

REPORT OF
MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
JUNE 30, 2008 AND 2007

MOBERLY AREA COMMUNITY COLLEGE

TABLE OF CONTENTS

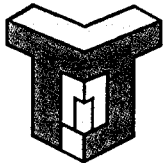
	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Net Assets	11
Statement of Cash Flows	12-13
Notes to Financial Statements	14-29

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	36-38
Corrective Action Plan	39



Timothy M. Jeffries
CPA, PC
CERTIFIED PUBLIC ACCOUNTANT

549 WEST COATES
MOBERLY, MO 65270
TELEPHONE 660-263-9266
FACSIMILE 660-263-9290
tmjcpa@missvalley.com

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, 2008 and 2007, 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, 2008 and 2007, 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.

To the extent this communication contains statements by a tax professional who is subject to the rules of professional conduct set forth in Circular 230, as promulgated by the United States Department of the Treasury, such professional hereby asserts that any U. S. federal tax advice was not intended or written to be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer by the Internal Revenue Service, and it cannot be used by any taxpayer for such purpose.

Member of the American Institute of Certified Public Accountants and the Missouri Society of Certified Public Accountants.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2009 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

January 16, 2009

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(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, 2008 and 2007 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, 2008 shows assets at \$28.2 million, liabilities at \$5.5 million, and net assets at \$22.7 million. Net assets represent the balance in the College's assets after liabilities are deducted.

Net assets increased by \$1,113,592 during FY2008. The most significant changes in the net assets during FY2007 occurred in the *invested in capital assets, net of related debt* portion of net assets.

The net increase in capital assets over related debt was \$1,777,444 and can be attributed to building to retirement of lease/purchase agreement. The remaining components of net assets decreased by a total of \$663,852.

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(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, 2008 and 2007. 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, 2008 and 2007, 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, 2008 and 2007 shows the unrestricted portion at \$ 6.8 and \$6.8 million, respectively.

	(In Millions)	(In Millions)
	Year Ended June 30	
	<u>2008</u>	<u>2007</u>
Current Assets	\$ 9.9	\$ 8.3
Noncurrent Assets	1.0	1.2
Capital Assets	<u>17.3</u>	<u>18.0</u>
Total Assets	<u>28.2</u>	<u>27.5</u>
Current Liabilities	3.6	3.8
Noncurrent Liabilities	<u>1.9</u>	<u>2.1</u>
Total Liabilities	<u>5.5</u>	<u>5.9</u>

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(UNAUDITED)**

Statement of Net Assets (Continued)

	(In Millions)	(In Millions)
	<u>Year Ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Invested in Capital Assets	15.2	13.4
Restricted:		
Nonexpendable	1.4	1.3
Expendable	.1	.1
Unrestricted	<u>6.0</u>	<u>6.8</u>
Total Net Assets	<u>\$22.7</u>	<u>\$21.6</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, 2008 and 2007.

	(In Millions)	(In Millions)
	<u>Year Ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Operating Revenue	\$ 9.4	\$ 8.4
Operating Expenses	<u>18.7</u>	<u>17.4</u>
Operating Loss	(9.3)	(9.0)
Nonoperating revenues (expenses)	<u>10.4</u>	<u>9.9</u>
Gain before other revenues	1.1	.9
Additions to permanent endowments	<u>--</u>	<u>--</u>
Increase in net assets	1.1	.9

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(UNAUDITED)**

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

	(In Millions)	(In Millions)
	<u>Year Ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Net Assets, beginning of the year	21.6	20.7
Net Assets, end of the year	<u>\$ 22.7</u>	<u>\$ 21.6</u>

One of the financial strengths of the College is the continued strength of student enrollment. During the fiscal year 2008, the College served approximately 5,700 students generating 81,626 credit hours. The following is the College's FY 2008 and 2007 revenues, both operating and nonoperating.

	(In Thousands)	(In Thousands)
	<u>Year Ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Operating Revenues		
Student Tuition & Fees, net of scholarship allowances	\$6,917	\$6,329
Auxiliary Enterprises	2,077	1,851
Contracts and Grants from Private Sources	63	143
Other	<u>301</u>	<u>123</u>
Total Operating Revenues	\$9,358	\$8,446
Nonoperating Revenues (Expenses)		
Local Property Taxes	550	518
State Aid and Grants	5,444	5,413
Investment Income	275	379
Gifts and Grants	4,267	3,802
Interest Expense	<u>(120)</u>	<u>(216)</u>
Total Nonoperating	10,416	9,896

The following shows the total expense for the College during FY 2008 and FY2007.

