

REPORT OF
MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
JUNE 30, 2005 AND 2004

MOBERLY AREA COMMUNITY COLLEGE

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Net Assets	11
Statement of Cash Flows	12-13
Notes to Financial Statements	14-29

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	30
Notes to the Schedule of Expenditures of Federal Awards	31

COMPLIANCE AND INTERNAL CONTROL

Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32-33
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	34-35
Schedule of Findings and Questioned Costs and Summary of Auditor's Results	36-37



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Moberly Area Community College

We have audited the accompanying basic financial statements of Moberly Area Community College (the "College") as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Moberly Area Community College, as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2005, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made primarily for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, although not considered necessary for a fair presentation of the College's financial statements, are presented as additional information and have been subjected to the auditing procedures applied in the audit of the financial statements. The Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In our opinion, the schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.


Timothy M. Jeffries, CPA, PC

November 29, 2005

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005
(UNAUDITED)**

Introduction

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

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

There are three financial statements presented: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The emphasis of the discussion about the financial statements is on the current year data. However, information for fiscal years ending June 30, 2004 and 2003 is also available in the GASB Statement No. 35 format. Consequently, a comparative format of College wide information is used.

Financial Highlights

The College's financial position at June 30, 2005 shows assets at \$26.2 million, liabilities at \$6.1 million, and net assets at \$20.1 million. Net assets represent the balance in the College's assets after liabilities are deducted.

Net assets increased by \$836 thousand during FY2005. The most significant changes in the net assets during FY2005 occurred in the unrestricted portion of net assets.

The unrestricted component increased by \$1.0 million primarily due to increased fees and tuition and increases in grant funds. The remaining components of net assets decreased by a total of \$135 thousand.

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005
(UNAUDITED)**

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the College at the end of the fiscal years, June 30, 2005 and 2004. The purpose of the Statement of Net Assets is to present a snapshot of the financial condition of the College. Total net assets, which is the difference between total assets and total liabilities, is one of the indicators of the current financial condition of the College.

The assets and liabilities are categorized between current and noncurrent. The difference is that current assets and liabilities mature or become payable within the normal 12 month accounting/operating cycle versus noncurrent which mature or become payable after 12 months. For example, at June 30, 2005 and 2004, the College's current assets consist primarily of cash, short-term investments, and trade receivables while noncurrent assets consists primarily of capital assets. Capital assets are the property, plant, and equipment owned by the College, net of any related accumulated depreciation.

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

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

Unrestricted net assets are available to the College for any lawful purpose. The following chart of the College's net assets at June 30, 2005 and 2004 shows the unrestricted portion at \$ 7.1 and \$6.1 million, respectively.

	(In Millions)	(In Millions)
	Year Ended June 30	
	<u>2005</u>	<u>2004</u>
Current Assets	\$ 8.8	\$ 7.5
Noncurrent Assets	1.3	1.4
Capital Assets	<u>16.1</u>	<u>16.6</u>
Total Assets	<u>26.2</u>	<u>25.5</u>
Current Liabilities	2.0	1.8
Noncurrent Liabilities	<u>4.1</u>	<u>4.4</u>
Total Liabilities	<u>6.1</u>	<u>6.2</u>

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005
(UNAUDITED)**

Statement of Net Assets (Continued)

	(In Millions)	(In Millions)
	<u>Year Ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Invested in Capital Assets	11.7	11.9
Restricted:		
Nonexpendable	1.2	1.2
Expendable	.1	.1
Unrestricted	<u>7.1</u>	<u>6.1</u>
Total Net Assets	<u>\$20.1</u>	<u>\$19.3</u>

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets 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 exclude specific, direct exchanges of goods and services. Local property tax revenue and state aid are two examples of nonoperating revenues where the local taxpayers and state legislature, respectively, do not directly receive goods and services for the revenue.

The following is a summarized version of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2005 and 2004.

	(In Millions)	(In Millions)
	<u>Year Ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Operating Revenue	\$ 7.3	\$ 6.7
Operating Expenses	<u>15.8</u>	<u>14.4</u>
Operating Loss	(8.5)	(7.7)
Nonoperating revenues (expenses)	<u>9.2</u>	<u>8.9</u>
Gain before other revenues	.7	1.2
Additions to permanent endowments	<u>.1</u>	<u>--</u>
Increase in net assets	.8	1.2

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005
(UNAUDITED)**

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

	(In Millions)	(In Millions)
	<u>Year Ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Net Assets, beginning of the year	19.3	18.1
Net Assets, end of the year	<u>\$ 20.1</u>	<u>\$ 19.3</u>

One of the financial strengths of the College is the continued strength of student enrollment. During the fiscal year 2005, the College served approximately 5,300 students generating 75,000 credit hours. The following is the College's FY 2005 and 2004 revenues, both operating and nonoperating.

	(In Thousands)	(In Thousands)
	<u>Year Ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Operating Revenues		
Student Tuition & Fees, net of scholarship allowances	\$5,263	\$4,849
Auxiliary Enterprises	1,794	1,669
Contracts and Grants from Private Sources	77	74
Other	121	118
Nonoperating Revenues		
Local Property Taxes	468	467
State Aid and Grants	4,881	4,753
Investment Income	192	140
Gifts and Grants	3,939	3,806

The following shows the total expense for the College during FY 2005 and FY2004.

