The Metropolitan Community College

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017

BKD LLP
CPAs & Advisors

The Metropolitan Community College
June 30, 2018 and 2017

Contents

The Metropolitan Community College
June 30, 2018 and 2017

Contents (Continued)

BKD
CPAs & Advisors

1201 Walnut Street, Suite 1700 | Kansas City, MO 64106-2246
816.221.6300 | Fax 816.221.6380 | bkd.com

Independent Auditor's Report

Board of Trustees
The Metropolitan Community College
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The Junior College District of Metropolitan Kansas City, Missouri (d/b/a The Metropolitan Community College, the "College") as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. 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 from material misstatement. The financial statements of The Metropolitan Community College Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of The Metropolitan Community College, as of June 30, 2018 and 2017, and the respective changes in financial position and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying other supplementary financial information and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary financial information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

BKD, LLP

Kansas City, Missouri
November 14, 2018

The Metropolitan Community College

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

Introduction

This section of The Metropolitan Community College's (the College or MCC) annual financial report presents a discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2018, with comparative data for the fiscal years ended June 30, 2017 and 2016. 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) 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 the financial statements be presented to focus on the College as a whole.

As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the accompanying combined financial statements of the College including the accounts of The Junior College District of Metropolitan Kansas City, Missouri (the District), the Kansas City Metropolitan Community Colleges Building Corporation (the Building Corporation), as well as its discretely presented component unit, The Metropolitan Community College Foundation (the Foundation).

In 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which revises accounting and financial reporting standards for other post-employment benefits that are provided to the employees of state and local governmental employers through health care benefits that are administered through trusts and equivalent arrangements in which specific criteria are met. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenditures. For defined benefit postemployment benefits, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to the actuarial present value and attribute that present value to periods of employee service. Information for the year ended June 30, 2017, was not restated for the application of GASB Statement No. 75 as it was deemed impractical to do so.

Using This Annual Report

One of the most important questions asked about the College's finances is whether the College, as a whole, is better off or worse off as a result of the year's activities. The Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows provide information on the College as a whole and present a long-term view of the College's finances. These statements present financial information in a form similar to that used by private corporations. Over time, increases or decreases in net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) is one indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities. In addition to these three basic financial statements, this report contains notes to the financial statements, required supplementary information and other supplementary schedules as appropriate.

Financial Highlights for Fiscal Year Ended June 30, 2018

In fiscal year 2018, the College's financial position declined slightly, with total assets and deferred outflows of resources at $260.1 million versus $261.2 million in 2017 and $241.5 million in 2016. Net position, which represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was $112.7 million at June 30, 2018. This represents a 1.2 percent decrease from 2017's net position of $114.1 million. The College's unrestricted net position showed a decrease from $50.2 million to $46.6 million.

Financial operations were better than originally budgeted, with an overall increase in net position of $11.7 million. The positive results can be attributed to increased revenue from local taxes and investments, additional contributions from the Institute for Workforce Innovation, lapsed salaries and continued conservative spending across the District. This increase in net position helped to offset the adoption of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which increased the College's liabilities by $13.2 million.

Financial Highlights for Fiscal Year Ended June 30, 2017

The College's financial position improved at June 30, 2017, with total assets and deferred outflows of resources increasing $19.7 million to $261.2 million compared to $241.5 million at June 30, 2016. Total liabilities and deferred inflows of resources for the College also increased by $8.2 million, as of June 30, 2017, from $138.9 million to $147.1 million.

Net position, which represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was $114.1 million at June 30, 2017. This represents an 11.2 percent increase from 2016's net position of $102.6 million. The College's unrestricted net position showed an increase growing from $41.0 million to $50.2 million or 22.4 percent.

Financial operations were better than originally budgeted, with an overall increase in net position of $11.5 million. These positive results can be attributed to lapsed salaries, open vacant positions, continued conservative spending across the District and additional contributions from special projects and the Institute of Workforce Innovation.

Financial Highlights for Fiscal Year Ended June 30, 2016

As of June 30, 2016, the College's financial position improved with total assets and deferred outflows of resources increasing $10.0 million to $241.5 million on June 30, 2016 compared to $231.5 million as of June 30, 2015. Total liabilities and deferred inflows decreased by $3.6 million to $138.9 million at June 30, 2016 from $142.5 million at June 30, 2015.

The College's operations were better than originally budgeted resulting in the College's total net position increasing by $13.6 million, a 15.3 percent increase. This resulted in an increase of unrestricted net position, from $30.0 million to $41.0 million, an increase of $11.0 million. This is attributable to a pension expense credit, lapsed salaries and a continued decline in spending across the District.

Statements of Net Position

The Statements of Net Position presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. Total assets and deferred outflows of resources less total liabilities and deferred inflows of resources – net position – is one indicator of the current financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values or historical costs.

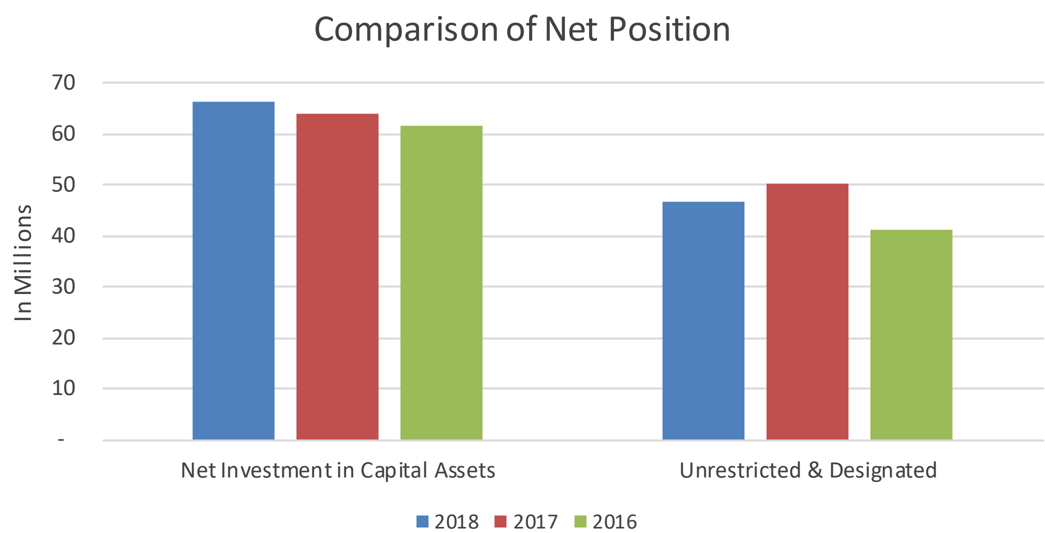
From the data presented, readers of the Statements of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors and lending institutions. Finally, the Statements of Net Position provide a picture of assets available for expenditure by the College.

