

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Moberly Area Community College
Moberly, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Moberly Area Community College (the College), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Correction of an Error

As described in Note 19 to the financial statements, certain misstatements of amounts previously reported on the statement of net position, statement of revenues, expenses, and changes in net position as of and for the year ended June 30, 2019, were discovered by management of the College during the current year. Accordingly, an adjustment has been made to net position as of June 30, 2019, to correct the misstatement. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

St. Louis, Missouri
December 15, 2020

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 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, 2020 and 2019. 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, as well as its discretely presented component unit, the Moberly Area Community College Foundation (the Foundation).

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

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

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

Statement of Net Position

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

The assets and liabilities are categorized between current and noncurrent. The difference is that current assets and liabilities mature or become payable within the normal 12-month accounting/operating cycle versus noncurrent which mature or become payable after 12 months. For example, the College's current assets consist primarily of cash, short-term investments, and trade receivables while noncurrent assets consist primarily of capital assets. Capital assets are the property, plant, and equipment owned by the College, net of any related accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Current liabilities consist primarily of accrued employee wages and benefits payable, while non-current liabilities are primarily comprised of long-term net pension liability.

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

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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 nonexpendable. 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 nonexpendable 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.

	June 30,	
	2020	2019
Current Assets	\$ 30,274,031	\$ 24,137,513
Noncurrent Assets	410,000	2,495,000
Capital Assets	18,433,622	18,274,703
Total Assets	49,117,653	44,907,216
Deferred Outflows	6,239,656	7,999,871
Current Liabilities	2,792,313	4,298,560
Noncurrent Liabilities	17,826,701	16,396,670
Total Liabilities	20,619,014	20,695,230
Deferred Inflows	3,363,373	3,899,668
Net Investment in Capital Assets	18,025,620	17,730,703
Restricted:		
Nonexpendable	423,178	547,413
Expendable	147,738	11,304
Unrestricted	12,778,386	10,022,769
Total Net Position	\$ 31,374,922	\$ 28,312,189

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.

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The following is a summarized version of the College's revenues, expenses, and changes in net position.

	June 30,	
	2020	2019
Operating Revenues	\$ 13,245,563	\$ 15,688,679
Operating Expenses	33,427,798	30,691,331
Operating Loss	(20,182,235)	(15,002,652)
Nonoperating Revenues (Expenses)	23,244,968	18,349,835
Gain Before Other Revenues	3,062,733	3,347,183
Additions/Deletions to Permanent Endowments	-	65,923
Increase in Net Position	3,062,733	3,413,106
Net Position - Beginning of Year	28,312,189	24,899,083
Net Position - End of Year	<u>\$ 31,374,922</u>	<u>\$ 28,312,189</u>

	June 30,	
	2020	2019
Operating Revenues:		
Student Tuition & Fees, Net of Scholarship Allowances	\$ 10,499,302	\$ 12,587,816
Auxiliary Enterprises	2,011,277	2,186,023
Contracts and Grants	524,545	743,470
Other	210,439	171,370
Total Operating Revenues	<u>\$ 13,245,563</u>	<u>\$ 15,688,679</u>
Nonoperating Revenues (Expenses):		
Local Property Taxes	\$ 682,646	\$ 654,124
State Aid and Grants	10,901,988	6,556,666
Investment Income	383,747	336,746
Gifts and Grants	11,276,587	10,802,299
Total Nonoperating Revenues (Expenses)	<u>\$ 23,244,968</u>	<u>\$ 18,349,835</u>

The following is the College's FY 2020 and 2019 operating expenses by function:

	June 30,	
	2020	2019
Operating Expenses:		
Salaries and Benefits	\$ 19,977,427	\$ 18,270,095
Supplies and Other Services	7,647,858	8,135,134
Depreciation	1,068,150	1,053,259
Financial Aid and Scholarships	4,734,363	3,232,843
Total Operating Expenses	<u>\$ 33,427,798</u>	<u>\$ 30,691,331</u>

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In addition, the following represents the FY 2020 and 2019 operating expenses of the College by program classification:

	June 30,	
	2020	2019
Operating Expenses:		
Instruction	\$ 11,644,706	\$ 11,192,579
Academic Support	3,278,433	3,028,676
Student Services	3,655,400	3,403,202
Institutional Support	3,464,016	3,390,422
Student Financial Aid	4,734,363	3,232,843
Plant and Maintenance	3,342,396	3,286,657
Auxiliary	2,240,334	2,103,693
Depreciation	1,068,150	1,053,259
Total Operating Expenses	<u>\$ 33,427,798</u>	<u>\$ 30,691,331</u>

During the year ended June 30, 2020, the College experienced an increase in net position of \$3,062,733, as compared to the prior year increase of \$3,413,106. The larger increase in prior year was primarily associated with the receipt of a large private gift.

Beginning in 2020, the College began recognizing a deferred revenue for the portion of the summer session that crosses fiscal years, as well as presenting the Foundation, as a discretely presented component unit. The net impact to the 2019 year was accounted for as a prior period adjustment to the opening net position at July 1, 2019 in the amount of (\$4,984,080). Please refer to note 20 accompanying the financial statements.