	(In Thousands)	(In Thousands)
	<u>Year Ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Operating Expenses		
Salaries and Benefits	\$10,575	\$ 9,898

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(UNAUDITED)**

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

	(In Thousands) <u>Year Ended June 30</u> <u>2008</u>	(In Thousands) <u>Year Ended June 30</u> <u>2007</u>
Supplies and Other Services	5,364	5,264
Depreciation	772	727
Financial Aid and Scholarships	<u>1,975</u>	<u>1,582</u>
Total Operating Expenses	<u>\$ 18,686</u>	<u>\$ 17,471</u>

In addition, the following presents the FY 2008 and 2007 operating expenses of the College by function.

	(In Thousands) <u>Year Ended June 30</u> <u>2008</u>	(In Thousands) <u>Year Ended June 30</u> <u>2007</u>
Operating Expenses		
Instruction	\$ 6,713	\$ 6,336
Academic Support	1,755	1,778
Student Services	1,689	1,609
Institutional Support	2,006	1,889
Student Financial Aid	1,988	1,598
Plant and Maintenance	2,048	1,827
Auxiliary	1,715	1,707
Depreciation	<u>772</u>	<u>727</u>
Total Operating Expenses	<u>\$ 18,686</u>	<u>\$ 17,471</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, 2008 and 2007.

	(In Thousands) <u>Year Ended June 30</u> <u>2008</u>	(In Thousands) <u>Year Ended June 30</u> <u>2007</u>
Cash provided (used) by:		
Operating activities	\$ (6,183)	\$ (9,661)

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(UNAUDITED)**

Statement of Cash Flows (Continued)

	(In Thousands)	(In Thousands)
	<u>Year Ended June 30</u>	
	<u>2008</u>	<u>2007</u>
Noncapital financing activities	\$ 10,288	\$ 9,757
Capital and related financing activities	(2,670)	(1,811)
Investing activities	<u>(3,553)</u>	<u>3,148</u>
Net decrease in Cash	(2,118)	1,433
Cash, beginning of the year	<u>5,033</u>	<u>3,600</u>
Cash, end of the year	<u>\$ 2,915</u>	<u>\$ 5,033</u>

Capital and Debt Activities

During FY 2008, the College expended \$116,181 for equipment, buildings and building improvements.

The College's investment in capital assets net of accumulated depreciation as of June 30, 2008 and 2007 amounts to \$17.4 million and \$18.0 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, 2008	June 30, 2007
Property, plant and equipment		
Land	\$ 529,200	\$ 529,200
Improvements (other than buildings)	362,179	428,466
Buildings and improvements	15,436,447	15,968,649
Equipment	<u>1,029,714</u>	<u>1,087,414</u>
Net Capital Assets	<u>\$ 17,357,540</u>	<u>\$ 18,013,729</u>

**MOBERLY AREA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008
(UNAUDITED)**

Outstanding Debt at Year End

As of June 30, 2008 and 2007, Moberly Area Community College Facility Development Authority, Inc., a component unit, had notes payable of \$0 and \$2,196,302, respectively. Additionally, the College had capital leases payable of \$2,128,324 and \$2,365,655. 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, 2008 and 2007, the College's total debt decreased by \$2,433,633 and \$367,514, respectively, due to scheduled payments and the retirement of a lease/purchase. During the fiscal year ended June 30, 2007, the College entered into an equipment lease/purchase agreement with Citimortgage, Inc. for lighting upgrades, HVAC enhancements, and monitoring software as part of a performance contract. Total debt for the fiscal year ended June 30, 2008 decreased \$2,433,633, while debt increased \$534,261 during the fiscal year ended June 30, 2007. This represents a decrease of 53.3% and an increase of 14.5% for the years ended June 30, 2008 and 2007, respectively.

Economic Outlook

Appropriations from the State of Missouri stabilized during FY 2008 and FY 2007. Appropriations for FY 2009 increased approximately 4.9%. Current projections of state revenues indicate that state appropriations will likely reduce in FY 2010. The amount of this reduction is contingent upon the economy of the State of Missouri.

Effective with the summer semester of 2008, the College increased its student fees and tuition. The increase in fees and tuition is projected to increase revenues by \$500 thousand for FY 2009.

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.