	(In Thousands)	(In Thousands)
	<u>Year Ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Operating Expenses		
Salaries and Benefits	\$ 8,904	\$ 8,034
Supplies and Other Services	4,701	4,191
Depreciation	603	602

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005
(UNAUDITED)**

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

	(In Thousands) <u>Year Ended June 30</u> <u>2005</u>	(In Thousands) <u>Year Ended June 30</u> <u>2004</u>
Financial Aid and Scholarships	<u>1,605</u>	<u>1,626</u>
Total Operating Expenses	<u>\$ 15,813</u>	<u>\$ 14,453</u>

In addition, the following presents the FY 2005 and 2004 operating expenses of the College by function.

	(In Thousands) <u>Year Ended June 30</u> <u>2005</u>	(In Thousands) <u>Year Ended June 30</u> <u>2004</u>
Operating Expenses		
Instruction	\$ 5,757	\$ 5,151
Academic Support	1,645	1,378
Student Services	1,372	1,226
Institutional Support	1,767	1,561
Student Financial Aid	1,672	1,710
Plant and Maintenance	1,507	1,440
Auxiliary	1,490	1,385
Depreciation	<u>603</u>	<u>602</u>
Total Operating Expenses	<u>\$ 15,813</u>	<u>\$ 14,453</u>

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 for the years ended June 30, 2005 and 2004.

	(In Thousands) <u>Year Ended June 30</u> <u>2005</u>	(In Thousands) <u>Year Ended June 30</u> <u>2004</u>
Cash provided (used) by:		
Operating activities	\$ (7,744)	\$ (7,072)

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005
(UNAUDITED)**

Statement of Cash Flows (Continued)

	(In Thousands)	(In Thousands)
	<u>Year Ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Noncapital financing activities	\$ 9,437	\$ 9,064
Capital and related financing activities	(663)	(643)
Investing activities	<u>(2,842)</u>	<u>(74)</u>
Net Increase in Cash	(1,812)	1,275
Cash, beginning of the year	<u>5,822</u>	<u>4,547</u>
Cash, end of the year	<u>\$ 4,010</u>	<u>\$ 5,822</u>

Capital and Debt Activities

During FY 2005, the College expended \$102 thousand for equipment.

The College's investment in capital assets net of accumulated depreciation as of June 30, 2005 and 2004 amounts to \$16.2 million and \$16.6 million, respectively and this investment in capital assets includes land, buildings, equipment, and improvements.

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

	June 30, 2005	June 30, 2004
Property, plant and equipment		
Land	\$ 529,200	\$ 529,200
Improvements (other than buildings)	523,977	600,982
Buildings and improvements	14,250,454	14,683,100
Equipment	<u>814,199</u>	<u>817,731</u>
Net Capital Assets	<u>\$ 16,117,830</u>	<u>\$ 16,631,013</u>

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005
(UNAUDITED)**

Outstanding Debt at Year End

As of June 30, 2005 and 2004, Moberly Area Community College Facility Development Authority, Inc., a component unit, had notes payable of \$2,573,249 and \$2,761,679, respectively. Additionally, the College had capital leases payable of \$1,809,318 and \$1,958,288. This amount represents capital lease obligations that are expected to be paid so long as the College appropriates funds for payment.

During the fiscal years ending June 30, 2005 and 2004, the College's total debt decreased by \$337,400 and \$321,377, respectively. The decreases were due to scheduled payments. This represents a decrease of 7.1% and 6.4% for the years ended June 30, 2005 and 2004, respectively.

Economic Outlook

Appropriations from the State of Missouri stabilized during FY 2004. However, budget shortfalls are expected during FY 2006. It appears that appropriations will not be effected for FY 2006, but projections for FY 2007, indicate a possible reduction of 10 to 12% in funding.

Effective with the summer semester of 2005, the College increased its student fees and tuition. The increase in fees and tuition combined with an anticipated increase in enrollment is projected to increase revenues by \$300 thousand for FY 2006.