Operating revenues related to Student Tuition and Fees decreased in the 2020 fiscal year compared to 2019, while Nonoperating revenues increased, due to an initial recognition of A+ and Access Missouri state student financial awards as both revenue and expense, rather than application as tuition payments, based on GASB accounting standards. This change resulted in a decrease to Operating Revenues as Student Tuition & Fees, Net of Scholarship Allowances, an increase in Operating Expenses as Financial Aid and Scholarships, and an increase in Nonoperating revenues as State Aid and Grants.

Also, during the year ended June 30, 2020, the College received Coronavirus Aid, Relief, and Economic Security Act (CARES) grant funds used for Financial Aid and Scholarships to students, as well as relief funds to assist the College with increased Operating Expenses to respond to the virus. These grant revenues were included in Nonoperating Revenues.

Salaries and Benefits increased in 2020 from 2019 by \$1,707,332, or 9%, primarily due to an increase in actuarially determined future pension liabilities.

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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:

	June 30,	
	2020	2019
Cash Provided (Used) by:		
Operating Activities	\$ (18,029,523)	\$ (12,599,899)
Noncapital Financing Activities	21,276,333	18,127,657
Capital and Related Financing Activities	(1,363,068)	(398,321)
Investing Activities	<u>(688,010)</u>	<u>(5,767,844)</u>
Net Increase (Decrease) in Cash	1,195,732	(638,407)
Cash - Beginning of Year	<u>3,319,816</u>	<u>3,958,223</u>
Cash - End of Year	<u><u>\$ 4,515,548</u></u>	<u><u>\$ 3,319,816</u></u>

Capital and Debt Activities

During the year ended June 30, 2020, the College expended \$1,228,068 for equipment, building improvements, and leasehold improvements.

The College's investment in capital assets net of accumulated depreciation as of June 30, 2020 and 2019 amounts to \$18.4 million and \$18.3 million, respectively and this investment in capital assets includes land, buildings, equipment, and improvements.

	June 30,	
	2020	2019
Property, Plant, and Equipment:		
Land	\$ 528,200	\$ 529,200
Improvements (Other Than Buildings)	193,431	211,071
Buildings and Improvements	15,380,375	16,090,236
Construction in Progress	437,711	-
Equipment	<u>1,893,905</u>	<u>1,444,196</u>
Net Capital Assets	<u><u>\$ 18,433,622</u></u>	<u><u>\$ 18,274,703</u></u>

Total debt of the College as of June 30, 2020 and 2019 was \$408,000 and \$544,000, 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 declines in State of Missouri revenue projections associated with the ongoing Coronavirus pandemic, the College anticipates receiving continued cuts 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, as well as Coronavirus relief funds.

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Regular fee and tuition rates for in-district and out-of-district students increased 0% and 3%, respectively, for FY 2020. This compares to 1% and 3% increases for FY 2019. Fall 2020 enrollment is up 1% compared to the previous year.

The College is working with the Columbia Career Center, Columbia, Missouri, and has begun 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, Wind Technology, and Truck Driving.

It was projected in the original budget that enrollment would decline by 15% for FY 2021 due to the economic impact of the Coronavirus pandemic, after it remained steady during FY 2020. Fall enrollment exceeded this projection, however, the College continues to remain guarded regarding Spring enrollment. 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' 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, 2020

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,515,548	\$ 263,955
Short-term Investments	18,427,000	-
Accounts Receivable, Net of \$3,912,132		
Allowance for Doubtful Accounts, Respectively	6,779,137	2,584
Inventories	120,749	-
Prepaid Expenses	431,597	-
Total Current Assets	<u>30,274,031</u>	<u>266,539</u>
Noncurrent Assets:		
Long-term Investments	410,000	4,228,571
Capital Assets, Net	18,433,622	-
Total Noncurrent Assets	<u>18,843,622</u>	<u>4,228,571</u>
Total Assets	49,117,653	4,495,110
DEFERRED OUTFLOWS		
Deferred Outflows Related to Pension	6,061,764	-
Deferred Outflows Related to OPEB	177,892	-
Total Deferred Outflows	<u>6,239,656</u>	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	496,599	24,343
Accrued Liabilities	105	-
Accrued Wages Payable	930,867	-
Deposits Held for Others	97,691	-
Unearned Revenue	1,131,051	-
Note Payable	136,000	-
Total Current Liabilities	<u>2,792,313</u>	<u>24,343</u>
Noncurrent Liabilities:		
Note Payable	272,000	-
Accrued Postemployment Benefits	1,407,302	-
Net Pension Liability	16,147,399	-
Total Noncurrent Liabilities	<u>17,826,701</u>	<u>-</u>
Total Liabilities	20,619,014	24,343
DEFERRED INFLOWS		
Deferred Inflows Related to Pension	3,299,129	-
Deferred Inflows Related to OPEB	64,244	-
Total Deferred Inflows	<u>3,363,373</u>	-
NET POSITION		
Net Investment in Capital Assets	18,025,620	-
Restricted for:		
Nonexpendable Endowment	423,178	2,799,274
Expendable Endowment	147,738	448,348
Unrestricted	12,778,386	1,223,145
Total Net Position	<u>\$ 31,374,922</u>	<u>\$ 4,470,767</u>

See accompanying Notes to Financial Statements.