Requests for Information

This financial report is designed to provide a general overview of the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Gary D. Steffes, Vice President for Finance, Moberly Area Community College, 101 College Avenue, Moberly, MO 65270

MOBERLY AREA COMMUNITY COLLEGE
MOBERLY, MISSOURI
STATEMENT OF NET ASSETS
June 30, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,915,103	\$ 5,032,681
Investments	4,662,327	645,742
Accounts receivable, net of \$631,588 and \$543,551 allowance for doubtful accounts, respectively	1,721,404	2,169,727
Inventories	391,960	329,940
Prepaid expenses	190,681	143,463
Total current assets	<u>9,881,475</u>	<u>8,321,553</u>
Noncurrent Assets		
Investments	1,030,415	1,219,308
Capital assets, net	17,357,540	18,013,729
Total noncurrent assets	<u>18,387,955</u>	<u>19,233,037</u>
Total assets	<u>28,269,430</u>	<u>27,554,590</u>
LIABILITIES		
Current Liabilities		
Accounts payable	353,810	217,422
Accrued liabilities	24,857	31,172
Accrued wages payable	777,513	711,076
Deposits held for others	95,635	115,829
Deferred revenue	2,160,982	302,417
Notes Payable	0	2,196,302
Capital lease payable	251,037	237,370
Total current liabilities	<u>3,663,834</u>	<u>3,811,588</u>
Noncurrent Liabilities		
Notes payable	0	0
Capital lease payable	1,877,287	2,128,285
Total noncurrent liabilities	<u>1,877,287</u>	<u>2,128,285</u>
Total liabilities	<u>5,541,121</u>	<u>5,939,873</u>
NET ASSETS		
Invested in capital assets, net of related debt	15,229,216	13,451,772
Restricted for:		
Nonexpendable		
Endowment	1,368,178	1,341,824
Expendable		
Endowment	75,516	31,809
Unrestricted	<u>6,055,399</u>	<u>6,789,312</u>
Total net assets	<u>\$ 22,728,309</u>	<u>\$ 21,614,717</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, 2008 and 2007

REVENUES	2008	2007
Operating Revenues		
Student tuition and fees, net of scholarship allowances of \$2,173,675 and \$1,780,894, respectively	\$ 6,917,183	\$ 6,329,315
Auxiliary enterprises:		
Bookstore, Cafeteria, Housing, net of scholarship allowances of \$80,959 and \$54,643, respectively	2,076,540	1,851,355
Contracts and grants from private sources	62,498	142,718
Other operating revenues	<u>301,334</u>	<u>122,515</u>
Total operating revenues	<u>9,357,555</u>	<u>8,445,903</u>
 EXPENSES		
Operating Expenses		
Salaries	8,419,920	7,935,898
Benefits	2,154,850	1,962,353
Supplies and other services	4,277,413	4,330,081
Utilities	465,535	450,307
Travel	265,143	244,877
Repairs and maintenance	355,710	239,420
Financial aid scholarships	1,975,273	1,581,938
Depreciation	<u>772,370</u>	<u>726,766</u>
Total operating expenses	<u>18,686,214</u>	<u>17,471,640</u>
Operating loss	<u>(9,328,659)</u>	<u>(9,025,737)</u>
 NONOPERATING REVENUES (EXPENSES)		
Local property tax revenue	550,387	518,282
State aid and grants	5,275,928	5,247,117
Investment income	274,668	378,460
Vocational funding	167,949	166,075
Gifts and grants from government sources	4,230,106	3,668,389
Gifts and grants from private sources	37,333	133,898
Interest expense	<u>(120,474)</u>	<u>(216,343)</u>
Total nonoperating revenues (expenses)	<u>10,415,897</u>	<u>9,895,878</u>
Gain before other revenues, expenses, gains or losses	1,087,238	870,141
Additions to permanent endowments	<u>26,354</u>	<u>23,859</u>
 INCREASE IN NET ASSETS	1,113,592	894,000
 NET ASSETS, BEGINNING OF YEAR,	<u>21,614,717</u>	<u>20,720,717</u>
 NET ASSETS, END OF YEAR	<u>\$ 22,728,309</u>	<u>\$ 21,614,717</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, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 6,565,274	\$ 6,072,765
Payments to suppliers	(4,875,728)	(5,014,916)
Payments for utilities	(440,214)	(447,651)
Payments to employees	(8,363,590)	(7,915,245)
Payments for benefits	(2,144,743)	(1,945,335)
Payments for financial aid and scholarships	(1,975,273)	(1,581,938)
Auxiliary enterprise charges:		
Bookstore, vending, cafeteria, housing	2,098,217	1,813,882
Contracts and grants from private sources	1,970,294	(241,763)
Other receipts (payments)	983,440	(400,655)
	<u>(6,182,323)</u>	<u>(9,660,856)</u>
Net cash used by operating activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local property taxes	550,387	518,282
State aid and grants	5,443,877	5,413,192
Gifts and grants other than capital	4,267,439	3,802,287
Private gifts for endowment purposes	26,354	23,859
	<u>10,288,057</u>	<u>9,757,620</u>
Net cash provided by noncapital financing activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	0	901,775
Purchase of capital assets	(116,181)	(2,129,188)
Principal paid on bonds payable/capital debt	(2,433,633)	(367,514)
Interest paid on bonds payable/capital debt	(120,474)	(216,343)
	<u>(2,670,288)</u>	<u>(1,811,270)</u>
Net cash used by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale and maturities of investments	3,102,576	4,914,223
Investment income	274,668	378,460
Purchase of investments	(6,930,268)	(2,144,853)
	<u>(3,553,024)</u>	<u>3,147,830</u>
Net cash provided by investing activities		
NET INCREASE IN CASH	(2,117,578)	1,433,324
CASH, BEGINNING OF YEAR	<u>5,032,681</u>	<u>3,599,357</u>
CASH, END OF YEAR	<u>\$ 2,915,103</u>	<u>\$ 5,032,681</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, 2008 and 2007

