes in assets and liabilities:		
Receivables, net	210,859	959,658
Inventories	92,496	105,396
Other assets	(102,290)	72,391
Accounts payable and other current liabilities	92,136	292,838
Deferred outflows	1,330,803	10,057
Deferred inflows	(1,356,291)	1,691,606
Net pension liability	298,045	(1,366,108)
Unearned revenue	(71,838)	(27,326)
Prior period adjustment	-	(11,875)
Net cash used by operating activities	\$ (12,708,815)	\$ (11,611,666)

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

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
STATEMENTS OF FIDUCIARY NET POSITION  
SCHOLARSHIP FUNDS  
JUNE 30, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ -	\$ -
Investments	-	-
Total current assets	-	-
Noncurrent Assets		
Investments	-	-
Total noncurrent assets	-	-
Total assets	-	-
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	-	-
Total current liabilities	-	-
Total liabilities	-	-
<b>NET POSITION</b>		
Restricted for Scholarships	-	-
Unrestricted	-	-
	\$ -	\$ -

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

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
SCHOLARSHIP FUNDS  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>INVESTMENT INCOME</b>		
Interest income	\$ -	\$ 3,843
Net investment income	-	3,843
 <b>CONTRIBUTIONS</b>		
Private sources	-	17,000
Total contributions	-	17,000
 <b>DEDUCTIONS</b>		
Scholarships	-	12,021
Total deductions	-	12,021
Net increase/(decrease)	-	8,822
Additions/(reductions) to permanent endowments	-	(282,212)
 <b>NET POSITION, BEGINNING OF YEAR</b>	-	273,390
<b>NET POSITION, END OF YEAR</b>	\$ -	\$ -

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**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2019 AND 2018**

**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.

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2019 AND 2018**

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

**Fund Accounting**

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

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

**Use of Estimates in Preparing Financial Statements**

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

**MOBERLY AREA COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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, 2019 and 2018 from the Moberly taxing district on taxes levied for calendar years 2018 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:

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

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
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**JUNE 30, 2019 AND 2018**

**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, 2019 and 2018.

**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 2014 through 2018. 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.

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2019 AND 2018**

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

At June 30, 2019 and 2018, the carrying amounts of cash and cash equivalents on the statement of net position and statement of fiduciary net position totals \$3,600,708 and \$4,333,679, 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 \$4,513,090 and \$5,029,810 for the years ended June 30, 2019 and 2018, respectively. Of the College's bank balances at June 30, 2019, \$423,710 was insured by the Federal Depository Insurance Corporation (FDIC) and \$4,075,428 was collateralized with securities held by the pledging financial institution's agent in the College's name. As of June 30, 2018, \$432,507 was insured by the FDIC and \$4,597,303 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, 2019, \$280,892 was insured by the FDIC and \$0 was collateralized. 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 Facility Development Corporation's cash deposits as of June 30, 2019 and 2018, 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, 2019 and 2018, the College's deposits are categorized below. Differences between the carrying amount and deposit amount are due to timing of transactions.

**MOBERLY AREA COMMUNITY COLLEGE  
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**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

At June 30, 2019 and 2018 the College's deposits were categorized as follows:

	2019		2018	
	Carrying Amount	Deposit Amount	Carrying Amount	Deposit Amount
College:				
Insured (FDIC)	\$ 423,710	\$ 437,662	\$ 432,507	\$ 432,507
Insured or registered for which Securities held by the College or it's agent in the College's name	2,896,106	4,075,428	3,525,714	4,597,303
Unsecured	-	-	-	-
	<u>3,319,816</u>	<u>4,513,090</u>	<u>3,958,221</u>	<u>5,029,810</u>
Foundation:				
Insured (FDIC)	280,892	280,892	321,366	321,366
Insured or registered for which securities held by the Foundation or its agent in the Foundation's name	-	-	54,092	54,092
	<u>-</u>	<u>-</u>	<u>54,092</u>	<u>54,092</u>
Total Deposits	<u>\$ 3,600,708</u>	<u>\$ 4,793,982</u>	<u>\$ 4,333,679</u>	<u>\$ 5,405,268</u>