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

MOBERLY AREA COMMUNITY COLLEGE		
MOBERLY, MISSOURI		
STATEMENT OF NET ASSETS		
	2005	2004
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,009,767	\$ 5,821,799
Investments	3,365,461	231,515
Accounts receivable, net of \$356,778 and \$299,103 allowance for doubtful accounts, respectively	943,409	964,683
Inventories	334,163	291,461
Prepaid expenses	174,492	156,542
Total current assets	<u>8,827,292</u>	<u>7,466,000</u>
Noncurrent Assets		
Investments	1,261,903	1,361,868
Capital assets, net	<u>16,117,830</u>	<u>16,631,013</u>
Total noncurrent assets	<u>17,379,733</u>	<u>17,992,881</u>
Total assets	<u>26,207,025</u>	<u>25,458,881</u>
LIABILITIES		
Current Liabilities		
Accounts payable	194,551	254,146
Accrued liabilities	39,514	35,222
Accrued wages payable	594,230	482,112
Deposits held for others	119,246	62,129
Deferred revenue	741,732	605,897
Notes Payable	171,712	161,516
Capital lease payable	158,159	149,089
Total current liabilities	<u>2,019,144</u>	<u>1,750,111</u>
Noncurrent Liabilities		
Notes payable	2,401,537	2,600,163
Capital lease payable	<u>1,651,158</u>	<u>1,809,199</u>
Total noncurrent liabilities	<u>4,052,695</u>	<u>4,409,362</u>
Total liabilities	<u>6,071,839</u>	<u>6,159,473</u>
NET ASSETS		
Invested in capital assets, net of related debt	11,735,264	11,911,046
Restricted for:		
Nonexpendable		
Endowment	1,248,648	1,193,890
Expendable		
Endowment	35,981	49,729
Unrestricted	<u>7,115,293</u>	<u>6,144,743</u>
Total net assets	<u>\$ 20,135,186</u>	<u>\$ 19,299,408</u>

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

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2005 and 2004

REVENUES	2005	2004
Operating Revenues		
Student tuition and fees, net of scholarship allowances of \$2,005,992 and \$1,922,876, respectively	\$ 5,262,593	\$ 4,848,292
Auxiliary enterprises:		
Bookstore, Cafeteria, Housing, net of scholarship allowances of \$63,479 and \$62,091, respectively	1,794,458	1,668,689
Contracts and grants from private sources	76,904	73,789
Other operating revenues	<u>121,585</u>	<u>118,164</u>
Total operating revenues	<u>7,255,540</u>	<u>6,708,934</u>
 EXPENSES		
Operating Expenses		
Salaries	7,205,650	6,566,180
Benefits	1,698,288	1,467,618
Supplies and other services	3,806,906	3,342,567
Utilities	369,502	369,361
Travel	228,098	181,913
Repairs and maintenance	296,121	296,428
Financial aid scholarships	1,605,320	1,626,213
Depreciation	<u>603,437</u>	<u>602,230</u>
Total operating expenses	<u>15,813,322</u>	<u>14,452,510</u>
Operating loss	<u>(8,557,782)</u>	<u>(7,743,576)</u>
 NONOPERATING REVENUES (EXPENSES)		
Local property tax revenue	467,772	466,619
State aid and grants	4,633,713	4,542,365
Investment income	192,204	140,046
Vocational funding	246,878	210,469
Gifts and grants from government sources	3,910,786	3,758,106
Gifts and grants from private sources	28,659	47,896
Interest expense	<u>(235,325)</u>	<u>(242,597)</u>
Total nonoperating revenues (expenses)	<u>9,244,687</u>	<u>8,922,904</u>
Gain before other revenues, expenses, gains or losses	686,905	1,179,328
Additions to permanent endowments	<u>148,873</u>	<u>38,397</u>
 INCREASE IN NET ASSETS	835,778	1,217,725
 NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>19,299,408</u>	<u>18,081,683</u>
 NET ASSETS, END OF YEAR	<u>\$ 20,135,186</u>	<u>\$ 19,299,408</u>

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

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
STATEMENT OF CASH FLOWS
Years Ended June 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 5,131,627	\$ 4,687,248
Payments to suppliers	(4,369,602)	(3,748,326)
Payments for utilities	(371,913)	(370,625)
Payments to employees	(7,102,559)	(6,522,294)
Payments for benefits	(1,689,261)	(1,462,803)
Payments for financial aid and scholarships	(1,605,320)	(1,626,213)
Auxiliary enterprise charges:		
Bookstore, vending, cafeteria, housing	1,772,388	1,651,937
Contracts and grants from private sources	232,639	205,239
Other receipts (payments)	258,045	114,050
	<u>(7,743,956)</u>	<u>(7,071,787)</u>
Net cash used by operating activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local property taxes	467,772	466,619
State aid and grants	4,880,591	4,752,834
Gifts and grants other than capital	3,939,445	3,806,002
Private gifts for endowment purposes	148,873	38,397
	<u>9,436,681</u>	<u>9,063,852</u>
Net cash provided by noncapital financing activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(90,254)	(79,201)
Principal paid on bonds payable/capital debt	(337,401)	(321,377)
Interest paid on bonds payable/capital debt	(235,325)	(242,597)
	<u>(662,980)</u>	<u>(643,175)</u>
Net cash used by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale and maturities of investments	1,374,229	940,802
Investment income	192,204	140,046
Purchase of investments	(4,408,210)	(1,154,933)
	<u>(2,841,777)</u>	<u>(74,085)</u>
Net cash provided by investing activities		
NET INCREASE IN CASH	(1,812,032)	1,274,805
CASH, BEGINNING OF YEAR	<u>5,821,799</u>	<u>4,546,994</u>
CASH, END OF YEAR	<u>4,009,767</u>	<u>5,821,799</u>

**MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
STATEMENT OF CASH FLOWS
Years Ended June 30, 2005 and 2004**

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	2005	2004
Operating loss	\$ (8,557,782)	\$ (7,743,576)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	603,437	602,230
Changes in assets and liabilities:		
Receivables, net	21,274	(204,837)
Inventories	(42,702)	(87,013)
Other assets	(17,950)	(677)
Accounts payable	113,932	207,032
Deferred revenue	<u>135,835</u>	<u>155,054</u>
Net cash used by operating activities	<u>\$ (7,743,956)</u>	<u>\$ (7,071,787)</u>

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

MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2005 AND 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

FINANCIAL REPORTING ENTITY

Moberly Area Community College's financial reporting entity consists of the College and its component units, the Moberly Area Community College Facility Development Authority, Inc. (the Building Corporation) and the Moberly Area Community College Foundation (the Foundation), for which the College is financially accountable. The Building Corporation is governed by a 6-member board. While it is legally separate from the College, its sole purpose is to finance and construct facilities for the use of the College. The Foundation is a legally separate entity, however, its purpose is to support and foster the operations, programs and welfare of the College by furnishing financial, advisory and other support. The College Board of Trustees appoints one of its members to serve on the Foundation's Board of Directors along with 22 other independently elected directors. The Building Corporation and Foundation activities solely support the mission of the College. As such, the balances and transactions of these component units are blended into the accompanying financial statements and reported in a manner similar to the balances and transactions of the College itself.

FINANCIAL REPORTING

The College accounts for and presents financial information in accordance with Governmental Accounting Standards Board (GASB) pronouncements, including GASB No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2005 AND 2004

FUND ACCOUNTING

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

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

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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

MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2005 AND 2004

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

TAX REVENUES

Local tax revenues represent payments earned during the years ended June 30, 2005 and 2004 from the Moberly taxing district on taxes levied for calendar years 2004 and prior.

INVESTMENT IN PLANT

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

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

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

MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2005 AND 2004

ACCUMULATED UNPAID VACATION

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

INVENTORY

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

UNEARNED REVENUE

Unearned revenue primarily consists of funds received by the College, designated for specific purposes or departments, and not spent as of June 30, 2005 and 2004.

OPERATING REVENUE

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

SCHOLARSHIP ALLOWANCES AND STUDENT AID

Certain aid such as loans and funds provided to students as awarded by third parties is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

INCOME TAX STATUS

The College is exempt from federal and state income taxes as a local governmental unit. The Moberly Area Community College Facility Development Authority, Inc. and Moberly Area Community College Foundation, Inc. have qualified for exemption from income tax under Section 501(c)(3) of the Internal Revenue Code.

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2005 and 2004, the carrying amounts of cash and cash equivalents on the statement of net assets and statement of fiduciary net assets totals \$4,009,767 and \$5,821,799 respectively, and consists of cash deposits, cash on hand, and money market accounts. The bank balances of the College's cash deposits totaled \$3,908,600 and \$6,073,621 for the years ended June 30, 2005 and 2004, respectively. Of the College's bank balances at June 30, 2005, \$436,548 was insured by the Federal Depository Insurance Corporation (FDIC) and \$3,472,052 was collateralized with securities held by the pledging financial institution's agent in the College's name. As of June 30, 2004, \$219,916 was insured by the FDIC and \$5,856,591 was collateralized with securities held by the pledging financial institution's agent in the College's name. The bank balances of the Foundation's cash deposits as of June 30, 2005 and 2004, totaled \$123,981 and \$123,273, respectively, which were insured by the FDIC. The bank balances of the Facility Development Corporation's cash deposits as of June 30, 2005 and 2004, totaled \$31,495 and \$31,495, respectively, which were insured by the FDIC.

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

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

To provide an indication of the level of risk assumed by the College at June 30, 2005, the College's deposits are categorized below. Differences between the carrying amount and deposit amount are due to timing of transactions.

	<u>Carrying Amount</u>	<u>Deposit Amount</u>
College:		
Insured (FDIC)	\$ 436,548	\$ 436,548
Insured or registered for which securities held by the College or its agent in the College's name	<u>3,417,743</u>	<u>3,472,052</u>
	<u>3,854,291</u>	<u>3,908,600</u>
Foundation:		
Insured (FDIC)	<u>123,981</u>	<u>123,981</u>
Facility Development Authority:		
Insured (FDIC)	<u>31,495</u>	<u>31,495</u>
Total Deposits	<u>\$4,009,767</u>	<u>\$4,064,076</u>

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

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

At June 30, 2004, cash and investments consisted of the following:

College:	<u>2004</u>
Change and petty cash funds	\$ 2,886
Deposits with financial institutions:	
Citizens Bank and Trust	4,448,868
City Bank	18,894
Commerce Bank	2,323,222
Bank of America	984
Bank of Kirksville	100,000
Bank Midwest	19,630
Northeast Mo. State Bank	100,000
U.S. Agency notes, at market	36,361
Regional Bank B, 101.526 share at market	5,570
Vodaphone – 578 shares, at market	<u>12,774</u>
	<u>7,069,189</u>
Foundation:	
Deposits with Commerce Bank	\$ 76,962
Deposits with A. G. Edwards	46,311
Marketable equity securities	<u>191,225</u>
	<u>314,498</u>
Facility Development Authority:	
Deposits with Commerce Bank	\$ 31,495
	<u>31,495</u>
Total Cash/Investment	<u>\$ 7,415,182</u>