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	2008	2007
Operating loss	\$ (9,328,659)	\$ (9,025,737)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	772,370	726,766
Changes in assets and liabilities:		
Receivables, net	448,323	(841,302)
Inventories	(62,020)	38,679
Other assets	(47,218)	41,879
Accounts payable	176,316	(198,890)
Deferred revenue	<u>1,858,565</u>	<u>(402,251)</u>
Net cash used by operating activities	<u>\$ (6,182,323)</u>	<u>\$ (9,660,856)</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, 2008 AND 2007

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*, using the economic resources measurement focus and the accrual basis of accounting.

The College's net assets are reported in three parts – invested in capital assets, net of related debt; restricted assets; and unrestricted assets. The College first utilizes restricted resources to finance qualifying activities.

MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008 AND 2007

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, 2008 AND 2007**

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, 2008 and 2007 from the Moberly taxing district on taxes levied for calendar years 2006 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, 2008 AND 2007**

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, 2008 and 2007.

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, 2008 AND 2007**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2008 and 2007, the carrying amounts of cash and cash equivalents on the statement of net assets and statement of fiduciary net assets totals \$2,915,103 and \$5,032,681 respectively, and consists of cash deposits, cash on hand, and money market accounts. The bank balances of the College's cash deposits totaled \$4,184,779 and \$5,466,781 for the years ended June 30, 2008 and 2007, respectively. Of the College's bank balances at June 30, 2008, \$1,034,818 was insured by the Federal Depository Insurance Corporation (FDIC) and \$3,149,961 was collateralized with securities held by the pledging financial institution's agent in the College's name. As of June 30, 2007, \$449,237 was insured by the FDIC and \$5,017,544 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, 2008 and 2007, totaled \$67,197 and \$96,361, respectively, which were insured by the FDIC. The bank balances of the Facility Development Corporation's cash deposits as of June 30, 2008 and 2007, totaled \$0 and \$81,495, 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, 2008, 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)	\$1,034,818	\$1,034,818
Insured or registered for which securities held by the College or its agent in the College's name	<u>1,813,088</u>	<u>3,149,961</u>
	<u>2,847,906</u>	<u>4,184,779</u>
Foundation:		
Insured (FDIC)	<u>67,197</u>	<u>67,197</u>
Facility Development Authority:		
Insured (FDIC)	<u>-</u>	<u>-</u>
Total Deposits	<u>\$2,915,103</u>	<u>\$4,251,976</u>

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

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

At June 30, 2007, the College's deposits were categorized as follows:

	<u>Carrying Amount</u>	<u>Deposit Amount</u>
College:		
Insured (FDIC)	\$ 449,237	\$ 449,237
Insured or registered for which securities held by the College or its agent in the College's name	<u>4,405,588</u>	<u>5,017,544</u>
	<u>4,854,825</u>	<u>5,466,781</u>
Foundation:		
Insured (FDIC)	<u>96,361</u>	<u>96,361</u>
Facility Development Authority:		
Insured (FDIC)	<u>81,495</u>	<u>81,495</u>
Total Deposits	<u>\$5,032,681</u>	<u>\$5,644,637</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 investments 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

Investments – At June 30, 2008, 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	\$5,402,326	\$5,402,326	\$4,662,326	\$ 740,000
US Treasury Notes	36,881	36,881	-	36,881
Commerce Bancshares	10,162	10,162	-	10,162
Regional Bank B Stock	<u>4,282</u>	<u>4,282</u>	-	<u>4,282</u>
	\$ 5,453,651	\$ 5,453,651	\$ 4,662,326	\$ 791,325
Foundation:				
Equities	549	549	-	549
Taxable Bonds	81,781	81,781	-	81,781
Mutual Fund	<u>156,760</u>	<u>156,760</u>	-	<u>156,760</u>
	<u>\$5,692,741</u>	<u>\$ 5,692,741</u>	<u>\$ 4,662,326</u>	<u>\$1,030,415</u>