**Investments**

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

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

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

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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, 2019 and 2018, the College had the following investments:

Type	2019			
	Fair Value	Book Value	Book Value Less Than One year	Book Value Greater Than One Year (or stocks)
<b>College:</b>				
Certificates of Deposit	\$ 17,633,000	\$ 17,633,000	\$ 15,138,000	\$ 2,495,000
US Agency Notes	-	-	-	-
Commerce Bancshares	-	-	-	-
Other Equities/Bonds	-	-	-	-
	<u>\$ 17,633,000</u>	<u>\$ 17,633,000</u>	<u>\$ 15,138,000</u>	<u>\$ 2,495,000</u>
<b>Foundation:</b>				
Certificates of Deposit	\$ -	\$ -	\$ -	\$ -
Equities	707,250	707,250	-	707,250
Corporate Bonds	826,709	826,709	-	826,709
Mutual Funds	2,335,875	2,335,875	-	2,335,875
	<u>\$ 3,869,834</u>	<u>\$ 3,869,834</u>	<u>\$ -</u>	<u>\$ 3,869,834</u>
Type	2018			
	Fair Value	Book Value	Book Value Less Than One year	Book Value Greater Than One Year (or stocks)
<b>College:</b>				
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	-	-	-	-
	<u>\$ 11,635,556</u>	<u>\$ 11,635,556</u>	<u>\$ 11,196,607</u>	<u>\$ 438,949</u>
<b>Foundation:</b>				
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
	<u>\$ 3,552,764</u>	<u>\$ 3,552,764</u>	<u>\$ -</u>	<u>\$ 3,552,764</u>

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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 \$74,768 and \$38,204 in fiscal year ended June 30, 2019 and 2018, respectively.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts Receivable at June 30, 2019 and 2018, was composed of the following:

	2019	2018
Student charges (net of allowances)	\$ 2,975,720	\$ 2,842,312
Federal grants/contracts	1,612,845	2,114,987
State grants/contracts	128,966	1,932
Interest receivable	176,796	69,650
Other	241,694	259,498
Total	\$ 5,136,021	\$ 5,288,379

**MOBERLY AREA COMMUNITY COLLEGE**  
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**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.

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**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, 2019 and 2018, aggregated by the level in the fair value hierarchy within which those measurements fall:

	2019			Total
	Level 1	Level 2	Level 3	
Cash Equivalents	\$21,233,708	\$ -	\$ -	\$21,233,708
Mutual Funds	2,335,875	-	-	2,335,875
US Agency Notes/Bonds	-	-	-	-
Equities	1,533,959	-	-	1,533,959
Total	<u>\$25,103,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$25,103,542</u>

  

	2018			Total
	Level 1	Level 2	Level 3	
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	<u>\$19,521,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$19,521,999</u>

**MOBERLY AREA COMMUNITY COLLEGE**  
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**NOTE 5 – CHANGES IN CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2019 are summarized below:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 529,200	\$ -	\$ -	\$ 529,200
Capital Assets Being Depreciated:				
Improvements (other than buildings)	1,770,057	-	-	1,770,057
Buildings and building improvements	27,533,864	28,960	-	27,562,824
Construction in progress	79,633	-	79,633	-
Equipment	3,532,139	316,130	40,964	3,807,305
Sub-Total	32,915,693	345,090	120,597	33,140,186
Total	<u>\$ 33,444,893</u>	<u>\$ 345,090</u>	<u>\$ 120,597</u>	<u>\$ 33,669,386</u>
Less Accumulated Depreciation:				
Improvements (other than buildings)	1,534,840	24,146	-	1,558,986
Buildings and building improvements	10,663,225	809,363	-	11,472,588
Equipment	2,181,187	219,750	37,828	2,363,109
Total	14,379,252	1,053,259	37,828	15,394,683
Capital Assets, Net	<u>\$ 19,065,641</u>	<u>\$ (708,169)</u>	<u>\$ 82,769</u>	<u>\$ 18,274,703</u>

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

	Balance July 1, 2017	Additions	Deletions	Balance 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	<u>\$ 33,665,037</u>	<u>\$ 711,742</u>	<u>\$ 931,886</u>	<u>\$ 33,444,893</u>
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	<u>\$ 19,793,905</u>	<u>\$ (259,038)</u>	<u>\$ 469,226</u>	<u>\$ 19,065,641</u>

**MOBERLY AREA COMMUNITY COLLEGE**  
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**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2019 AND 2018**

**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.psrps-peers.org](http://www.psrps-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.