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues		
Student Tuition and Fees, Net of Scholarship Allowances of \$8,520,956	\$ 10,499,302	\$ -
Auxiliary Enterprises:		
Bookstore, Cafeteria, Housing, Net of Scholarship Allowances of \$131,250	2,011,277	-
Contracts and Grants from Government Sources	502,494	-
Contracts and Grants from Private Sources	22,051	-
Other Operating Revenues	210,439	-
Total Operating Revenues	<u>13,245,563</u>	<u>-</u>
EXPENSES		
Operating Expenses:		
Instruction	11,644,706	-
Academic Support	3,278,433	-
Student Services	3,655,400	-
Institutional Support	3,464,016	57,347
Student Financial Aid	4,734,363	40,845
Plant Maintenance	3,342,396	-
Auxiliary	2,240,334	-
Depreciation	1,068,150	-
Total Operating Expenses	<u>33,427,798</u>	<u>98,192</u>
Operating Loss	(20,182,235)	(98,192)
NONOPERATING REVENUES (EXPENSES)		
Local Property Tax Revenue	682,646	-
State Aid and Grants	10,611,914	-
Investment Income	383,747	177,642
Vocational Funding	290,074	-
Gifts and Grants from Government Sources	11,067,081	-
Gifts and Grants from Private Sources	209,506	241,177
Total Nonoperating Revenues (Expenses)	<u>23,244,968</u>	<u>418,819</u>
Gain Before Other Revenues, Expenses, Gains, or Losses	3,062,733	320,627
Additions (Reductions) to Permanent Endowments	<u>-</u>	<u>9,565</u>
INCREASE IN NET POSITION	<u>3,062,733</u>	<u>330,192</u>
Net Position - Beginning of Year	33,296,269	4,140,575
Prior Period Adjustment (Note 19)	<u>(4,984,080)</u>	<u>-</u>
Net Position (As Restated) - Beginning of Year	<u>28,312,189</u>	<u>4,140,575</u>
NET POSITION - END OF YEAR	<u>\$ 31,374,922</u>	<u>\$ 4,470,767</u>

See accompanying Notes to Financial Statements.

**MOBERLY AREA COMMUNITY COLLEGE
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STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2020**

	<u>College</u>	<u>Component Unit</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 11,497,947	\$ -
Payments to Suppliers	(7,343,463)	(47,460)
Payments for Utilities	(545,704)	-
Payments to Employees	(14,516,862)	-
Payments for Benefits	(4,037,494)	-
Payments for Financial Aid and Scholarships	(4,734,363)	(40,845)
Auxiliary Enterprise Charges:		-
Bookstore, Vending, Cafeteria, and Housing	2,051,128	-
Contracts and Grants from Government Sources	502,494	-
Contracts and Grants from Private Sources	253,395	-
Other Receipts (Payments)	(1,156,601)	-
Net Cash Used by Operating Activities	<u>(18,029,523)</u>	<u>(88,305)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local Property Taxes	682,646	-
State Aid and Grants	10,901,988	-
Gifts and Grants Other Than Capital	9,691,699	242,897
Private Gifts for Endowment Purposes	-	9,565
Net Cash Provided by Noncapital Financing Activities	<u>21,276,333</u>	<u>252,462</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(1,227,068)	-
Principal Paid on Capital Debt	(136,000)	-
Net Cash Used by Capital and Related Financing Activities	<u>(1,363,068)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale and Maturities of Investments	17,398,000	-
Investment Income	515,990	177,642
Purchase of Investments	(18,602,000)	(358,736)
Net Cash Used by Investing Activities	<u>(688,010)</u>	<u>(181,094)</u>
NET INCREASE (DECREASE) IN CASH	1,195,732	(16,937)
Cash - Beginning of Year	<u>3,319,816</u>	<u>280,892</u>
CASH - END OF YEAR	<u>\$ 4,515,548</u>	<u>\$ 263,955</u>

See accompanying Notes to Financial Statements.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
STATEMENT OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020**

	<u>College</u>	<u>Component Unit</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (20,182,235)	\$ (98,192)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	1,068,150	-
Changes in Assets and Liabilities:		
Receivables, Net	(315,580)	-
Inventories	(11,804)	-
Other Assets	(11,320)	-
Accounts Payable and Other Current Liabilities	(189,084)	9,887
Deferred Outflows	1,760,215	-
Deferred Inflows	(536,295)	-
Net Pension Liability	158,729	-
Unearned Revenue	1,073,206	-
Prior Period Adjustment	(843,505)	-
	<u>\$ (18,029,523)</u>	<u>\$ (88,305)</u>
Net Cash Used by Operating Activities	<u>\$ (18,029,523)</u>	<u>\$ (88,305)</u>

See accompanying Notes to Financial Statements.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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 16 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:

Reporting Entity

As required by accounting principles generally accepted in the United States, the College's financial statements present the District (the primary government), and its discretely presented component unit, The Moberly Area Community College Foundation (the Foundation). The component unit is included in the College's reporting entity because of the significance of their operations and financial relationship with the College.

Discretely Presented Component Unit

The Foundation is a non-profit corporation and is considered to be a related organization to the College. 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 College is not financially accountable for the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. As these restricted resources can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. The Foundation does not issue separate financial statements.