At June 30, 2007, 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	\$ 645,742	\$ 645,742	\$ 645,742	\$ -
US Treasury Notes	1,008,517	1,008,517	-	1,008,517
Regional Bank B Stock	<u>6,938</u>	<u>6,938</u>	-	<u>6,938</u>
	\$ 1,661,197	\$ 1,661,197	\$ 645,742	\$ 1,015,455
Foundation:				
Equities	7,244	7,244	-	7,244
Taxable Bonds	87,798	87,798	-	87,798
Mutual Fund	<u>108,811</u>	<u>108,811</u>	-	<u>108,811</u>
	<u>\$ 1,865,050</u>	<u>\$ 1,865,050</u>	<u>\$ 645,742</u>	<u>\$ 1,219,308</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2008 and 2007, was composed of the following:

	June 30, 2008	June 30, 2007
Student charges (net of allowances)	\$ 1,201,358	\$ 903,129
Federal grants/contracts	172,731	1,164,643
State grants/contracts	18,725	31,269
Interest receivable	51,061	12,891
Other	<u>277,529</u>	<u>57,795</u>
Total Accounts Receivable	<u>\$1,721,404</u>	<u>\$2,169,727</u>

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 4 – CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2008 are summarized below:

	<u>Balance, July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 529,200	0	0	\$ 529,200
<u>Capital Assets Being Depreciated</u>				
Improvements (other than buildings)	1,601,950	0	0	1,601,950
Buildings and Building Improvements	20,214,265	9,817	0	20,224,082
Equipment	<u>1,724,108</u>	<u>120,595</u>	<u>41,824</u>	<u>1,802,879</u>
Sub-total	<u>23,540,323</u>	<u>130,412</u>	<u>41,824</u>	<u>23,628,911</u>
 Total	 <u>\$24,069,523</u>	 <u>130,412</u>	 <u>41,824</u>	 <u>24,158,111</u>
<u>Less accumulated depreciation:</u>				
Improvements (other than buildings)	1,173,484	66,287	0	1,239,771
Buildings and Building improvements	4,245,616	542,019	0	4,787,635
Equipment	<u>636,694</u>	<u>164,064</u>	<u>27,593</u>	<u>773,165</u>
Total	<u>6,055,794</u>	<u>772,370</u>	<u>27,593</u>	<u>6,800,571</u>
 Capital assets, Net	 <u>\$18,013,729</u>	 <u>\$(641,958)</u>	 <u>14,231</u>	 <u>\$17,357,540</u>

Changes in capital assets for the year ended June 30, 2007 are summarized below:

	<u>Balance, July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 529,200	0	0	\$ 529,200
Construct. in progress	<u>446,699</u>	<u>0</u>	<u>446,699</u>	<u>0</u>
Sub-total	<u>975,899</u>	<u>0</u>	<u>446,699</u>	<u>529,200</u>
<u>Capital Assets Being Depreciated</u>				
Improvements (other than buildings)	1,541,950	60,000	0	1,601,950
Buildings and Building Improvements	17,780,597	2,433,668	0	20,214,265

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 4 – CHANGES IN CAPITAL ASSETS (Continued)

	<u>Balance, July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Equipment	<u>1,679,463</u>	<u>101,340</u>	<u>56,695</u>	<u>1,724,108</u>
Sub-total	<u>21,002,010</u>	<u>2,595,008</u>	<u>56,695</u>	<u>23,540,323</u>
 Total	 <u>\$21,977,909</u>	 <u>2,595,008</u>	 <u>503,394</u>	 <u>\$24,069,523</u>
 <u>Less accumulated depreciation:</u>				
Improvements				
(other than buildings)	1,094,978	78,506	0	1,173,484
Buildings and				
Building improvements	3,756,282	489,334	0	4,245,616
Equipment	<u>515,342</u>	<u>158,926</u>	<u>37,574</u>	<u>636,694</u>
Total	<u>5,366,602</u>	<u>726,766</u>	<u>37,574</u>	<u>6,055,794</u>
 Capital assets, Net	 <u>\$16,611,307</u>	 <u>\$1,868,242</u>	 <u>465,820</u>	 <u>\$18,013,729</u>

NOTE 5 – 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.

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

MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 5 – PENSION PLANS (Continued)

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 12.5% 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, 2008, 2007, 2006, and 2005 were \$1,476,233, \$1,353,572, \$1,231,806, and \$1,121,245, 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.

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.

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 5 – PENSION PLANS (Continued)

Funding Policy

The System members are required to contribute 6.0% 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, 2008, 2007, 2006 and 2005 were \$260,571, \$226,291, \$211,832, and \$179,548 respectively, equal to the required contributions for each year.