Investments

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

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

- Marketable Treasury securities (Treasury Bills)
- Mortgage-Backed Securities:
 - Debt securities of the Federal Farm Credit System
 - Debt securities of the Federal Home Loan Banks (FHLB) excluding zeros
 - Debt securities of the Government National Mortgage Association (GNMA)
 - Debt securities of the Federal National Mortgage Association (FNMA)
 - Debt securities of the Federal Home Loan Mortgage Corporation (FHLMC) (excluding FHLMC Mortgage Cash Flow Obligations)
- Certificates of Deposit backed by acceptable collateral according to Missouri state statute

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

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

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

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

Investments – At June 30, 2005, the College had the following investments:

Type	Fair Value	Book Value	Book Value Less Than <u>One Year</u>	Book Value Greater Than <u>One Year (or stocks)</u>
College:				
Certificates of Deposit	\$ 2,868,754	\$ 2,868,754	\$ 2,868,754	\$ -
US Agency Notes	1,527,446	1,527,446	496,707	1,030,739
Regional Bank B Stock	<u>5,948</u>	<u>5,948</u>	-	<u>5,948</u>
	<u>\$ 4,402,148</u>	<u>\$ 4,402,148</u>	<u>\$ 3,365,461</u>	<u>\$ 1,036,687</u>
Foundation:				
Equities	31,903	31,903	-	31,903
Taxable Bonds	34,093	34,093	-	34,093
Mutual Fund	<u>159,220</u>	<u>159,220</u>	-	<u>159,220</u>
	<u>\$ 4,627,364</u>	<u>\$ 4,627,364</u>	<u>\$ 3,365,461</u>	<u>\$ 1,261,903</u>

Investments by risk category at June 30, 2004 were as follows:

<u>Description</u>	<u>Category</u>			Carrying Amount
	<u>1</u>	<u>2</u>	<u>3</u>	
College:				
FDIC Insurance	\$ 439,508	\$ -----	\$ -----	\$ 439,508
U.S. Treasury/Agency	<u>6,572,090</u>	<u>-----</u>	<u>-----</u>	<u>6,572,090</u>
	<u>\$7,011,598</u>	<u>\$ -----</u>	<u>\$ -----</u>	<u>\$7,011,598</u>
Vodaphone VOD				
578 shares	\$ 12,774	\$ -----	\$ -----	\$ 12,774
Regional Bank B				
101.526 shares	5,570	-----	-----	5,570
U.S. Treasury Bonds, 7.25% due May 15, 2016	<u>36,361</u>	<u>-----</u>	<u>-----</u>	<u>36,361</u>
	<u>\$ 54,705</u>	<u>\$ -----</u>	<u>\$ -----</u>	<u>\$ 54,705</u>

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

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

<u>Description</u>	<u>Category</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Foundation – Marketable Equity securities			191,225	191,225
FDIC Insurance	123,273			<u>123,273</u>
				<u>314,498</u>
Facility Development Authority – FDIC Insurance	31,495			<u>31,495</u>
Total Cash, Cash Equivalents and Investments				<u><u>\$7,412,296</u></u>

NOTE 3 – CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2005 are summarized below:

	<u>Balance, July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Land	\$ 529,200	-	-	\$ 529,200
Improvements (other than buildings)	1,541,950	-	-	1,541,950
Buildings and Building Improvements	17,570,590	-	-	17,570,590
Equipment	1,167,434	102,317	33,154	1,236,597
Total	<u>\$20,809,174</u>	<u>102,317</u>	<u>33,154</u>	<u>20,878,337</u>

Less accumulated depreciation:

Improvements (other than buildings)	940,968	77,005	-	1,017,973
Buildings and Building improvements	2,887,490	432,646	-	3,320,136
Equipment	<u>349,703</u>	<u>93,786</u>	<u>21,091</u>	<u>422,398</u>
Total	<u>4,178,161</u>	<u>603,437</u>	<u>21,091</u>	<u>4,760,507</u>
Capital assets, net	<u>\$16,631,013</u>	<u>\$ (501,120)</u>	<u>12,063</u>	<u>\$16,117,830</u>

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 3 – CHANGES IN CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended June 30, 2003 are summarized below:

	Restated Balance, <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2004</u>
Land	\$ 529,200	-	-	\$ 529,200
Improvements (other than buildings)	1,541,950	-	-	1,541,950
Buildings and Building Improvements	17,570,590	-	-	17,570,590
Equipment	1,098,951	87,897	19,414	1,167,434
Total	<u>\$20,740,691</u>	<u>87,897</u>	<u>19,414</u>	<u>20,809,174</u>

Less accumulated depreciation:

Improvements (other than buildings)	863,962	77,005	-	940,968
Buildings and Building improvements	2,454,844	432,646	-	2,887,490
Equipment	<u>267,842</u>	<u>92,579</u>	<u>10,718</u>	<u>349,703</u>
Total	<u>3,586,648</u>	<u>602,230</u>	<u>10,718</u>	<u>4,178,161</u>
Capital assets, net	<u>\$17,154,043</u>	<u>\$ (514,333)</u>	<u>\$ 8,696</u>	<u>\$16,631,013</u>

NOTE 4 – PENSION PLANS

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

A. Public School Retirement System of Missouri

The College contributes to the Public School Retirement System (the System), a cost-sharing multiple-employer public employee retirement system.

MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 4 – PENSION PLANS (Continued)

Plan Description

The System provides defined retirement and disability benefits to full-time and certain part-time certificated employees and death benefits to members and beneficiaries. Positions covered by the System are not covered by Social Security. The System benefit provisions are set forth in Chapter 169.010 – 169.141 of the Missouri Revised Statutes. The Statutes assign responsibility for the administration of the System of a seven member Board of Trustees.

Membership in the System is mandatory for all full-time certificated employees of the College. Certificated part-time employees may also elect to become members of the System within 90 days after becoming an employee of the College. Such employees receive pro rata credit in the System. The System provides a monthly defined retirement benefit with full benefits at age 60 with at least five years of service; or at age 55 with at least 25 years of service; or with 30 years of service at any age. The System provides actuarially reduced benefits for early retirement at age 55 with at least five years of service or at any age with at least 25 years of service. The System also provides disability and death benefits, as well as a right of withdrawal of contributions upon termination of covered employment. Vesting is established at five years of service. The benefit provisions are established by Missouri State Statutes.

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the Public School Retirement System of Missouri, P. O. Box 268, Jefferson City, Missouri 65102.

Funding Policy

The System members are required to contribute 11% of their annual covered salary and the College is required to contribute a matching amount. The contribution requirements of plan members and the College are established and may be amended by the System Board of Trustees. The College's contributions to the System for the years ended June 30, 2005, 2004, 2003, and 2002 were \$1,121,245, \$1,023,569, \$1,001,211, and \$933,016 respectively, equal to the required contributions for each year.

B. Non-Certificated Employees Retirement Plan

The College contributes to the Non-Teacher School Employee Retirement System (the System), a cost-sharing multiple-employer public employee retirement system.

Plan Description

The System provides defined retirement and disability benefits to full-time and certain part-time non-certificated employees and death benefits to members and beneficiaries. Positions covered by the System are also covered by Social Security. The System benefit provisions are set forth in Chapter 169.600 – 169.715 of the Missouri Revised Statutes. The Statutes assign responsibility for the administration of the System to a seven member Board of Trustees.

MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 4 – PENSION PLANS (Continued)

Membership in the System is mandatory for all full-time non-certificated employees of the College. Certificated part-time employees may also elect to become members of the System within 90 days after becoming an employee of the College. Such employees receive pro rata credit in the System. The System provides a monthly defined retirement benefit with full benefits at age 60 with at least five years of service; or at age 55 with at least 25 years of service; or with 30 years of service at any age. The System provides actuarially reduced benefits for early retirement at age 55 with at least five years of service or at any age with at least 25 years of service. The System also provides disability and death benefits, as well as a right of withdrawal of contributions upon termination of covered employment. Vesting is established at five years of service. The benefit provisions are established by Missouri State Statutes.

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the Public School Retirement System of Missouri, P. O. Box 268, Jefferson City, Missouri 65102.

Funding Policy

The System members are required to contribute 5.25% of their annual covered salary and the College is required to contribute a matching amount. The contribution requirements of plan members and the College are established and may be amended by the System Board of Trustees. The College's contributions to the System for the years ended June 30, 2005, 2004, 2003 and 2002 were \$179,548, \$160,034, \$154,852 and \$141,196 respectively, equal to the required contributions for each year.

NOTE 5 – 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, 2004 and 2003, upon which 2004 and 2003 tax rates of \$.3316 and \$.3347, respectively, per \$100 of the assessed valuation was levied for purposes of local taxation, was \$137,357,258 and \$136,451,237 respectively.

The receipt of current and delinquent property taxes during the fiscal years ended June 30, 2005 and 2004, aggregated approximately 103% of the current assessment computed on the basis of the levy as shown above.

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 6 – OPERATING LEASES

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

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

FY 2007	\$ 101,100
FY 2008	30,520
FY 2009	31,440
FY 2010	32,380
FY 2011	4,500

During 2005 and 2004, the College recorded lease expense in the amount of \$114,758 and \$93,460, respectively.

NOTE 7 – NET ASSETS

Net assets are presented in three categories, invested 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 the net assets are summarized below:

- Invested 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.
- Unrestricted – This classification accounts for the unreserved category after the designated accounts have been taken into consideration.