**MOBERLY AREA COMMUNITY COLLEGE**  
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**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2019 AND 2018**

**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.

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2019 AND 2018**

**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](http://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, 2018 and 2019. 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, 2018 and 2019. 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 \$1,367,334 and \$287,585, respectively, for the year ended June 30, 2019, and were \$1,319,994 and \$280,623, respectively, for the year ended June 30, 2018.

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2019 AND 2018**

**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, 2019, the College recorded a liability of \$14,088,570 for its proportionate share of PSRS' net pension liability and \$1,900,100 for its proportionate share of PEERS' net pension liability. In total the College recorded net pension liabilities of \$15,988,670. The net pension liability for the plan in total was measured as of June 30, 2018, 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 \$1,319,994 and \$280,623, respectively, for the year ended June 30, 2018, relative to the actual contributions of \$697,214,371 for PSRS and \$114,141,743 for PEERS from all participating employers. At June 30, 2018, the College's proportionate share was 0.1893% for PSRS and 0.2459% for PEERS.

For the year ended June 30, 2019, the College recognized pension expense of \$1,578,850 for PSRS and \$380,697 for PEERS, its proportionate share of the total pension expense.

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.

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

At June 30, 2019 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	\$ 733,884	\$ 664,647	\$ 2,719	\$ 44,512	\$ 736,603	\$ 709,159
Changes in assumptions	2,571,272	-	292,792	-	2,864,064	-
Net difference between projected and actual earnings on pension plan investments	2,153,837	2,272,524	323,383	349,156	2,477,220	2,621,680
Changes in proportion and differences between employer contributions and proportionate share of contributions	227,573	500,201	1,085	44,380	228,658	544,581
Employer contributions subsequent to the measurement date	1,367,334	-	287,585	-	1,654,919	-
<b>Total</b>	<b>\$ 7,053,900</b>	<b>\$ 3,437,372</b>	<b>\$ 907,564</b>	<b>\$ 438,048</b>	<b>\$ 7,961,464</b>	<b>\$ 3,875,420</b>

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2018, will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. 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
2020	\$ 1,265,062	\$ 200,460	\$ 1,465,522
2021	719,332	95,874	815,206
2022	(270,232)	(92,025)	(362,257)
2023	298,830	(22,377)	276,453
2024	226,949	-	226,949
Thereafter	9,252	-	9,252
<b>Total</b>	<b>\$ 2,249,193</b>	<b>\$ 181,932</b>	<b>\$ 2,431,125</b>

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

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	-
<b>Total</b>	<u>\$ 8,146,148</u>	<u>\$ 4,618,319</u>	<u>\$ 1,184,525</u>	<u>\$ 610,043</u>	<u>\$ 9,330,673</u>	<u>\$ 5,228,362</u>

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
<b>Total</b>	<u>\$ 2,207,834</u>	<u>\$ 293,859</u>	<u>\$ 2,501,693</u>

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

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

**Actuarial Assumptions (June 30, 2019)**

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. For the June 30, 2018 valuation, the investment rate of return assumption was further reduced from 7.60% to 7.50%. 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, 2018
Valuation Date	June 30, 2018
Expected Return on Investments	7.50%, 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.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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 eight years, beginning January 1, 2020. The COLA reflected for January 1, 2019 is 2.00%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.85% to a normative inflation assumption of 2.25% over eight 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.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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 following assumptions were updated by the Board at the October 29, 2018 meeting:

- The investment return assumption was lowered from 7.60% to 7.50% per year.