NOTE 6 – 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, 2007 and 2006, upon which 2007 and 2006 tax rates of \$.3248 and \$.3322, respectively, per \$100 of the assessed valuation was levied for purposes of local taxation, was \$167,015,690 and \$153,716,087, respectively.

The receipt of current and delinquent property taxes during the fiscal years ended June 30, 2008 and 2007, aggregated approximately 98% and 98%, respectively, of the current assessment computed on the basis of the levy as shown above.

NOTE 7 – 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 2009	341,472	FY 2013	96,275
FY 2010	288,275	FY 2014	96,275
FY 2011	184,275	FY 2015	96,275
FY 2012	96,275	FY 2016-20	353,008

During 2008 and 2007, the College recorded lease expense in the amount of \$346,110 and \$282,131, respectively.

NOTE 8 – 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

MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 8 – NET ASSETS (Continued)

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 9 – DEFERRED REVENUE

Deferred revenue includes \$2,000,000 received from the State of Missouri as part of the Lewis and Clark Discovery Initiative. This funding became available through the sale of assets by the Missouri Higher Education Loan Authority (MOHELA). These funds are unrestricted. The College intends to expend these funds and the earnings thereon for capital needs, including new construction, renovations and fixed asset purchases.

NOTE 10 – CHANGES IN LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2008 is summarized as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>New</u> <u>Debt</u>	<u>Principal</u> <u>Repayment</u>	<u>Balance</u> <u>June 30, 2008</u>
Notes payable	\$2,196,302	\$ --	\$2,196,302	\$ -
Leases payable	<u>2,365,655</u>	<u>--</u>	<u>237,331</u>	<u>2,128,324</u>
	\$4,561,957	\$ <u>-</u>	<u>\$2,433,633</u>	\$2,128,324
Less current portion	<u>2,433,672</u>			<u>251,037</u>
	<u>\$2,128,285</u>			<u>\$1,877,287</u>

Long-term debt activity for the year ended June 30, 2007 is summarized as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>New</u> <u>Debt</u>	<u>Principal</u> <u>Repayment</u>	<u>Balance</u> <u>June 30, 2007</u>
Notes payable	\$2,376,537	\$ --	\$180,235	\$2,196,302
Leases payable	<u>1,651,159</u>	<u>901,775</u>	<u>187,279</u>	<u>2,365,655</u>
	\$4,027,696	<u>\$ 901,775</u>	<u>\$367,514</u>	\$4,561,957
Less current portion	<u>348,023</u>			<u>2,433,672</u>
	<u>\$3,679,673</u>			<u>\$2,128,285</u>

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 11 – NOTES PAYABLE

The Moberly Area Community College Facility Development Authority, Inc., a component unit of these financial statements, was indebted for notes payable to Commerce Bank, N.A. totaling \$2,196,302 as of June 30, 2007. The notes were secured by the constructed asset. The interest rate was 4.3%. This indebtedness was retired on July 3, 2007.

NOTE 12 – 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.

The College entered into an equipment lease/purchase agreement with Citimortgage, Inc. on October 31, 2006, for lighting upgrades, hvac enhancements, and monitoring software as part of a performance contract. This lease/purchase agreement is considered a capital lease under generally accepted accounting principles. The lease term is from October 31, 2006 to February 28, 2019.

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:

	Building	Equipment	Total
2009	261,124	96,275	357,399
2010	261,124	96,275	357,399
2011	261,124	96,275	357,399
2012	261,124	96,275	357,399
2013	261,124	96,275	357,399
2014	246,738	96,275	343,013
2015-2020	-	<u>449,280</u>	<u>449,280</u>
Total minimum lease payment	1,552,358	1,026,930	2,579,288
Less deferred interest	<u>247,029</u>	<u>203,935</u>	<u>450,964</u>
Present value of minimum lease payments	<u>\$1,305,329</u>	<u>\$ 822,995</u>	<u>\$2,128,324</u>

The total book value of assets under these capital leases was \$2,943,883 (\$3,619,586 cost less \$675,703 accumulated depreciation) and \$3,099,438 (\$3,619,586 cost less \$520,148 accumulated depreciation) at June 30, 2008 and 2007, respectively.

NOTE 13 – DESIGNATED FUND BALANCES

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

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

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.