NOTE 8 – CHANGES IN LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2005 is summarized as follows:

	<u>Balance</u> <u>June 30, 2004</u>	<u>New</u> <u>Debt</u>	<u>Principal</u> <u>Repayment</u>	<u>Balance</u> <u>June 30, 2005</u>
Notes payable	\$2,761,679	\$ --	\$188,430	\$2,573,249
Leases payable	<u>1,958,288</u>	<u>--</u>	<u>148,971</u>	<u>1,809,317</u>
	\$4,719,967	<u>\$ --</u>	<u>\$337,401</u>	\$4,382,566
Less current portion	310,605			329,871
	<u>\$4,409,362</u>			<u>\$4,052,695</u>

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 8 – CHANGES IN LONG-TERM DEBT (Continued)

Long-term debt activity for the year ended June 30, 2004 is summarized as follows:

	Balance <u>June 30, 2003</u>	New <u>Debt</u>	Principal <u>Repayment</u>	Balance <u>June 30, 2004</u>
Notes payable	\$2,942,836	\$ --	\$181,157	\$2,761,679
Leases payable	<u>2,098,508</u>	<u>--</u>	<u>140,220</u>	<u>1,958,288</u>
	\$5,041,344	<u>\$--</u>	<u>\$321,377</u>	\$4,719,967
Less current portion	<u>295,132</u>			<u>310,605</u>
	<u>\$4,746,212</u>			<u>\$4,409,362</u>

NOTE 9 – NOTES PAYABLE

The Moberly Area Community College Facility Development Authority, Inc., a component unit of these financial statements, is indebted for notes payable to Commerce Bank, N.A. totaling \$2,573,249 and \$2,761,679 as of June 30, 2005 and June 30, 2004, respectively. The notes are secured by the constructed asset. The interest rate is 4.3%. Future payment requirements for the years ending June 30, are as follows:

	Principal	Interest	Total
2006	\$ 171,712	\$ 107,283	\$ 278,995
2007	179,225	99,770	278,995
2008	<u>2,222,312</u>	<u>7,854</u>	<u>2,230,166</u>
Total	<u>\$2,573,249</u>	<u>\$ 214,907</u>	<u>\$2,788,156</u>

NOTE 10 – CAPITAL LEASE

The College leases a building under a long-term lease agreement which is considered a capital lease under generally accepted accounting principles. The initial lease term was from December 6, 2000 to June 30, 2001. The lease may be renewed solely at the option of the College at the end of the original lease term for additional one year terms. Assuming noncancellation, future minimum lease payments under these obligations by year, with the present value of net minimum lease payments, are as follows for the years ended June 30:

2006	\$ 261,124
2007	261,124
2008	261,124
2009	261,124
2010	261,124
2011-2014	<u>1,030,109</u>
Total minimum lease payments	2,335,729
Less deferred interest	<u>526,411</u>
Present value of minimum lease payments	<u>\$1,809,318</u>

MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 10 – CAPITAL LEASE (Continued)

The total book value of assets under this capital lease was \$2,410,425 (\$2,730,586 cost less \$320,161 accumulated depreciation) and \$2,491,898 (\$2,730,586 cost less \$238,688 accumulated depreciation) at June 30, 2005 and 2004, respectively.

NOTE 11 – DESIGNATED FUND BALANCES

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

NOTE 12 – RISK MANAGEMENT

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

NOTE 13 – GROUP HEALTH INSURANCE PROGRAM

Moberly Area Community College implemented a self-funded group health insurance program, effective January 1, 2001. This plan provides up to \$2,000,000 lifetime coverage per insured person for group medical coverage. The College's liability for coverage is also limited by reinsurance for claims in excess of \$50,000.

The program is accounted for in the internal service fund. For the year ended June 30, 2005 and 2004, the net income of the program totaled \$101,097 and \$81,284, respectively.

NOTE 14 – INDUSTRIAL NEW JOBS TRAINING CERTIFICATES

The College has issued Industrial New Jobs Training Certificates as allowed by state legislation to provide tax-aided training for employees of industries which are new to or expanding in the state of Missouri. The certificates are to be repaid by payroll tax withholdings from the new jobs that are created. If such fund are not sufficient to repay the debt, then other withholding taxes paid by the employer shall be applied to the debt. A trust fund is maintained for the deposit of tax withholdings received from the state and to disburse amounts received for program costs and debt service.

The certificates do not constitute indebtedness of the College and, accordingly, are not included in the accompanying balance sheet. As of June 30, 2005 and 2004, the Industrial New Jobs Training Certificates outstanding were \$264,000 and \$594,000, respectively and were comprised of the following:

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

<u>Company</u>	<u>Total Certificates Sold</u>	<u>Outstanding Balance June 30, 2005</u>	<u>Outstanding Balance June 30, 2004</u>
Wal-Mart Distrib. Cntr	\$ 400,000	\$ 136,000	\$ 277,000
G.E. Capital Project	<u>835,000</u>	<u>128,000</u>	<u>317,000</u>
Total	<u>\$ 1,235,000</u>	<u>\$ 264,000</u>	<u>\$ 594,000</u>

NOTE 15 – CONTINGENT LIABILITIES

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

NOTE 16 – MOBERLY AREA COMMUNITY COLLEGE FOUNDATION, INC.