Assets and liabilities are categorized as current or noncurrent. The difference is that current assets and liabilities mature or become payable within the normal 12-month accounting cycle versus noncurrent, which mature or become payable after 12 months. For example, at June 30, 2018, the College's current assets consisted primarily of cash and cash equivalents, short-term investments, net accounts receivable and other assets. Noncurrent assets consist primarily of long-term investments and property and equipment. Property and equipment are the capital assets owned by the College and the Building Corporation.

Net position is presented in three major categories. The first category, net investment in capital assets, provides the College's/Building Corporation's equity in capital assets – the property, plant and equipment owned by the College/Building Corporation. The second category is restricted net position, which is restricted for debt retirement. The third category is titled unrestricted net position, which includes amounts designated by board direction for specific purposes.

Condensed Statements of Net Position
June 30, 2018, 2017 and 2016
(Dollars in Millions)

	2018	Change from Prior Year	2017	Change from Prior Year	2016
Assets					
Current	$ 82.0	$ (24.0)	$ 106.0	$ 19.5	$ 86.5
Capital	117.8	(1.9)	119.7	(0.8)	120.5
Other	36.1	29.4	6.7	(12.2)	18.9
Total assets	235.9	3.5	232.4	6.5	225.9
Deferred outflows of resources	24.2	(4.6)	28.8	13.2	15.6
Total assets and deferred outflows of resources	$ 260.1	$ (1.1)	$ 261.2	$ 19.7	$ 241.5
Liabilities					
Current	$ 19.0	$ (0.9)	$ 19.9	$ (1.9)	$ 21.8
Noncurrent	121.0	3.1	117.9	10.6	107.3
Total liabilities	140.0	2.2	137.8	8.7	129.1
Deferred inflows of resources	7.4	(1.9)	9.3	(0.5)	9.8
Total liabilities and deferred inflows of resources	$ 147.4	$ 0.3	$ 147.1	$ 8.2	$ 138.9
Net Position					
Invested in capital, net of related debt	$ 66.1	$ 2.2	$ 63.9	$ 2.3	$ 61.6
Unrestricted	46.6	(3.6)	50.2	9.2	41.0
Total net position	$ 112.7	$ (1.4)	$ 114.1	$ 11.5	$ 102.6



Significant assets consist of cash and cash equivalents, short-term and long-term investments, accounts receivable and capital assets. Significant liabilities include accounts payable and accrued liabilities, long-term bonded debt, other postemployment benefit liability, net pension liability, compensated absences and deferred revenue.

Fiscal Year 2018 compared to Fiscal Year 2017

As of June 30, 2018, total assets and deferred outflows of resources decreased $1.1 million. The decrease in assets is due to a decrease of $28.7 million in short-term investments offset by an increase of $29.4 million in long-term investments. The GASB 68 actuarial evaluation of the College's portion of the unfunded pension liability resulted in a decrease of $4.6 million in deferred outflows. Cash and cash equivalents also increased $5.6 million. The remaining changes were a decrease in other assets and a decrease in capital assets.

Total liabilities and deferred outflows of resources increased $.3 million in fiscal year 2018. The adoption of GASB 75 required the College to recognize $9.9 million in post-employment benefits (not related to pension). This was offset by the GASB 68 actuarial evaluation of the College's portion of the unfunded pension liability resulting in a decrease of $1.8 million in the pension liability and a decrease of $1.9 million in the deferred inflows of resources. The annual bond payments for the Series 2014 bonds decreased the bonds payable by $4.2 million. The remaining changes were a decrease in accounts payable and capital lease liability.

Net investment in capital assets, which represents 58.7 percent of total net position at June 30, 2018, represents the assets' historical costs, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Expendable restricted net position is subject to externally imposed restrictions governing their use. This category of net position represents the debt service reserve funds as mandated by the trust indentures. The College is not required to maintain a debt service reserve with the Series 2014 bonds.

The Board of Trustees has elected to designate a portion of unrestricted net position for the purpose of deferred maintenance and information technology. Designated net position is not subject to externally imposed restrictions and therefore is not considered restricted net position.

Unrestricted net position is not subject to externally imposed stipulations and is available to the College for any legal purpose.

Fiscal Year 2017 compared to Fiscal Year 2016

In fiscal year 2017, total assets and deferred outflows of resources increased $19.7 million while total liabilities and deferred inflows of resources increased $8.2 million; for a total net position increase of $11.5 million.

The College's total assets and deferred outflows of resources increase of $6.4 million is due to an increase in cash and cash equivalents of $10.7 million with an offsetting net decrease in investments of $4.3 million. In addition, deferred outflows of resources increased $13.2 million as a result of the annual GASB 68 actuarial evaluation.

The total liabilities and deferred inflows of resources increase is a result of the annual GASB 68 actuarial evaluation resulting in an increase in MCC's share of the Missouri retirement system net pension liability of $15.1 million. This is offset by a decrease in bonds payable of $4.1 million and a decrease in accounts payable and other accruals decreased $1.6 million.

Net investment in capital assets, which represents 56.0 percent of total net position at June 30, 2017, represents the assets' historical costs, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Designated net position is not subject to externally imposed restrictions and therefore is not considered restricted net position. Rather, the Board of Trustees has elected to designate a portion of unrestricted net position for the purpose of deferred maintenance and information technology.

The Board of Trustees has elected to designate a portion of unrestricted net position for the purpose of deferred maintenance and information technology. Designated net position is not subject to externally imposed restrictions and therefore is not considered restricted net position.

Unrestricted net position is not subject to externally imposed stipulations and is available to the College for any legal purpose.

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position disclose the College's financial results for each of the fiscal years presented. The purpose of the statements are to present the revenues earned by the College, both operating and nonoperating and the expenses incurred by the College, operating and nonoperating and any other revenues, expenses, gains and losses earned or incurred by the college. Under the accrual basis of accounting, all of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

Generally speaking, operating revenues are received for providing goods and services to the students and various constituencies of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry on the mission of the College. Nonoperating revenues are revenues earned for which goods and services are not provided. For example, the state appropriations, Pell grant revenue and county property tax collections are nonoperating because they represent revenue provided to the College for which no direct goods or services were provided directly by the College to the state legislature or the local taxpayers.

One of the College's strengths is its diverse streams of revenue, which allow it the flexibility to weather difficult economic times. The statements below provide an illustration of revenues by source (both operating and nonoperating), which were used to fund the College's operating activities for the years ended June 30, 2018, 2017 and 2016.

Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018, 2017 and 2016
(Dollars in Millions)

	2018	Change from Prior Year	2017	Change from Prior Year	2016
Operating revenues	$ 46.2	$ (3.5)	$ 49.7	$ 0.9	$ 48.8
Operating expenses	126.4	-	126.4	2.8	123.6
Operating loss	(80.2)	(3.5)	(76.7)	(1.9)	(74.8)
Non-operating revenues, net	92.0	3.8	88.2	(0.2)	88.4
Increase in net assets	11.8	0.3	11.5	(2.1)	13.6
Net assets, beginning of year	114.1	11.5	102.6	13.6	89.0
Change in accounting principle	(13.2)	(13.2)	-	-	-
Net assets, end of year	$ 112.7	$ (1.4)	$ 114.1	$ 11.5	$ 102.6
Total revenues	$ 140.2	$ (0.2)	$ 140.4	$ 1.2	$ 139.2
Total expenses	$ 128.4	$ (0.5)	$ 128.9	$ 3.3	$ 125.6

The following table of revenues by source (both operating and nonoperating) shows revenues used to fund the College's operating activities for the years ended June 30, 2018, 2017 and 2016.

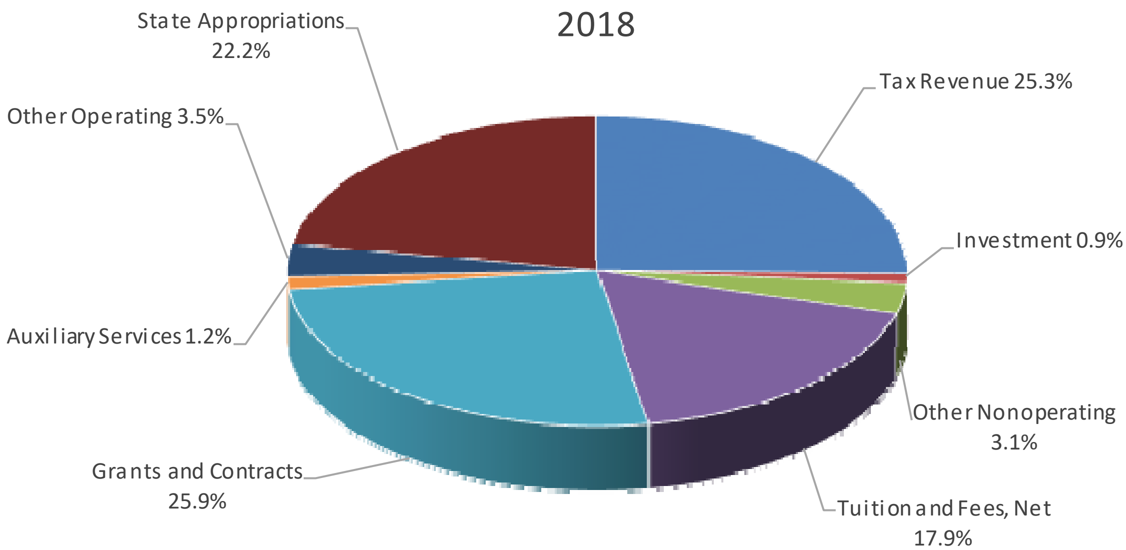
Revenues by Source
Years Ended June 30, 2018, 2017 and 2016
(Dollars in Millions)

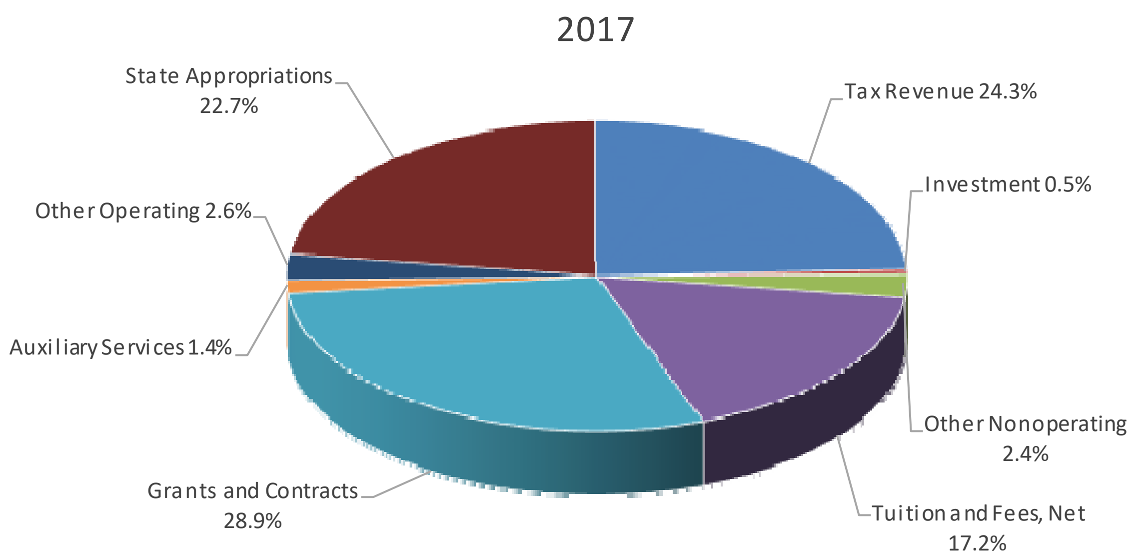
	2018	Change from Prior Year	2017	Change from Prior Year	2016
Operating revenues					
Student tuition and fees	$ 25.1	$ 0.9	$ 24.2	$ 1.7	$ 22.5
Contract and grants	14.5	(5.5)	20.0	2.4	17.6
Auxiliary services	1.7	(0.2)	1.9	(2.5)	4.4
Other	4.9	1.3	3.6	(0.7)	4.3
Total operating revenues	46.2	(3.5)	49.7	0.9	48.8
Non-operating revenues					
Federal Pell Grant	21.7	1.0	20.7	(1.0)	21.7
State appropriations	31.1	(0.9)	32.0	(0.9)	32.9
County property tax revenues	35.5	1.4	34.1	1.4	32.7
Investment income	1.3	0.7	0.6	-	0.6
Other non-operating revenue	4.4	1.1	3.3	0.8	2.5
Total non-operating revenues	94.0	3.3	90.7	0.3	90.4
Total revenue	$ 140.2	$ (0.2)	$ 140.4	$ 1.2	$ 139.2

Fiscal Year 2018 compared to Fiscal Year 2017

Total revenues decreased by $.2 million from prior year. All tuition rates remained unchanged from prior year. The fiscal year enrollment was slightly below budget projections but tuition and fees revenue was up by $.9 million due to an increase in out-of-district tuition. This was offset by state appropriations which decreased $.9 million from prior year. Tax revenues increased by $1.4 million, or 4.1 percent, from fiscal year 2017 due to an increase in the collection of back taxes and an increase in new construction. Contracts and grants (excluding Federal Pell Grants), which comprise 10.3 percent and 14.2 percent of total revenue respectively, decreased by $5.5 million from prior year.