NOTE 15 – 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. The following schedule presents summarized information for the Foundation that is included in the accompanying financial statements as of June 30, 2008 and 2007 and for the years then ended:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash and cash equivalents	\$ 67,691	\$ 86,957
Deposits	50,000	-
Net assets	117,691	86,957
Premiums received	1,293,124	1,256,521
Interest income	1,140	229
Claims paid	1,005,724	912,219
Premiums and admin. costs	257,806	273,741
Increase in net assets	30,734	70,520
Net assets, beginning of year	86,957	16,437
Net assets, end of year	117,691	86,957

NOTE 16– INDUSTRIAL RETAINED JOBS TRAINING CERTIFICATES

The College has issued Industrial Retained Jobs Training Certificates as allowed by state legislation to provide tax-aided training for employees of industries which are retained in the state of Missouri. The certificates are to be repaid by payroll tax withholdings from the new jobs that are created. If such funds 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, 2008, the Industrial New Jobs Training Certificates outstanding were \$400,000 and were comprised of the following:

<u>Company</u>	<u>Total Certificates Sold</u>	<u>Outstanding Balance, June 30, 2008</u>
Hubbell Power Systems	\$ 400,000	\$ 230,000

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 17– 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 18– MOBERLY AREA COMMUNITY COLLEGE FOUNDATION, INC.

As discussed in the summary of significant accounting policies, the accounts of Moberly Area Community College Foundation are combined with the College in the accompanying financial statements. The following schedule presents summarized information for the Foundation that is included in the accompanying financial statements as of June 30, 2008 and 2007 and for the years then ended:

	June 30, 2008	June 30, 2007
Cash and cash equivalents	\$ 57,883	\$ 89,297
Short term investments	248,405	210,917
Total assets	306,288	300,214
Accounts payable	8,159	7,758
Total liabilities	8,159	7,758
Net assets	298,129	292,456
Gifts and grants from private sources	129,172	190,953
Investment income (loss)	(8,229)	32,947
Supplies and other services	115,270	312,645
Increase (decrease) in net assets	5,673	(88,745)
Net assets, beginning of year	292,456	381,201
Net assets, end of year	298,129	292,456

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

As discussed in the summary of significant accounting policies, the accounts of Moberly Area Community College Facility Development Authority, Inc. are combined with the College in the accompanying financial statements. The following schedule presents summarized information for the Foundation that is included in the accompanying financial statements as of June 30, 2008 and 2007 and for the years then ended:

	June 30, 2008	June 30, 2007
Cash and cash equivalents	\$ -	\$ 81,495
Capital asset	5,373,438	5,373,438
Total assets	5,373,438	5,454,933
Deferred revenue	-	81,495

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

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

Notes payable	100,000	2,296,302
Total liabilities	100,000	2,377,797
Invested in capital assets, net of related debt	5,273,438	3,077,136
Unrestricted net assets	-	-
Lease revenue	2,204,350	278,995
Interest expense	8,048	98,760
Increase in net assets	2,196,302	180,235
Net assets, beginning of year	3,077,136	2,896,901
Net assets, end of year	5,273,438	3,077,136

SUPPLEMENTARY INFORMATION

MOBERLY AREA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<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					
Federal Pell Grants	84.063	N/A	3,677,223	3,677,223	3,677,223
Academic Competitiveness Grant	84.375	N/A	59,800	59,800	59,800
FSEOG Grants	84.007	N/A	69,901	69,901	69,901
Federal Work-Study	84.033	N/A	107,571	107,571	107,571
Passed through the Missouri					
Department of Ed.:					
Title II-C, Perkins	84.048A	13-24	114,364	114,364	114,364
Title III-E, Perkins	84.243A	46-07 TPE	116,968	116,968	116,968
Adult Basic Education	84.002A	N/A	21,800	21,800	21,800
Vocational Rehabilitation	84.126A	N/A	N/A	141,374	141,374
Total Department of Education				<u>4,309,001</u>	<u>4,309,001</u>
<u>Department of Health and Human Services</u>					
Direct Program:					
Public Health Service Act, Title VIII	93.178	N/A	N/A	36,139	36,139
Total Department of Health and Human Services				<u>36,139</u>	<u>36,139</u>
<u>Department of Labor</u>					
Passed through the Missouri					
Department of Education					
Work Force Investment Act	17.250	N/A	N/A	55,866	55,866
Trade Relief Act	17.245	N/A	N/A	19,036	19,036
Total Department of Labor				<u>74,902</u>	<u>74,902</u>
TOTAL				<u>\$4,420,042</u>	<u>\$4,420,042</u>
<u>Guaranteed Student Loans (Not Made by Institution)</u>					
Student Loans	84.032	N/A			<u>\$4,114,078</u>

**MOBERLY AREA COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

1. Summary of Significant Accounting Policies

A. Purpose of Schedule of Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

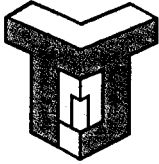
C. Basis of Accounting

The schedule is presented on the accrual basis of accounting.