Basis of Accounting

For financial reporting purposes, the College is considered a special purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant inter-company transactions have been eliminated.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

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

The College accounts for its investments at fair value in accordance with guidelines defined by GASB Statement No. 72. Fair value is determined for the College's investments based upon a framework described in Note 4. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

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, 2020 and 2019 from the Moberly taxing district on taxes levied for calendar years 2019 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.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Plant (Continued)

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

Buildings	50 Years
Building Improvement	20 to 30 Years
Equipment	5 to 15 Years

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 revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned. Half of the summer school tuition revenue and all tuition for school sessions starting after June 30 have been deferred to the next fiscal year.

Revenue Classifications

The College has classified revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) federal, state and local grants and contracts.

Nonoperating revenues include certain significant revenues relied on for fundamental operational support of the College are mandated by GASB requirements to be recorded as nonoperating revenues. Nonoperating revenues, meaning revenues received and the College provided no goods or services, include activities such as local property tax revenues, state aid and grants, investment income and nonexchange gifts and grants.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deferred Outflows of Resources

The College reports the consumption of net position that is applicable to a future period as deferred outflows of resources in a separate section of its statements of net position.

Deferred Inflows of Resources

The College reports an acquisition of net position that is applicable to a future period as deferred inflows of resources in a separate section of its statements of net position.

Defined Benefit Other Postemployment Benefit Plan

The College participates in a single-employer other postemployment benefit plan (the OPEB Plan) that provides life insurance, medical, vision and dental benefits. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The College funds benefits on a pay-as-you-go basis and there are no assets accumulated in the Plan.

Pensions

The College participates in two cost-sharing multiemployer defined benefit pension plans: The Public Education Employee Retirement System of Missouri (PEERS) and Public School Retirement System of Missouri (PSRS).

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

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The College is exempt from federal and state income taxes as a local governmental unit. The Moberly Area Community College Foundation, Inc. has qualified for exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. The Moberly Area Community College Foundation, Inc. files a Form 990, *Return of Organization Exempt from Income Tax*, each year-end. This organization's tax returns are subject to examination by the IRS. Open tax years' subject to examinations include 2015 through 2019. 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.

New Accounting Pronouncements Issued Not Yet Adopted

GASB has also issued new accounting pronouncements which will be effective for the College in future fiscal years. A description of the new accounting pronouncements and the College's consideration of the impact of these pronouncements are described below:

GASB Statement No. 84, Fiduciary Activities. This pronouncement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting. The College has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

GASB Statement No. 90, Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61. This pronouncement will improve financial reporting by providing users of the financial statements with essential information related to the presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. In addition, requiring reporting of information about component units if the government acquires a 100% equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The College has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

The College is currently evaluating the impact that these new standards will have on its financial statements.

Risk and Uncertainties

During the year ended June 30, 2020, the United States of America and state of Missouri declared an emergency associated with the COVID-19 pandemic. Along with significant declines in financial markets, the public health emergency creates uncertain economic conditions. Specific to the College, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, declines in enrollment, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the College is taking appropriate actions to mitigate the negative impact. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2020 the carrying amounts of cash and cash equivalents on the statement of net position totals \$4,779,503, and consists of cash deposits, cash on hand, short-term CD's and money market accounts. The bank balances of the College's cash deposits totaled \$5,413,705 for the year ended June 30, 2020. Of the College's bank balances at June 30, 2020, \$323,341 was insured by the Federal Depository Insurance Corporation (FDIC) and \$5,090,364 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, 2020, \$263,955 was insured by the FDIC.

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

The Foundation has adopted investment and spending policies for its endowment fund. The objective of these policies is to provide the Foundation a stable source of perpetual financial support for endowments while striving to maintain the real purchasing power of endowment fund principal with principal protection and protection of purchasing power having equal importance. Under the Foundation's policies, the endowment fund shall be invested in a diversified portfolio consisting of equity, fixed income, cash equivalents and other investments, which may reflect varying rates of returns.

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, 2020 College's deposits are categorized below. Differences between the carrying amount and deposit amount are due to timing of transactions.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

At June 30, 2020 deposits were categorized as follows:

	2020	
	Carrying Amount	Deposit Amount
College:		
Insured (FDIC)	\$ 322,245	\$ 323,341
Insured or Registered for Which Securities Held by the College or Its Agent in the College's Name	4,193,303	5,090,364
Unsecured	-	-
	4,515,548	5,413,705
Foundation:		
Insured (FDIC)	263,955	263,955
Insured or Registered for Which Securities Held by the Foundation or Its Agent in the Foundation's Name	-	-
Total Deposits	\$ 4,779,503	\$ 5,677,660

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

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.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

At June 30, 2020, the College had the following investments:

Type	2020			
	Fair Value	Book Value	Book Value Less Than One Year	Book Value Greater Than One Year (or Stocks)
College:				
Certificates of Deposit	\$ 18,837,000	\$ 18,837,000	\$ 18,427,000	\$ 410,000
Equities	-	-	-	-
Corporate Bonds	-	-	-	-
Mutual Funds	-	-	-	-
	<u>\$ 18,837,000</u>	<u>\$ 18,837,000</u>	<u>\$ 18,427,000</u>	<u>\$ 410,000</u>
Foundation:				
Certificates of Deposit	\$ -	\$ -	\$ -	\$ -
Equities	642,085	642,085	-	642,085
Corporate Bonds	839,902	839,902	-	839,902
Mutual Funds	2,746,584	2,746,584	-	2,746,584
	<u>\$ 4,228,571</u>	<u>\$ 4,228,571</u>	<u>\$ -</u>	<u>\$ 4,228,571</u>