The following graphic illustrates the College's total revenues for the years ended June 30, 2018 and 2017.

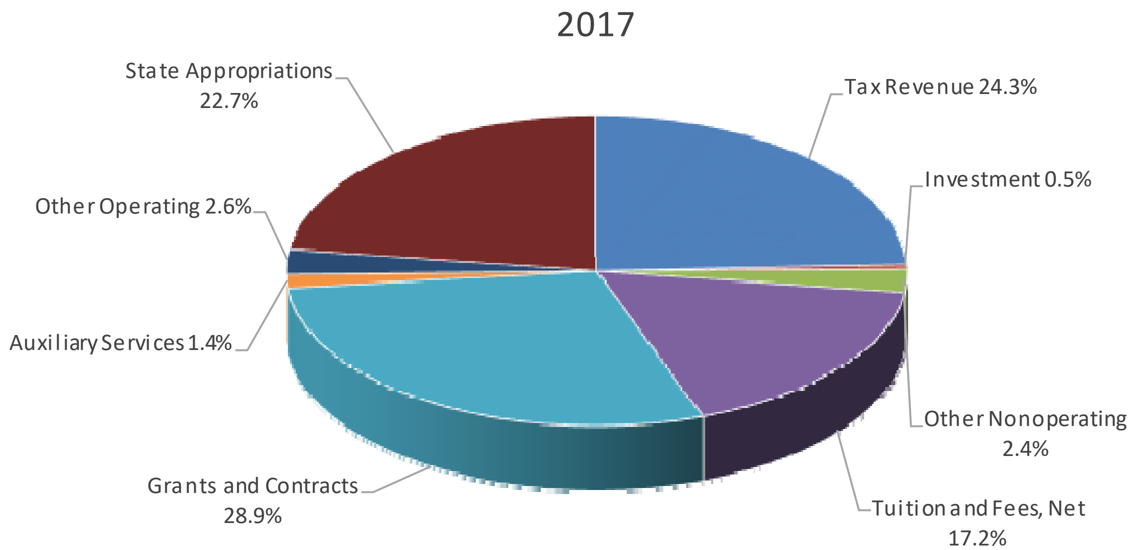


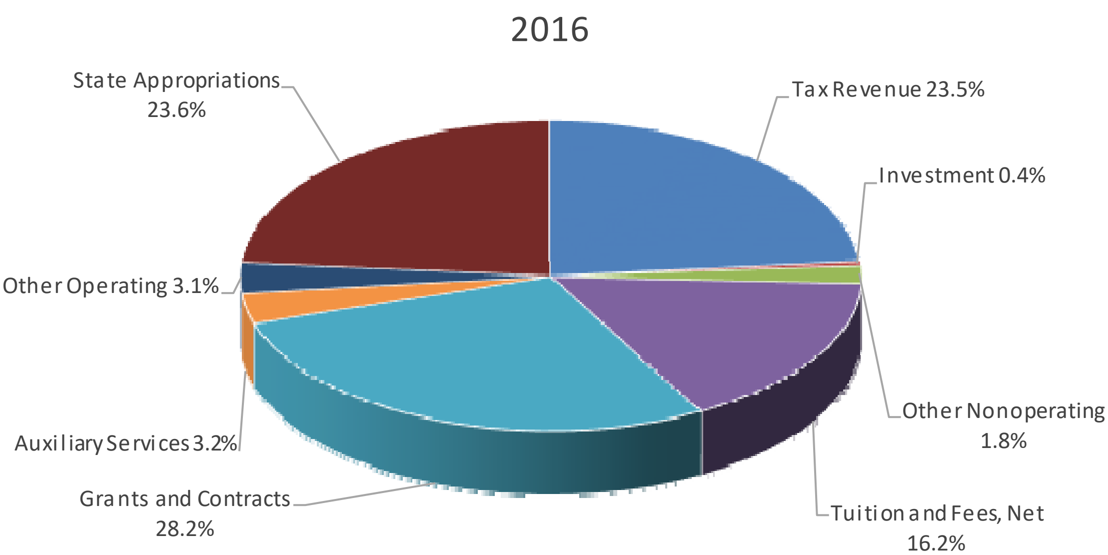


<u>Fiscal Year 2017 compared to Fiscal Year 2016</u>

Total revenues increased by $1.2 million from fiscal year 2016. Contracts and grants (including Federal Pell Grants) increased $1.4 million. This revenue source now comprises 28.9 percent of total revenue, which is up from 28.3 percent in the prior year. Tax Revenue which is 24.3 percent of total revenues, increased $1.4 million. State appropriations decreased $0.9 million or 2.9 percent from prior year. Tuition rates continued to remain unchanged from the prior year. For the year ending June 30, 2017, the College projected a 1.5 percent decline in enrollment, which was offset by an increase in out-of-district enrollment. This resulted in an increase of $1.7 million and now represents 17.2 percent of total revenue. Auxiliary services revenue declined by $2.5 million which is directly related to books sales ending after the College outsourced the bookstore operations to Follett in fiscal year 2016.

The following graphic illustrates the College's total revenues for the years ended June 30, 2017 and 2016.





Expenses

Operating expenses can be displayed in two formats, natural (object) classification and functional classification. Both formats are presented in the following tables for the years ended June 30, 2018, 2017 and 2016.