2. Subrecipients

The College provided no federal awards to subrecipients during the year ended June 30, 2008.

COMPLIANCE AND INTERNAL CONTROL



Timothy M. Jeffries
CPA, PC
CERTIFIED PUBLIC ACCOUNTANT

549 WEST COATES
MOBERLY, MO 65270
TELEPHONE 660-263-9266
FACSIMILE 660-263-9290
tmjcpa@missvalley.com

**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 accompanying basic financial statements of Moberly Area Community College (the 'College'), as of and for the year ended June 30, 2008 and 2007 and have issued our report thereon dated January 16, 2009. 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 as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

To the extent this communication contains statements by a tax professional who is subject to the rules of professional conduct set forth in Circular 230, as promulgated by the United States Department of the Treasury, such professional hereby asserts that any U. S. federal tax advice was not intended or written to be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer by the Internal Revenue Service, and it cannot be used by any taxpayer for such purpose.

Member of the American Institute of Certified Public Accountants and the Missouri Society of Certified Public Accountants.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

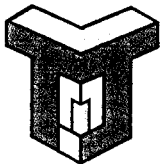
We noted certain matters that we reported to management of the College in a separate letter dated January 16, 2009.

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

January 16, 2009



Timothy M. Jeffries
CPA, PC
CERTIFIED PUBLIC ACCOUNTANT

549 WEST COATES
MOBERLY, MO 65270
TELEPHONE 660-263-9266
FACSIMILE 660-263-9290
tmjcpa@missvalley.com

**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 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, 2008. 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.

As described in item 2008-A and 2008-B in the accompanying schedule of findings and questioned costs, Moberly Area Community College did not comply with requirements regarding special tests and provisions and reporting requirements that are applicable to Federal Pell Grants and Student Financial Aid Programs. Compliance with such requirements is necessary, in our opinion, for Moberly Area Community College to comply with the requirements applicable to that program.

To the extent this communication contains statements by a tax professional who is subject to the rules of professional conduct set forth in Circular 230, as promulgated by the United States Department of the Treasury, such professional hereby asserts that any U. S. federal tax advice was not intended or written to be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer by the Internal Revenue Service, and it cannot be used by any taxpayer for such purpose.

Member of the American Institute of Certified Public Accountants and the Missouri Society of Certified Public Accountants.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2008.

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 District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Moberly Area Community College's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Moberly Area Community College's response and, accordingly, we express no opinion on it.

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

January 16, 2009

**MOBERLY AREA COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 AND SUMMARY OF AUDITOR'S RESULTS
 JUNE 30, 2008**

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes _____ 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, 2008**

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

Auditee qualified as low-risk auditee? _____ yes X no

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

2008-A Student Financial Aid Cluster

Condition: The College's federal student aid bank account earned \$261 which is more than the \$250 allowed. The excess \$11 was not returned by June 30 as required.

Criteria: 34 CFR 668.163(4) states that an institution may keep the initial \$250 it earns in interest during an award year. By June 30 of that award year the institution must remit to the Secretary any earnings over \$250.

Effect: The College has an extra \$11 on hand that is due to the Department of Education.

Questioned Costs: \$11

Cause: Oversight of the interest earned on the bank account allowed the interest to exceed \$250 without being returned.

Recommendation: The College monitor the interest earned and remit the excess over \$250 to the appropriate agency.

Auditee Response: See Corrective Action Plan

**MOBERLY AREA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND SUMMARY OF AUDITOR'S RESULTS (CONTINUED)
JUNE 30, 2008**

2008-B Federal Pell Grants - CFDA 84.063

Condition: A student tested was awarded pell grant based on full-time status when the student was only three-quarter time.

Criteria: Compliance item E-1 of the student financial assistance cluster states that the college must determine the students enrollment status.

Effect: This student received more pell grant money than they were allowed.

Questioned Costs: \$203

Cause: Clerical error and oversight caused the miscalculation of the student's enrollment status.

Recommendation: Students' enrollment status be double checked and entered correctly to prevent further miscalculations.

Auditee Response: See Corrective Action Plan

**MOBERLY AREA COMMUNITY COLLEGE
CORRECTIVE ACTION PLAN
JUNE 30, 2008**

Finding 2008-A

The College will return the excess funds (\$11.00) to the Department of Education. The College will monitor this more closely.

Finding 2008-B

The College corrected the Federal Pell Grant amount through the Common Origination and Disbursement system on December 8, 2008. The error occurred in computing the spring Pell allocation. The summer semester had not been included in the calculation. The financial aid staff have been notified of this error and training of new staff will emphasize the inclusion of summer semesters in the calculation of Pell awards as appropriate.