Endowment Funds

The College invests endowment funds in the same manner as prescribed by their investment policy. 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 \$11,411 in fiscal year ended June 30, 2020.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020, was composed of the following:

	College	Foundation
Student Charges (Net of Allowances)	\$ 2,818,937	\$ -
Federal Grants/Contracts	3,542,820	-
State Grants/Contracts	75,166	-
Interest Receivable	44,553	-
Other	297,661	2,584
Total	\$ 6,779,137	\$ 2,584

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

GASB standards established a framework for measuring fair value. 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 unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the College has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the College has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a reporting entity’s own assumptions about what participants would use in pricing an asset or liability.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

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

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

Certificates of Deposit: Carried 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, 2020, aggregated by the level in the fair value hierarchy within which those measurements fall:

	College			Total
	Level 1	Level 2	Level 3	
Cash Equivalents	\$ 4,515,548	\$ -	\$ -	\$ 4,515,548
Mutual Funds	-	-	-	-
U.S. Agency Notes/Bonds	-	-	-	-
Equities	-	-	-	-
Certificates of Deposit	18,837,000	-	-	18,837,000
Total	<u>\$ 23,352,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,352,548</u>

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As of June 30, 2020, the Foundation's corporate bonds are invested in government agencies that are rated Aaa, A3, and BAA2 by Moody's Investors Services ratings and AA+, BBB+ and BBB by Standards & Poor's ratings. The table below presents the Foundation's assets measured at fair value on a recurring basis as of the year ended June 30, 2020, aggregated by the level in the fair value hierarchy within which those measurements fall:

	Foundation			Total
	Level 1	Level 2	Level 3	
Cash Equivalents	\$ 263,955	\$ -	\$ -	\$ 263,955
Mutual Funds	2,746,584	-	-	2,746,584
U.S. Agency Notes/Bonds	839,902	-	-	839,902
Equities	642,085	-	-	642,085
Total	<u>\$ 4,492,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,492,526</u>

NOTE 5 CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2020 are summarized below:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 529,200	\$ -	\$ 1,000	\$ 528,200
Capital Assets Being Depreciated:				
Improvements (Other Than Buildings)	1,770,057	-	274,993	1,495,064
Buildings and Building Improvements	27,562,824	91,960	8,197	27,646,587
Construction in Progress	-	437,711	-	437,711
Equipment	3,807,305	698,397	614,856	3,890,846
Subtotal	<u>33,140,186</u>	<u>1,228,068</u>	<u>898,046</u>	<u>33,470,208</u>
Total	33,669,386	1,228,068	899,046	33,998,408
Less: Accumulated Depreciation:				
Improvements (Other Than Buildings)	1,558,986	17,640	274,993	1,301,633
Buildings and Building Improvements	11,472,588	801,821	8,197	12,266,212
Equipment	2,363,109	248,688	614,856	1,996,941
Total	<u>15,394,683</u>	<u>1,068,149</u>	<u>898,046</u>	<u>15,564,786</u>
Capital Assets, Net	<u>\$ 18,274,703</u>	<u>\$ 159,919</u>	<u>\$ 1,000</u>	<u>\$ 18,433,622</u>

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

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 the Systems, 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 "two-thirds 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
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 PENSION PLANS (CONTINUED)

PEERS is a mandatory cost-sharing multiple employer retirement system for all non-certificated public-school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and 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 PSRS must contribute to PEERS. Employees of the Systems 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 PSRS.

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. 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 retirement, disability, and death 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 benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available 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.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

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

Cost-of-Living Adjustments (COLA). The board of trustees has established a policy of providing COLAs to both PSRS and PEERS members as follows:

- If the June to June change in the Consumer Price Index for All Urban Consumers (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.

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 2018, 2019, and 2020. 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 \$1,386,972 and \$290,906, respectively, for the year ended June 30, 2020.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020, the College recorded a liability of \$14,177,115 for its proportionate share of the PSRS net pension liability and \$1,970,284 for its proportionate share of the PEERS net pension liability. In total the district recorded net pension liabilities of \$16,147,399. The net pension liability for the plans in total was measured as of June 30, 2019, and determined by an actuarial valuation as of that date. The district's proportionate share of the total net pension liability was based on the ratio of its actual contributions paid to PSRS and PEERS of \$1,367,421 and \$296,664, respectively, for the year ended June 30, 2019, relative to the total contributions of \$711,760,160 for PSRS and \$119,080,046 for PEERS from all participating employers. At June 30, 2019, the district's proportionate share was 0.1921% for PSRS and 0.2491% for PEERS.

For the year ended June 30, 2020, the College recognized pension expense of \$2,655,723 for PSRS and \$513,459 for PEERS, its proportionate share of the total pension expense.