Operating Expenses by Natural Classification
Years Ended June 30, 2018, 2017 and 2016
(Dollars in Millions)

	2018	Change from Prior Year	2017	Change from Prior Year	2016
Operating expenses					
Salaries and benefits	$ 85.1	$ 0.4	$ 84.7	$ 4.6	$ 80.1
Supplies and services	31.0	(0.1)	31.1	(1.1)	32.2
Depreciation	6.6	0.3	6.3	(0.1)	6.4
Scholarships and fellowships	3.7	(0.6)	4.3	(0.6)	4.9
Total operating expenses	$ 126.4	$ -	$ 126.4	$ 2.8	$ 123.6

Operating Expenses by Functional Classification
Years Ended June 30, 2018, 2017 and 2016
(Dollars in Millions)

	2018	Change from Prior Year	2017	Change from Prior Year	2016
Operating expenses					
Instructional	$ 44.4	$ -	$ 44.4	$ 1.0	$ 43.4
Academic support	13.9	-	13.9	(1.3)	15.2
Student services	15.1	(0.2)	15.3	1.1	14.2
Plant ops and maintenance	12.8	2.3	10.5	(0.2)	10.7
Institutional support	23.5	(0.1)	23.6	4.6	19.0
Scholarships and fellowships	3.7	(0.6)	4.3	(0.6)	4.9
Public service	5.3	(1.5)	6.8	1.1	5.7
Depreciation	6.6	0.3	6.3	(0.1)	6.4
Auxiliary enterprise	1.1	(0.2)	1.3	(2.8)	4.1
Total operating expenses	$ 126.4	$ -	$ 126.4	$ 2.8	$ 123.6

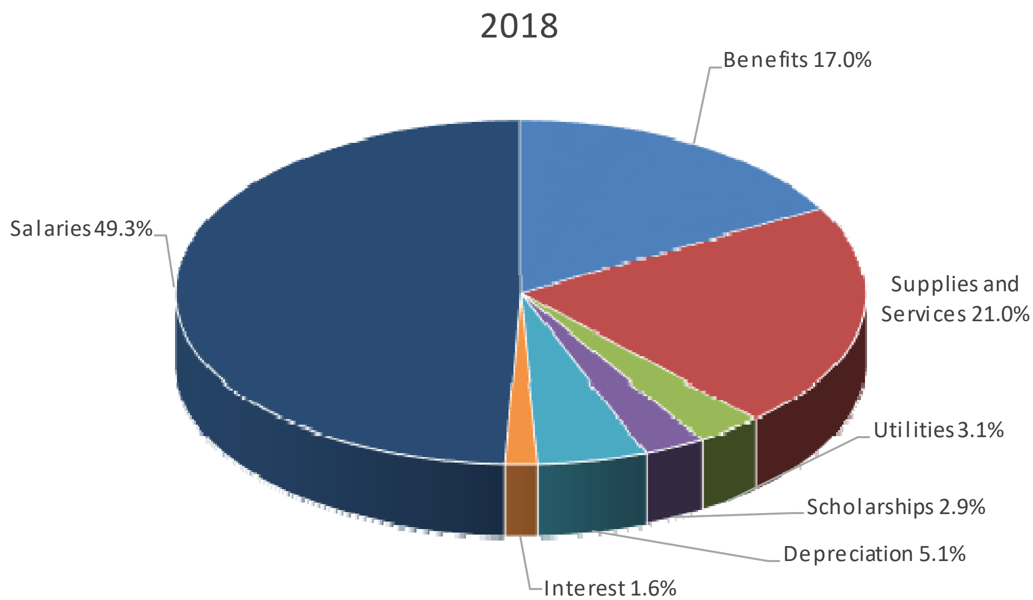
Nonoperating Expenses
Years Ended June 30, 2018, 2017 and 2016
(Dollars in Millions)

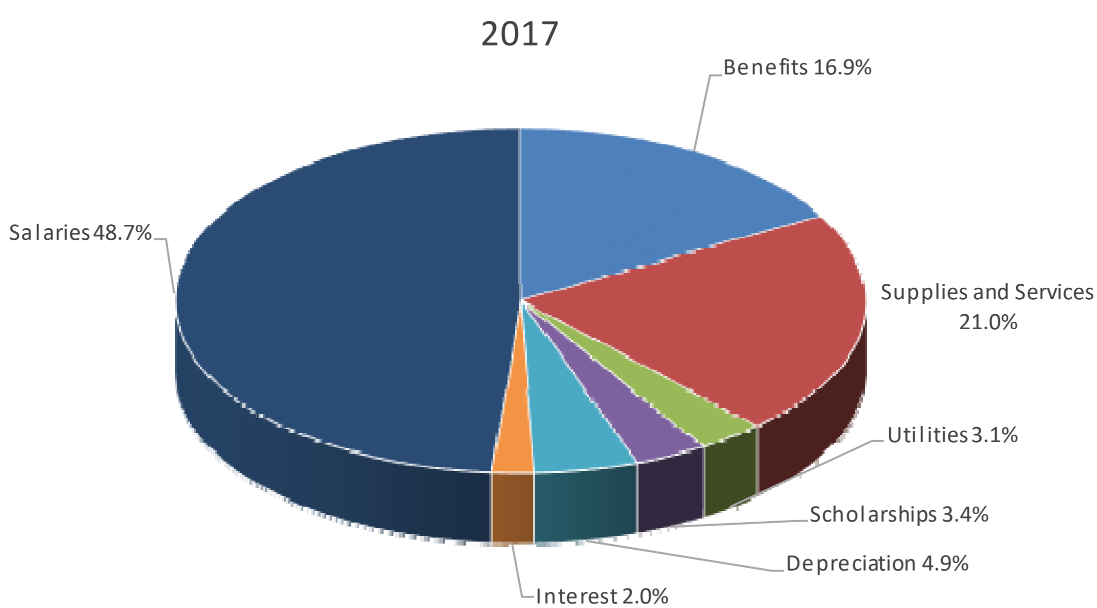
	2018	Change from Prior Year	2017	Change from Prior Year	2016
Interest on debt relating to capital assets	$ 2.0	$ (0.5)	$ 2.5	$ 0.5	$ 2.0
Total expenses	$ 128.4	$ (0.5)	$ 128.9	$ 3.3	$ 125.6

Fiscal Year 2018 compared to Fiscal Year 2017

In fiscal year 2018, total operating and nonoperating expenses decreased by $.5 million or .4 percent from prior year. The salaries and benefits comprise 66.3 percent and 65.6 percent of total expenses for years ended June 30, 2018 and 2017, respectively. Supplies and services remained flat from the prior year.

The following graphic illustrates expenses by natural (object) classification for the years ended June 30, 2018 and 2017.