Fiduciary Net Position

The Systems issue a publicly available financial report (CAFR) that can be obtained at [www.psr-peers.org](http://www.psr-peers.org)

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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, 2018 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	0.64%
		Long-term expected geometric return	7.50%

**MOBERLY AREA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2019 AND 2018**

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

Discount Rate

The long-term expected rate of return used to measure the total pension liability was 7.5% as of June, 30, 2018, 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 and to 7.5% effective with the June 30, 2018 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 7.50% is presented as well as the net pension liabilities using a discount rate that is 1.0% lower (6.50%) or 1.0% higher (8.50%) than the current rate.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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 January 1, 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.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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.psr-peers.org](http://www.psr-peers.org)

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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%

**MOBERLY AREA COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2019 AND 2018**

**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.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

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

For the year ended June 30, 2019

	<u>Discount Rate</u>	<u>1% Decrease (6.50%)</u>	<u>Current Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
PSRS	Proportionate share of the Net Pension Liability/(Asset)	\$ 25,254,815	\$ 14,088,570	\$ 4,808,256
PEERS	Proportionate share of the Net Pension Liability/(Asset)	\$ 3,578,103	\$ 1,900,100	\$ 492,765

For the year ended June 30, 2018:

	<u>Discount Rate</u>	<u>1% Decrease (6.60%)</u>	<u>Current Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
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 years ended June 30, 2019 and 2018, the College recorded a payable to PSRS of \$70,918 and \$80,602, respectively, and had no payable to PEERS for either year.

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

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.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

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

**(June 30, 2019)**

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

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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, 2019, the College recorded a liability of \$1,175,298 related to OPEB. The OPEB was measured and an actuarial valuation was performed as of June 30, 2019.

For the year ended June 30, 2019, the College recognized OPEB expense of \$91,895.

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to OPEB:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows due to:		
Differences between expected and actual expenses	\$ -	\$ -
Changes of assumptions	<u>38,406</u>	<u>(24,248)</u>
 Total	 <u>\$ 38,406</u>	 <u>\$ (24,248)</u>

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:

<u>Year Ended June 30</u>		
2020	\$	1,312
2021		1,312
2022		1,312
2023		1,312
2024		1,312
Thereafter		7,598

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

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

The following were included in the analysis of OPEB as of June 30, 2019:

Number of Members		Average Age	
Active	247	Active	47.6
Retired	16	Retired	67.3
Spouses of Retirees	9		
Total	272		

**Actuarial Assumptions**

Discount Rate

(Adopted 6/30/2019)

The interest rate for discounting liabilities is 3.50% per annum based on the 20 year bond GO index at the fiscal year end. The rate for the prior fiscal year was 3.87%

**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.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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:

<u>Service</u>	<u>Rate</u>
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)

<u>Age</u>	<u>Rate</u>	
	<u>Eligible For Early Retirement</u>	<u>Eligible For Normal/Unreduced</u>
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%

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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 3.50%, 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 (2.50%) or 1 percentage point higher (4.50%) than the current rate.

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 1,304,061	\$ 1,175,298	\$ 1,063,923

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	\$ 1,020,463	\$ 1,175,298	\$ 1,365,687

At June 30, 2019, the College had no payable for OPEB.

**(June 30, 2018)**

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).   |

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

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

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

**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.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

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

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)

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

Number of Members		Average Age	
Active	247	Active	47.6
Retired	16	Retired	67.3
Spouses of Retirees	9		
Total	272		

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

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

**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

<u>Year</u>	<u>Medical</u>	<u>Year</u>	<u>Medical</u>
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.

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.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

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

Turnover

Rates based on length of service:

<u>Service</u>	<u>Rate</u>
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)

<u>Age</u>	<u>Rate</u>	
	<u>Eligible For Early Retirement</u>	<u>Eligible For Normal/Unreduced</u>
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%.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

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

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.

**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.

	<u>1% Decrease</u> 2.87%	<u>Discount Rate</u> 3.87%	<u>1% Increase</u> 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.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 914,734	\$ 1,041,648	\$ 1,196,379

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

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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, 2018 and 2017, upon which 2018 and 2017 tax rates of \$.3319 and \$.3296, respectively, per \$100 of the assessed valuation was levied for purposes of local taxation, was \$200,913,146 and \$200,415,613, respectively.