At June 30, 2020, 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	\$ 459,209	\$ 1,026,083	\$ -	\$ 41,761	\$ 459,209	\$ 1,067,844
Changes in Assumptions	2,009,318	-	124,503	-	2,133,821	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,314,992	1,586,675	199,116	243,356	1,514,108	1,830,031
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	261,300	382,623	15,448	18,631	276,748	401,254
Employer Contributions Subsequent to the Measurement Date	1,386,972	-	290,906	-	1,677,878	-
Total	\$ 5,431,791	\$ 2,995,381	\$ 629,973	\$ 303,748	\$ 6,061,764	\$ 3,299,129

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2019, will be recognized as a reduction to the net pension liability in the year ended June 30, 2021. Other amounts reported as collective deferred (inflows) /outflows of resources are to be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>PSRS</u>	<u>PEERS</u>	<u>Total</u>
2021	\$ 761,752	\$ 107,967	\$ 869,719
2022	(241,767)	(82,495)	(324,262)
2023	336,242	(7,897)	328,345
2024	261,996	17,745	279,741
2025	(68,786)	-	(68,786)
Thereafter	-	-	-
Total	<u>\$ 1,049,437</u>	<u>\$ 35,320</u>	<u>\$ 1,084,757</u>

Actuarial Assumptions (June 30, 2020)

Actuarial valuations of the Systems involve assumptions about the 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 7.60% 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%. No additional assumption changes have occurred. Significant actuarial assumptions and methods are detailed below. For additional information please refer to the Systems' Comprehensive Annual Financial Report (CAFR). The next experience studies are scheduled for 2021.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

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

Measurement Date	June 30, 2019
Valuation Date	June 30, 2019
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.
Cost-of-Living Increases-PSRS and PEERS	The annual COLA assumed in the valuation increases from 1.30% to 1.65% over eight years, beginning January 1, 2021. The COLA reflected for January 1, 2020 is 0.00%, in accordance with the actual COLA approved by the board. This COLA assumption reflects an assumption that general inflation will increase from 1.90% to a normative inflation assumption of 2.25% over seven years. It is also based on the current policy of the board to grant a COLA on each January 1 as follows:

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
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JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

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

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

Mortality Assumption Activities:

PSRS

RP 2006 White Collar 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.

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.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

Nondisabled Retirees, Beneficiaries,
and Survivors

RP-2006 White Collar Mortality Tables 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 and 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 and PEERS

There have been no assumption changes since the June 30, 2018 valuations.

Fiduciary Net Position

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

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems' target allocation as of June 30, 2019 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 cash flows.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

Asset Class	Target Asset Allocation	Long-Term Expected Real Return Arithmetic Basis	Weighted Long-Term Expected Real Return Arithmetic Basis
U.S. Public Equity	27.0%	5.16%	1.39%
Public Credit	7.0	2.17%	15.19%
Hedged Assets	6.0	4.42%	26.52%
Non-U.S. Public Equity	15.0	6.01%	90.15%
U.S. Treasuries	16.0	0.96%	15.36%
U.S. TIPS	4.0	0.80%	3.20%
Private Credit	4.0	5.60%	22.40%
Private Equity	12.0	9.86%	118.32%
Private Real Estate	9.0	3.56%	32.04%
Total	<u>100.0%</u>		<u>324.57%</u>
		Inflation	<u>2.25%</u>
		Long-Term Arithmetical Nominal Return	<u>326.82%</u>
		Effect of Covariance Matrix	<u>0.64%</u>
		Long-Term Expected Geometric Return	<u>327.46%</u>

Discount Rate

The long-term expected rate of return used to measure the total pension liability was 7.5% as of June 30, 2019, 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.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

Discount Rate Sensitivity

The sensitivity of the district's net pension liabilities to changes in the discount rate is presented below. The district'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.

For the year ended June 30, 2020:

	Discount Rate	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
PSRS	Proportionate Share of the Net Pension Liability/ (Asset)	\$ 25,790,653	\$ 14,177,115	\$ 4,523,895
PEERS	Proportionate Share of the Net Pension Liability/ (Asset)	\$ 3,741,506	\$ 1,970,284	\$ 484,669

For the year ended June 30, 2020, the College recorded a payable to PSRS of \$54,624, and had no payable to PEERS for either year.

NOTE 7 POSTRETIREMENT 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 postemployment 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.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

This plan does not issue stand-alone financial statements.

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 five 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 July 1, 2020 are as follows:

	Active Rates		
	PPO	Flexpoint	HSA
Employee	756.00	661.00	661.00
Employee/Spouse	1,525.00	1,321.00	1,216.00
Employee/Children	1,337.00	1,156.00	1,080.00
Family	2,000.00	1,816.00	1,559.00
	Retiree Rates*		
	PPO	Flexpoint	HSA
Retiree	756.00	661.00	661.00
Retiree/Spouse	1,525.00	1,321.00	1,216.00

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

Dental contributions effective for July 1, 2020 are as follows:

	Active and Retiree Rates	
	Base Plan	Buy Up Plan
Employee	14.61	51.22
Employee/Spouse	29.22	102.41
Employee/Children	33.44	110.87
Family	50.54	170.03

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 POSTRETIREMENT 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, 2020, the College recorded a liability of \$1,407,302 related to OPEB. The OPEB was measured and an actuarial valuation was performed as of June 30, 2020.

For the year ended June 30, 2020, the College recognized OPEB expense of \$132,514.