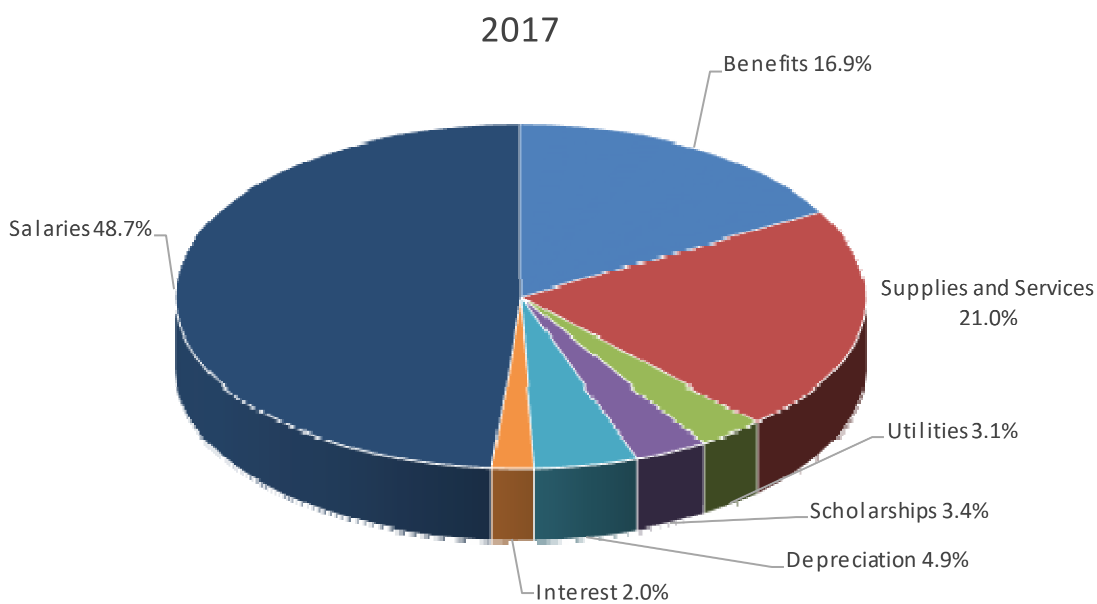


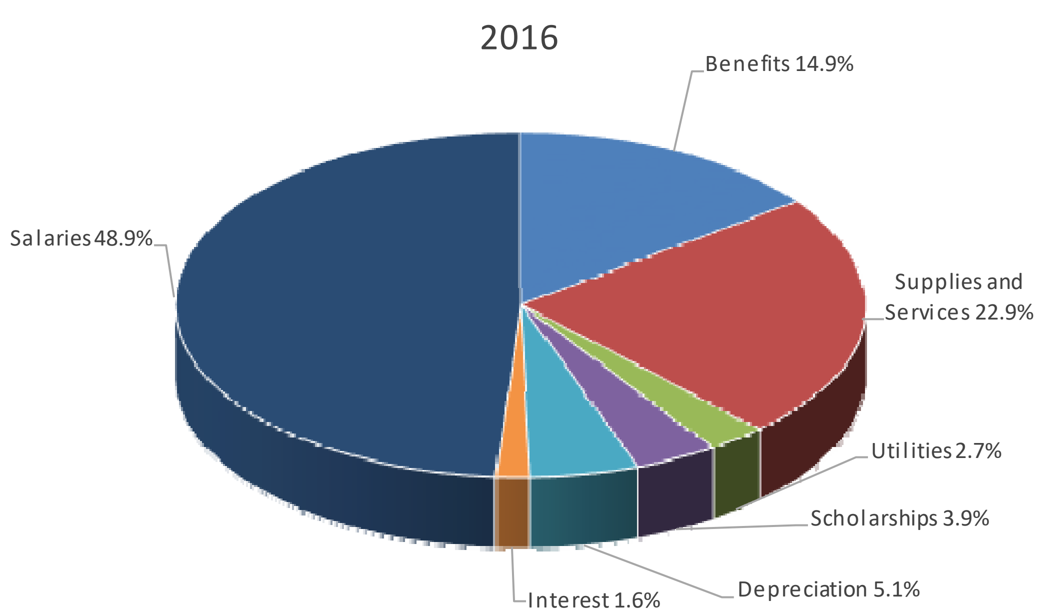


Fiscal Year 2017 compared to Fiscal Year 2016

The College's fiscal year 2017 total operating and nonoperating expenses increased by $3.3 million or 2.6 percent from the prior year. Salaries and benefits are the largest categories and comprise 65.6 percent and 63.8 percent of total expenses for the fiscal years ended June 30, 2017 and 2016, respectively. The expenses in salaries increased $1.4 million due in part to a salary increase for fiscal year 2017. The Benefits category increased $3.1 million due to pension expense related to the GASB 68 pronouncement. The second largest category, supplies and services decreased $1.1 million or 3.3 percent from the prior year primarily due to more capitalized expenses as a result of spending the remaining funds of $2.8 million from the 2015 Board of Public Buildings bonds.

The following graphic illustrates expenses by natural (object) classification for the years ended June 30, 2017 and 2016.





Statements of Cash Flows

The Statements of Cash Flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the College's ability to generate net cash flows, its ability to meet its obligations as they come due and its need for external financing.

The Statements of Cash Flows is divided into five parts, each examining a different source of and use for cash. The first part, "Operating activities," examines the source and use of cash from ordinary operating activities. The second part, "Noncapital financing activities," reflects cash flows received and spent for nonoperating, noninvesting and noncapital financing activities. An example of this would be cash received from state appropriations and county property tax. The third section, "Capital and related financing activities," deals with cash flows from capital and related financing activities. The section reflects the cash used in the acquisition, construction and financing of capital and related items. The fourth section, "Investing activities," reveals the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth and last section reconciles the net cash used in operating activities to the operating gain or (loss) reflected on the Statements of Revenues, Expenses and Changes in Net Position.

Condensed Statements of Cash Flows
Years Ended June 30, 2018, 2017 and 2016
(Dollars in Millions)

	2018	Change from Prior Year	2017	Change from Prior Year	2016
Cash provided (used) by					
Operating activities	$ (76.5)	$ (4.3)	$ (72.2)	$ (2.4)	$ (69.8)
Noncapital financing activities	92.3	3.2	89.1	(0.3)	89.4
Capital and related financing activities	(10.8)	0.4	(11.2)	(2.8)	(8.4)
Investing activities	0.6	(4.4)	5.0	18.0	(13.0)
Net change in cash	5.6	(5.1)	10.7	12.5	(1.8)
Cash, beginning of year	49.7	10.7	39.0	(1.8)	40.8
Cash, end of year	$ 55.3	$ 5.6	$ 49.7	$ 10.7	$ 39.0

The major sources of cash included state aid, county property tax revenues, student tuition, federal contracts and grants and proceeds from maturities of investments. Significant uses of cash included payments to employees including benefits, payments to vendors and suppliers, payments for scholarships and financial aid, capital assets and purchases of investments.