The receipt of current and delinquent property taxes during the fiscal years ended June 30, 2019 and 2018, aggregated approximately 98.4% and 100.0%, 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:

<u>Fiscal Year</u>	
2020	\$ 449,659
2021	347,472
2022	288,538

During 2019 and 2018, the College recorded lease expense in the amount of \$464,830 and \$454,606, respectively.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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, 2019 is summarized as follows:

	Balance June 30, 2018	New Debt	Principal Repayment	Balance June 30, 2019
Notes payable	\$ 680,000	\$ -	\$ 136,000	\$ 544,000
Less current portion	136,000	-	-	136,000
	<u>\$ 544,000</u>	<u>\$ -</u>	<u>\$ 136,000</u>	<u>\$ 408,000</u>

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

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

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
	<u>\$ 680,000</u>	<u>\$ -</u>	<u>\$ 136,000</u>	<u>\$ 544,000</u>

Future annual minimum payments at June 30, 2019 toward reducing the principal balance are as follows:

Year Ended June 30,	Principal Payment
2020	\$ 136,000
2021	136,000
2022	136,000
2023	136,000
Total	<u>\$ 544,000</u>

**NOTE 12 – DESIGNATED FUND BALANCES**

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

**NOTE 13 – RISK MANAGEMENT**

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

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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 for the year then ended:

	June 30, 2018
Cash and cash equivalents	\$ -
Deposits	-
Total assets	-
Deferred revenue	-
Total liabilities	-
Net Position	-
Premiums received	4,770
Interest income	-
Claims paid/refunded	(14,003)
Premiums and administrative costs	-
Transfer of remaining self-funded health plan fund reserves	(923,255)
Increase (decrease) in net position	(932,488)
Net position, beginning of year	932,488
Net position, end of year	\$ -

The fund was closed in fiscal year 2018.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**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, 2019 and 2018.

Total Budget and Accumulated Revenues and Expenditures as of June 30, 2019:

<u>Company</u>	<u>Total Budget</u>	<u>Revenues</u>	<u>Expenditures</u>
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	\$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	\$723,834	\$645,321

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

<u>Company</u>	<u>Total Budget</u>	<u>Revenues</u>	<u>Expenditures</u>
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	\$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	\$458,775	\$458,654

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**NOTE 16 – LITIGATION**

In October, 2018, two 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 17 – 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, 2019 and 2018 and for the years then ended:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash and cash equivalents	\$ 280,893	\$ 375,456
Investments	3,869,834	3,552,764
Accounts receivable	4,304	3,350
Total assets	<u>4,155,031</u>	<u>3,931,570</u>
Accounts payable	14,456	25,570
Total liabilities	<u>14,456</u>	<u>25,570</u>
Net Position	<u>4,140,575</u>	<u>3,906,000</u>
Gifts and grants from private sources	151,710	3,012,761
Investment income (loss)	179,712	86,683
Supplies and other services	(69,609)	(51,645)
Financial aid scholarships	<u>(27,238)</u>	<u>(36,495)</u>
Increase (decrease) in net position	234,575	3,011,304
Net position, beginning of year	<u>3,906,000</u>	<u>894,696</u>
Net position, end of year	<u>\$ 4,140,575</u>	<u>\$ 3,906,000</u>

**NOTE 18 – 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.

**MOBERLY AREA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019 AND 2018**

**NOTE 19 – TAX ABATEMENTS**

The College has adopted GASB 77, *Tax Abatement Disclosures*. 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 2019 and 2018 was \$7,912,735 and \$6,225,950, respectively. The total property taxes relating to the College abated in fiscal years 2019 and 2018 were \$26,262 and \$20,521, respectively.