At June 30, 2020, 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	\$ -	\$ (43,345)
Changes of Assumptions	177,892	(20,899)
Total	<u>\$ 177,892</u>	<u>\$ (64,244)</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 13,115
2022	13,115
2023	13,115
2024	13,115
2025	13,115
Thereafter	48,073

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The following were included in the analysis of OPEB as of June 30, 2020:

Number of Members		Average Age	
Active	233	Active	46.4
Retired	24	Retired	68.6
Spouses of Retirees	10		
Total	267		

Actuarial Assumptions

Discount Rate (Adopted 6/30/2020)

The interest rate for discounting liabilities is 2.21% per annum based on the 20 year bond GO index at the fiscal year end. The rate for the prior fiscal year was 3.50%.

Medical/Retiree Premium Inflation Rate

Year	Medical	Year	Medical
2020	4.80%	2040	4.50%
2021	5.30%	2045	4.60%
2022	4.90%	2050	4.50%
2023	4.80%	2055	4.40%
2024	4.70%	2060	4.40%
2025	4.60%	2065	4.20%
2030	4.40%	2070	3.90%
2035	4.50%	2073+	3.70%

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.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Healthy Mortality (Adopted 6/30/2020) Pub-2010 Teacher Mortality for Employees and Healthy Annuitants, with generational projection per Scale MP-2019.

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.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Dental Coverage:

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

Vision Coverage:

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

Future Dependent Coverage

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

Male-30% Female-30%

No dependent children are assumed to be covered in retirement.

These assumptions are based on statistics provided by the College.

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

Sensitivity Analysis

The following presents the total OPEB liability of the College, calculated using the discount rate of 2.21%, 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 (1.21%) or 1 percentage point higher (3.21%) than the current rate.

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 1,550,887	\$ 1,407,302	\$ 1,280,347

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	\$ 1,228,742	\$ 1,407,302	\$ 1,624,655

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

At June 30, 2020, the College had no payable for OPEB.

NOTE 8 NATURAL CLASSIFICATION

The College's and Foundation's operating expenses by natural classification were as follows for the year ended June 30, 2020:

	<u>College</u>	<u>Foundation</u>
Salaries	\$ 14,310,142	\$ -
Benefits	5,667,285	-
Supplies and Other Services	5,546,130	57,347
Utilities	525,549	-
Travel	309,786	-
Repairs and Maintenance	1,266,393	-
Financial aid Scholarships	4,734,363	40,845
Depreciation	1,068,150	-
	<u>\$ 33,427,798</u>	<u>\$ 98,192</u>

NOTE 9 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, 2019, upon which 2019 tax rate of \$.3319, per \$100 of the assessed valuation was levied for purposes of local taxation, was \$207,592,130.

The receipt of current and delinquent property taxes during the fiscal year ended June 30, 2020, aggregated approximately 99.0% of the current assessment computed on the basis of the levy as shown above.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10 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>	<u>Amount</u>
2021	\$ 466,801
2022	301,828

During 2020, the College recorded lease expense in the amount of \$474,379.

NOTE 11 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 12 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 noninterest 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.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 CHANGES IN LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ended June 30, 2020 is summarized as follows:

	Balance June 30, 2019	New Debt	Principal Repayment	Balance June 30, 2020
Notes Payable	\$ 544,000	\$ -	\$ 136,000	\$ 408,000
Less: Current Portion	136,000	-	-	136,000
Total	<u>\$ 408,000</u>	<u>\$ -</u>	<u>\$ 136,000</u>	<u>\$ 272,000</u>

Future annual minimum payments at June 30, 2020 toward reducing the principal balance are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 136,000
2022	136,000
2023	136,000
Total	<u>\$ 408,000</u>

NOTE 13 COMMITMENTS AND CONTINGENCIES

The College is party to litigation and claims arising in the normal course of business. In the opinion of management, liabilities, if any, resulting from such litigation and claims will not be material to the College.

The College conducts certain programs pursuant to various grants and contracts, which are subject to audit by various federal and state agencies. Costs questioned as a result of audits, if any, may result in refunds to these governmental agencies from various sources of the College.

NOTE 14 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
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 COMPONENT UNIT

Moberly Area Community College Foundation, Inc.

As discussed in the summary of significant accounting policies, the accounts of Moberly Area Community College Foundation are discretely presented with the College in the accompanying financial statements.

NOTE 16 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 353.1 IO (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 year 2020 was \$7,955,071. The total property taxes relating to the College abated in fiscal year 2020 was \$26,403.

NOTE 17 FUNDING FROM CARES ACT

The Federal Government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020 which included funding for the Higher Education Emergency Relief Fund (HEERF). These funds were awarded to institutions of higher education in two equal allotments; institutional aid to provide support for pivoting instruction to online delivery, and a student portion to provide emergency financial aid grants to students. The College received an allocation of \$1.2 million in each category. As of June 30, 2020, the College has expended \$1 million in cost related to moving instructional activities to an online delivery, and recorded a receivable of that amount. The College expended \$1.2 million for emergency student grants and drew \$1.2 million to fund the grants. These revenues are included in the Nonoperating revenue (expenses) and expenses are reported in institutional and scholarship operating expense section of the Statements of Revenues, Expenses, and Changes in Net Position.