<u>Fiscal Year 2018 compared to Fiscal Year 2017</u>

The cash position of the College increased by $5.6 million for the fiscal year ended June 30, 2018. Cash used for operating activities increased $4.3 million which was attributable to an increase in contracts and grants, most notably is the MoSTEM grant. Noncapital financing activities were up $3.2 million due to an increase in Federal Pell grants and an increase in property tax collection. Capital and related financing activities decreased by $.4 million which is attributable to a decrease in purchase of capital assets. Investing activities used an additional $4.4 million over 2017. In fiscal year 2018, the College increased long-term investments as part of the continued three year laddering strategy.

Fiscal Year 2017 compared to Fiscal Year 2016

The cash position of the College decreased by $10.7 million for the fiscal year ended June 30, 2017. Cash used for operating activities increased $2.4 million tied to employee salary and benefits. Noncapital financing activities remained comparable with the prior year. Capital and related financing activities increased by $2.8 million which is attributable to purchases of an additional $3.4 million in capital assets which are described in the next section. Investing activities resulted in a generation of $5.0 million, an increase of $18 million over 2016. The College is moving toward a more laddered investment approach looking out to three years. College investments matured sooner as the result of more short-term investment purchases due to economic conditions and more competitive rates.

Capital Assets

Net Capital Assets
Years Ended June 30, 2018, 2017 and 2016
(Dollars in Millions)

Capital Assets - Net of Accumulated Depreciation	2018	Change from Prior Year	2017	Change from Prior Year	2016
Land	$ 8.3	$ -	$ 8.3	$ (0.1)	$ 8.4
Buildings and improvements	104.3	(1.0)	105.3	(3.9)	109.2
Equipment/Construction/Software in progress	2.0	(1.6)	3.6	3.5	0.1
Equipment	2.9	0.4	2.5	(0.3)	2.8
Software	0.3	0.3	-	-	-
Total capital assets	$ 117.8	$ (1.9)	$ 119.7	$ (0.8)	$ 120.5

Additional information concerning capital assets is provided in Note 3 to the financial statements.

Fiscal Year 2018 compared to Fiscal Year 2017

As of June 30, 2018, the College had recorded $117.8 million in net capital assets, a decrease of $1.9 million from the prior year. Additions to capital assets consisted of improvements to boilers /chillers, an LED lighting project across the district and administrative center garage repairs. The Penn Valley Student Success Center was completed in fiscal year 2018 and placed into service. No additional debt was issued to finance these projects.

Fiscal Year 2017 compared to Fiscal Year 2016

As of June 30, 2017, the College had recorded $119.7 million in net capital assets, a decrease of $.8 million from the prior year. Additions to capital assets consisted of roof repairs at Penn Valley, HVAC improvements across the district, sidewalk and garage repairs at the administrative center, equipment across the district and virus protection software. The remaining funds from the 2015 Board of Public Buildings bonds were used in fiscal year 2017. No additional debt was issued to finance these projects.

Long-term Debt

Long-term Debt
Years Ended June 30, 2018, 2017 and 2016
(Dollars in Millions)

Outstanding Debt	2018	Change from Prior Year	2017	Change from Prior Year	2016
Capital lease purchase	$ 0.9	$ (0.5)	$ 1.4	$ 0.1	$ 1.3
Leasehold revenue bonds	53.4	(4.2)	57.6	(4.0)	61.6
Total long-term debt	$ 54.3	$ (4.7)	$ 59.0	$ (3.9)	$ 62.9

Additional information concerning long-term debt is provided in Note 4 to the financial statements.

Economic Outlook

Based on the Missouri Economic Research & Information Center (MERIC), from June 2017 to June 2018, Missouri added over 34,300 jobs, a 1.2 percent employment growth for Missouri. The Missouri unemployment rate fell to 3.5 percent as of June 2018, its lowest level since September 2000. Missouri's per capita personal income increased by 1.7 percent from 2016. The final fiscal year 2017 revenue report for the Office of Administration for the State of Missouri indicated that net general revenue collections increased 3.3 percent from fiscal year 2016, from 8.79 billion to 9.08 billion.

MCC has three main revenue streams: state appropriations, local taxes and tuition. In fiscal year 2019, MCC is estimating that approximately 27 percent of general fund revenue will come from MCC's state aid appropriation to Missouri Community Colleges. For this reason, MCC monitors statewide economic and political activity closely. State appropriations are estimated to decrease less than 1 percent in fiscal year 2019 due to a projected statewide decrease in revenue.

Local tax revenue collections, making up 32 percent of the general fund budget, are projecting a minimal increase of .5 percent for fiscal year 2019. The local levy rate for fiscal year 2019 is $0.2305 cents per $100 of assessed valuation which is up from the fiscal year 2018 rate of $0.2297 cents per $100 of assessed valuation. The increase in the local levy rate was due to a decrease in adjusted current year assessed valuation, which resulted in a decrease to the tax base. Adjusted current year assessed valuation includes changes in assessed value for real estate, personal property and new construction. New construction has increased over the last several years. The last five years included new construction of $217.7 million, $176.4 million, $156.0 million, $94.5 million and $98.7 million.

Enrollment has been trending downward for the last several years. In fiscal year 2018, MCC enrollment was projected to remain flat but due to an increase in out-of-district enrollment, MCC experienced an overall increase in tuition revenue for the year. Enrollment is again projected to remain flat in fiscal year 2019 and then grow modestly in the future years. Enrollment growth and its relationship to tuition and fees is significant because tuition and fee revenue is the only major source of revenue driven by enrollment. Tuition and fees must support the growth in both teaching and other enrollment driven support costs, especially during periods of significant enrollment growth. MCC did not increase its tuition and fee structure in fiscal year 2018. The Board of Trustees approved extending a tuition change for high school dual credit students, charging 50 percent of the applicable tuition rate, in January 2018. This should have minimal impact to revenue for fiscal year 2019. The in-district credit hour tuition rate is $103, out-of-district credit hour tuition rate is $183, and out-of-state credit hour tuition rate is $237. The total credit hours for fiscal year 2019 are estimated at 318,455. Tuition and fee revenue in the general fund for fiscal year 2019 is estimated at approximately $41.4 million, an increase of approximately 1 percent from fiscal year 2018 due to the increase in out-of-district enrollment. This revenue source makes up approximately 37 percent of the general fund revenue.

Requests for Information

These financial statements and discussions are designed to provide a general overview of the College's finances for all those with an interest in the entity's finances. Questions concerning any information provided in this report should be addressed to Financial Services Department, 3200 Broadway, Kansas City, Missouri 64111.