As discussed in the summary of significant accounting policies, the accounts of Moberly Area Community College Foundation are combined with the College in the accompanying financial statements. The following schedule presents summarized information for the Foundation that is included in the accompanying financial statements as of June 30, 2005 and 2004 and for the years then ended:

	June 30, 2005	June 30, 2004
Cash and cash equivalents	\$ 63,096	\$ 46,962
Short term investments	286,103	267,536
Total assets	349,199	314,498
Accounts payable	6,190	425
Total liabilities	6,190	425
Unrestricted net assets	343,009	314,073
Gifts and grants from private sources	32,306	34,290
	June 30, 2005	June 30, 2004
Investment income	23,556	38,019
Supplies and other services	26,926	30,313
Increase (decrease) in net assets	28,936	41,996
Net assets, beginning of year	314,073	272,077
Net assets, end of year	343,009	314,073

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

**NOTE 17 – MOBERLY AREA COMMUNITY COLLEGE FACILITY DEVELOPMENT
AUTHORITY, INC.**

As discussed in the summary of significant accounting policies, the accounts of Moberly Area Community College Facility Development Authority, Inc. are combined with the College in the accompanying financial statements. The following schedule presents summarized information for the Foundation that is included in the accompanying financial statements as of June 30, 2005 and 2004 and for the years then ended:

	June 30, 2005	June 30, 2004
Cash and cash equivalents	\$ 31,495	\$ 31,495
Capital asset	5,373,438	5,373,438
Total assets	5,404,933	5,404,933
Deferred revenue	31,495	31,495
Notes payable	2,673,249	2,861,679
Total liabilities	2,704,744	2,893,174
Invested in capital assets, net of related debt	2,700,189	2,511,759
Unrestricted net assets	-	-
Lease revenue	303,995	303,995
Interest expense	115,565	122,838
Increase in net assets	188,430	181,157
Net assets, beginning of year	2,511,759	2,330,602
Net assets, end of year	2,700,189	2,511,759

SUPPLEMENTARY INFORMATION

MOBERLY AREA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Project No.</u>	<u>Program or Award Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements Expenditures</u>
<u>Department of Education</u>					
Direct Program:					
Title IV					
Pell Grants	84.063	N/A	3,295,733	3,295,733	3,295,733
SEOG Grants	84.007	N/A	52,734	52,734	52,734
College Work-Study	84.033	N/A	109,675	109,675	109,675
Passed through the Missouri					
Department of Ed.:					
Title II-C, Perkins	84.048A	13-24	177,239	177,239	177,239
Title III-E, Perkins	84.243A	46-07 TPE	138,613	138,613	138,613
Adult Basic Education	84.002A	N/A	22,378	22,378	22,378
Vocational Rehabilitation	84.126A	N/A	N/A	84,531	84,531
Total Department of Education				<u>3,880,903</u>	<u>3,880,903</u>
<u>Department of Health and Human Services</u>					
Direct Program:					
Public Health Service Act, Title VIII	93.178	N/A	N/A	113,994	113,994
Total Department of Health and Human Services				<u>113,994</u>	<u>113,994</u>
<u>Department of Labor</u>					
Passed through the Missouri					
Department of Education					
Work Force Investment Act	17.250	N/A	N/A	63,235	63,235
Trade Relief Act	17.245	N/A	N/A	35,862	35,862
Total Department of Labor				<u>99,097</u>	<u>99,097</u>
U. S. General Services Administration					
Passed through the State Agency for Surplus					
Property					
Surplus Property	39.003	N/A	N/A	943	943
				<u>943</u>	<u>943</u>
TOTAL				<u>\$4,094,937</u>	<u>\$4,094,937</u>
<u>Guaranteed Student Loans (Not Made by Institution)</u>					
Student Loans	84.032	N/A			<u>\$3,181,884</u>

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Moberly Area Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2: Non-Monetary Assistance

The College receives federal surplus property under the Surplus Property Program. Property distributions to the College totaled \$4,046 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of historical cost, which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

COMPLIANCE AND INTERNAL CONTROL



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

To the Board of Trustees
Moberly Area Community College

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Moberly Area Community College, as of and for the year ended June 30, 2005, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 29, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we reported to management of the College in a separate letter dated November 29, 2005.

Compliance and Other Matters

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

This report is intended solely for the information of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Timothy M. Jeffries, CPA, PC

November 29, 2005



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Moberly Area Community College

Compliance

We have audited the compliance of Moberly Area Community College (the College) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Moberly Area Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Moberly Area Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Timothy M. Jeffries, CPA, PC

November 29, 2005

**MOBERLY AREA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND SUMMARY OF AUDITOR'S RESULTS
JUNE 30, 2005**

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified
that are not considered to be weaknesses? _____ yes X none reported

Noncompliance material to financial
statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified
that are not considered to be weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: unqualified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063	Pell Grant Program
84.032	Student Loans

**MOBERLY AREA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND SUMMARY OF AUDITOR'S RESULTS (CONTINUED)
JUNE 30, 2005**

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None