**NOTE 20 – 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	<u>(11,875)</u>
Net Positon, Beginning of Year, Restated	<u><u>\$ 25,987,050</u></u>

**NOTE 21 – 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 14, 2019, the date the financial statements were issued.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**Years Ended June 30, 2019 and 2018**

Total OPEB Liability	Fiscal Year Ending June 30 2019	Fiscal Year Ending June 30 2018
Service cost	\$ 91,390	\$ 89,941
Interest on total OPEB liability	43,009	37,725
Changes of benefit terms	-	-
Effect of economic/demographic gains or (losses)	-	-
Effect of assumption changes or inputs	43,067	(30,946)
Benefit payments	(43,816)	(37,447)
Net change in total OPEB liability	133,650	59,273
Total OPEB liability, beginning	1,041,648	982,375
Total OPEB liability, ending	\$ 1,175,298	\$ 1,041,648
Covered payroll	11,729,481	11,303,311
Total OPEB liability as a % of covered payroll	10.02%	9.22%

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

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**Notes to Required Supplementary Information: OPEB**  
**Years Ended June 30, 2019 and 2018**

**Actuarial Assumptions**

Discount Rate  
 (Adopted 6/30/2019)                      The interest rate for discounting liabilities is 3.50% per annum based on the 20 year bond GO index at the fiscal year end. The rate for the prior fiscal year was 3.87%.

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.

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**Notes to Required Supplementary Information: OPEB (Cont'd)**  
**Years Ended June 30, 2019 and 2018**

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)

Age	Rate	
	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.

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**Notes to Required Supplementary Information: OPEB (Cont'd)**  
**Years Ended June 30, 2019 and 2018**

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**  
**Public School and Education Employee Retirement Systems of Missouri**  
**Year Ended June 30, 2019**

**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%
June 30, 2018	0.1893%	14,088,570	9,261,898	152.11%	84.06%

**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%
June 30, 2018	0.2459%	1,900,100	4,090,709	46.45%	86.06%

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, 2019**

**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	-	9,261,898	14.25%
June 30, 2019	1,367,334	1,367,334	-	9,594,209	14.25%

**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%
June 30, 2019	287,585	287,585	-	4,192,211	6.86%

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**Note to Schedule of Employer Contributions**  
**Year Ended June 30, 2019**

**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. For the June 30, 2018 valuation, the investment rate of return assumption was further reduced from 7.60% to 7.50%. 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, 2018
Valuation Date	June 30, 2018
Expected Return on Investments	7.50%, 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.

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**Note to Schedule of Employer Contributions (Cont'd)**  
**Year Ended June 30, 2019**

Cost-of-Living Increases-  
PSRS & PEERS

The annual COLA assumed in the valuation increases from 1.20% to 1.65% over eight years, beginning January 1, 2020. The COLA reflected for January 1, 2019 is 2.00%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.85% to a normative inflation assumption of 2.25% over eight 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.

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**Note to Schedule of Employer Contributions (Cont'd)**  
**Year Ended June 30, 2019**

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 following assumptions were updated by the Board at the October 29, 2018 meeting:

- The investment return assumption was lowered from 7.60% to 7.50% per year.

Fiduciary Net Position

The Systems issue a publicly available financial report (CAFR) that can be obtained at [www.psr-peers.org](http://www.psr-peers.org)

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**Note to Schedule of Employer 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.

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**Note to Schedule of Employer Contributions (Cont'd)**  
**Year Ended June 30, 2018**

Cost-of-Living Increases-  
PSRS & PEERS

The annual COLA assumed in the valuation increases from 1.20% to 1.65% over nine years, beginning January 1, 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.

**MOBERLY AREA COMMUNITY COLLEGE**  
**MOBERLY, MISSOURI**  
**Note to Schedule of Employer Contributions (Cont'd)**  
**Year Ended June 30, 2018**

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	<p>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:</p> <ul style="list-style-type: none"> <li>- The investment return assumption was lowered from 7.75% to 7.60% per year.</li> <li>- 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.</li> </ul>
Fiduciary Net Position	The Systems issue a publicly available financial report (CAFR) that can be obtained at <a href="http://www.psr-peers.org">www.psr-peers.org</a>