The state of Missouri awarded the College CARES funds passed through the state under two allocations; the Governors Education Emergency Relief Fund (GEERF) funds of \$339 thousand for lost revenues, as well as Coronavirus Relief Funds of \$757 thousand for remote learning and safe reopening. As of June 30, 2020, the College has recognized \$339 thousand related to lost revenues, which is recorded as a GEERF grant receivable. The College has also recognized as of June 30, 2020, \$81 thousand related to costs of safe reopening and transition to remote learning, which is recorded as a CRF grant receivable.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 18 CORRECTION OF MISSTATEMENT

The College determined that receipts of summer term tuition and fees, which encompasses two fiscal years, was being fully recognized as revenue as it was billed during the year ending June 30, 2019, rather than recognizing partly in each year by accruing the amount earned each year. The College also determined that Moberly Area Community College Foundation was presented as a blended component unit during the year ending June 30, 2019, rather than presented as a discretely presented component unit.

Changes to Net Position as of July 1, 2019 (the beginning of the period) are as follows:

Net Position - Beginning of Year	\$ 33,296,269
Prior Period Adjustment:	
Summer Deferred Revenue	(843,505)
Foundation Presented Discretely	<u>(4,140,575)</u>
Net Position - Beginning of Year, Restated	<u><u>\$ 28,312,189</u></u>

NOTE 19 CONSIDERATION OF SUBSEQUENT EVENTS

The preparation of financial statements in conformity accounting principles with generally accepted in the United States of America requires a review of subsequent events which could result in disclosure of events materially impacting these financial statements. Subsequent events have been evaluated through December 15, 2020, the date the financial statements were issued.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS***

Total OPEB Liability	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018
Service Cost	\$ 109,031	\$ 91,390	\$ 89,941
Interest on Total OPEB Liability	44,361	43,009	37,725
Changes of Benefit Terms	-	-	-
Effect of Economic/Demographic Gains or (Losses)	(48,421)	-	-
Effect of Assumption Changes or Inputs	161,026	43,067	(30,946)
Benefit Payments	(33,993)	(43,816)	(37,447)
Net Change in Total OPEB Liability	232,004	133,650	59,273
Total OPEB Liability - Beginning	1,175,298	1,041,648	982,375
Total OPEB Liability - Ending	<u>\$ 1,407,302</u>	<u>\$ 1,175,298</u>	<u>\$ 1,041,648</u>
Covered Payroll	\$ 14,293,412	\$ 11,729,481	\$ 11,729,481
Total OPEB Liability as a % of Covered Payroll	9.85%	10.02%	8.88%

*These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule

1. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2020	2.21%
2019	3.50%
2018	3.87%
2017	3.58%

2. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
3. There are no changes to benefit terms for the years ended June 30, 2020.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
PUBLIC SCHOOL AND EDUCATION RETIREMENT SYSTEMS OF MISSOURI
YEAR ENDED JUNE 30, 2020**

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

Public School Retirement System of Missouri

Year Ended*	Proportion Share 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%
June 30, 2019	0.1921%	14,177,115	9,595,109	147.75%	84.62%

Public Education Employee Retirement System of Missouri

Year Ended*	Proportion Share 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%
June 30, 2019	0.2491%	1,970,284	4,192,211	47.00%	86.38%

Note: These schedules are intended to show information for 10 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 RETIREMENT SYSTEMS OF MISSOURI
YEAR ENDED JUNE 30, 2020**

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 a 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	-	7,280,543	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	1,367,421	1,367,421	-	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 a 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	296,664	296,664	-	4,192,211	7.08%

Note: These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
NOTES TO SCHEDULES OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY AND EMPLOYER CONTRIBUTIONS
YEARS ENDED JUNE 30, 2020**

**NOTES TO SCHEDULES OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY AND COLLEGE CONTRIBUTIONS**

See Note 6 for factors that affect trends in the amounts reported, such as changes in benefit terms or assumptions. Contribution rates for PEERS and PSRS remained the same for the College for the years ended June 30, 2020, 2019, and 2017.



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

Board of Trustees
Moberly Area Community College
Moberly, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, of Moberly Area Community College (the College), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 15, 2020.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2020-01 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether College's financial statements are free from 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*.

Moberly Area Community College's Response to Findings

The College's response to the findings identified in our audit is described in the accompanying schedule of findings. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP

St. Louis, Missouri
December 15, 2020

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Financial Statement Findings

2020 – 001: Prior Year Adjustment

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: During the audit process, a prior period adjustment was recorded which restated prior year net position by \$4,984,080.

Criteria: The College must have controls in place so that audited financial statements are presented fairly in all material respects in conformity with the Governmental Accounting Standards Board.

Context: While performing audit procedures, it was noted that summer term tuition and fees revenue, which encompasses two fiscal years, was not recognized partly in each year by accruing the amount earned in each fiscal year. Additionally, while performing audit procedures, it was noted that that The Moberly Area Community College Foundation was presented as a blended component unit during the year ending June 30, 2019, rather than presented as a discretely presented component unit.

Effect: The College's Financial Statements were materially misstated.

Cause: The College's controls were not operating effectively to be able to properly record summer tuition and fees revenue in the fiscal year in which it was earned. The College was not aware that The Moberly Area Community College Foundation is a discretely presented component unit.

Recommendation: The College's accounting personnel should modify their procedures to ensure summer tuition and fees revenue is recorded in the fiscal year in which it is earned. The College should consult with their auditors to determine the correct presentation of the College's component units.

Management's Response: Accepted. The College will implement corrective actions to address the recommendations of this finding.