## **SUPPLEMENTARY INFORMATION**

**MOBERLY AREA COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor's Project No.</b>	<b>Program or Award Amount</b>	<b>Receipts or Revenue Recognized</b>	<b>Disbursements Expenditures</b>
<b><u>Department of Education</u></b>					
Direct Program:					
Title IV					
FSEOG Grants	84.007	N/A	\$ 145,561	\$ 145,561	\$ 145,561
Federal Work-Study	84.033	N/A	87,867	87,867	87,867
Federal Pell Grants	84.063	N/A	7,587,963	7,587,963	7,587,963
Federal Direct Student Loans	84.268	N/A	5,257,213	5,257,213	5,257,213
Total Title IV				<u>13,078,604</u>	<u>13,078,604</u>
Passed through the Missouri					
Department of Ed.:					
Title II-C, Perkins	84.048A	13-24	278,957	278,957	278,957
Adult Basic Education	84.002A	N/A	250,368	250,368	250,368
Vocational Rehabilitation	84.126A	N/A	N/A	158,888	158,888
Total Passed through the Missouri Dept. of Education				<u>688,213</u>	<u>688,213</u>
Total Department of Education				<u>13,766,817</u>	<u>13,766,817</u>
<b><u>U. S. Department of Health and Human Services</u></b>					
Passed-through Central Region Workforce Development Board					
Health Professions Opportunity Grant	93.093	N/A	N/A	2,888	2,888
Child Development Associate Grant	93.575	N/A	N/A	1,212	1,212
Total U. S. Department of Health and Human Services				<u>4,100</u>	<u>4,100</u>
<b><u>Department of Labor</u></b>					
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants Program Passed-through Metropolitan Community College					
MoSTEMWINS	17.282	N/A	522,802	40,494	40,494
Passed through the Missouri Division of Workforce Development					
MORAP WIOA	17.278	AA-28326-16-55-A-29	358,678	358,678	358,678
MORAP WIOA	17.278	AA-28326-16-55-A-29	79,204	34,300	34,300
				<u>392,978</u>	<u>392,978</u>
Passed through the Missouri Department of Education					
Trade Relief Act	17.245	N/A	N/A	7,256	7,256
Work Force Invest. Act (incl. ARRA)	17.258	N/A	N/A	27,727	27,727
				<u>34,983</u>	<u>34,983</u>
Total Department of Labor				<u>468,455</u>	<u>468,455</u>
<b><u>U. S. Department of Agriculture</u></b>					
Passed Through - MO Community College Association					
SkillUP	10.561	N/A	N/A	651	651
Total U. S. Department of Agriculture				<u>651</u>	<u>651</u>
<b><u>U. S. Department of Transportation</u></b>					
Passed through the Missouri Highway and Transportation Commission					
Ladders of Opportunity Initiative	20.205	RFI-OJT/SS	91,800	3,760	3,760
Total U. S. Department of Transportation				<u>3,760</u>	<u>3,760</u>
<b><u>U. S. Department of Veterans Affairs</u></b>					
Direct Program:					
Post-9/11 Veterans					
Educational Assistance	64.028	N/A	N/A	5,641	5,641
Total U. S. Department of Veterans Affairs				<u>5,641</u>	<u>5,641</u>
<b>Total Federal Awards Expended</b>				<u>\$14,249,424</u>	<u>\$14,249,424</u>

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019. 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.

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019.

## **COMPLIANCE AND INTERNAL CONTROL**



GERDING, KORTE & CHITWOOD CPAS

Professional Corporation

Certified Public Accountants

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

723 Main St.  
Boonville, MO 65233  
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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, 2019 and 2018, 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 14, 2019.

PARTNERS

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

Internal Control Over Financial Reporting

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

PARTNER EMERITUS

*Robert A. Gerding*

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

#### Compliance and Other Matters

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



November 14, 2019

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



GERDING, KORTE & CHITWOOD CPAS  
Professional Corporation  
Certified Public Accountants

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

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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, 2019. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### PARTNERS

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

### Management's Responsibility

Management is responsible for compliance with 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.

#### PARTNER EMERITUS

Robert A. Gerding

### 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, 2019.

### 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.



November 14, 2019

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, 2019**

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:

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

**MOBERLY AREA COMMUNITY COLLEGE  
MOBERLY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
AND SUMMARY OF AUDITOR'S RESULTS (CONTINUED)  
JUNE 30, 2019**

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