The Metropolitan Community College

Statements of Net Position

June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 55,335,227	$ 49,697,225
Short-term investments	18,412,000	47,106,090
Accounts receivable, net of allowance; 2018 – $263,025, 2017 – $369,589	7,680,525	7,196,272
Other assets	569,456	2,051,103
Total current assets	81,997,208	106,050,690
Noncurrent Assets		
Long-term investments	36,105,000	6,709,000
Capital assets		
Nondepreciable	10,335,057	11,884,210
Depreciable, net	107,434,336	107,788,273
Total noncurrent assets	153,874,393	126,381,483
Total assets	235,871,601	232,432,173
Deferred Outflows of Resources		
Loss on debt refundings	2,587,341	3,106,588
Pensions	21,304,422	25,674,988
Other postemployment benefits	259,628	-
	24,151,391	28,781,576
Total	$ 260,022,992	$ 261,213,749

The Metropolitan Community College
Statements of Net Position (Continued)
June 30, 2018 and 2017

	2018	2017
Liabilities		
Current Liabilities		
Accounts payable, accrued and other liabilities	$ 8,414,086	$ 9,155,265
Compensated absences	2,217,858	2,232,421
Current portion of long-term debt	4,250,000	4,160,000
Unearned revenue	3,627,666	3,602,675
Unearned revenue - contracts	50,000	348,991
Capital lease purchases	452,473	448,913
Total current liabilities	19,012,083	19,948,265
Noncurrent Liabilities		
Bond payable	49,145,000	53,395,000
Compensated absences	508,704	653,721
Other postemployment benefit liability	9,868,047	-
Net pension liability	60,736,716	62,582,048
Capital lease purchases	452,475	904,949
Unearned revenue - contracts	300,000	350,000
Total noncurrent liabilities	121,010,942	117,885,718
Total liabilities	140,023,025	137,833,983
Deferred Inflows of Resources		
Pensions	6,794,502	9,293,533
Other postemployment benefits	583,396	-
	7,377,898	9,293,533
Net Position		
Net investment in capital assets	66,056,786	63,870,209
Unrestricted	46,565,283	50,216,024
Total net position	$ 112,622,069	$ 114,086,233

The Metropolitan Community College

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Tuition and fees	$ 46,918,390	$ 43,786,225
Less sholarship allowance	21,774,143	19,602,210
Student tuition and fees, net	25,144,247	24,184,015
Federal grants and contracts	11,317,308	13,187,261
State and local grants and contracts	3,172,059	6,856,234
Auxiliary services revenues	1,672,756	1,903,317
Other	4,871,673	3,618,392
Total operating revenues	46,178,043	49,749,219
Operating Expenses		
Salaries and wages	63,306,546	62,821,160
Fringe benefits	21,819,736	21,855,508
Supplies and other services	27,038,160	27,066,026
Utilities	4,014,870	4,046,578
Scholarships and fellowships	3,698,154	4,345,899
Depreciation	6,559,048	6,278,918
Total operating expenses	126,436,514	126,414,089
Operating Loss	(80,258,471)	(76,664,870)
Nonoperating Revenues (Expenses)		
Federal Pell Grant revenue	21,666,105	20,655,330
State appropriations	31,115,709	31,950,751
County property tax revenue	35,529,587	34,145,207
Investment income	1,291,398	637,904
Other nonoperating revenues	4,402,403	3,329,416
Interest on debt related to capital assets	(2,030,247)	(2,538,652)
Net nonoperating revenues	91,974,955	88,179,956
Increase in Net Position	11,716,484	11,515,086
Net Position, Beginning of Year, as Previously Reported	114,086,233	102,571,147
Cumulative Effect of Change in Accounting Principle	(13,180,648)	
Net Position, Beginning of Year, as Restated	100,905,585	
Net position, End of Year	$ 112,622,069	$ 114,086,233

The Metropolitan Community College

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Student tuitions and fees	$ 25,424,779	$ 24,162,968
Payments to suppliers	(30,721,623)	(25,528,180)
Payments to utilities	(4,014,870)	(4,046,578)
Payments to employees	(63,412,062)	(62,130,615)
Payments for benefits	(22,034,233)	(25,782,871)
Payments for financial aid and scholarships	(3,698,154)	(4,345,899)
Auxiliary enterprise charges, bookstore and vending	1,672,756	1,903,317
Contracts and grants	15,543,783	19,899,739
Other operating receipts	4,754,535	3,663,546
Net cash used in operating activities	(76,485,089)	(72,204,573)
Noncapital Financing Activities		
Federal Pell Grant revenue	21,666,105	20,655,330
State aid and grants appropriations	31,115,709	31,950,751
County property tax	35,529,587	34,145,207
Other nonoperating revenue	4,053,412	2,385,751
Net cash provided by noncapital financing activities	92,364,813	89,137,039
Capital and Related Financing Activities		
Purchases of capital assets	(4,655,958)	(6,391,242)
Loss on disposal of capital assets	-	220,355
Proceeds from disposal of capital assets	-	1,078,734
Debt payments	(4,608,914)	(4,400,849)
Interest paid on debt related to capital assets	(1,557,893)	(1,648,645)
Net cash used in capital and related financing activities	(10,822,765)	(11,141,647)
Investing Activities		
Proceeds from sales and maturities of investments	47,151,000	22,893,000
Interest on investments	1,238,043	738,524
Purchases of investments	(47,808,000)	(18,675,000)
Net cash provided by investing activities	581,043	4,956,524
Increase in Cash and Cash Equivalents	5,638,002	10,747,343
Cash and Cash Equivalents, Beginning of Year	49,697,225	38,949,882
Cash and Cash Equivalents, End of Year	$ 55,335,227	$ 49,697,225

The Metropolitan Community College

Statements of Cash Flows (Continued)

Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities		
Operating loss	$ (80,258,471)	$ (76,664,870)
Depreciation	6,559,048	6,278,918
Changes in operating assets and liabilities		
Accounts receivable	(475,808)	(403,459)
Inventories	-	82,479
Other assets	(30,574)	(597,981)
Deferred outflows of resources	4,110,938	(14,096,243)
Accounts payable, accrued and other liabilities	(853,866)	(1,556,218)
Unearned revenue	24,991	132,931
Other postretirement benefits liability	(1,800,380)	-
Net pension liabilitly	(1,845,332)	15,092,769
Deferred inflows of resources	(1,915,635)	(472,899)
Net Cash Used in Operating Activities	$ (76,485,089)	$ (72,204,573)
Noncash Investing Activity		
Change in fair value of investments	$ 44,910	$ (130,542)

The Metropolitan Community College Foundation
(Discretely Presented Component Unit)
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 716,226	$ 742,724
Marketable securities	12,593,683	12,086,386
Contributions receivable, net of allowance; 2018 - $1,527, 2017 - $7,486	74,075	359,677
Accrued interest receivable	33,327	3,730
Prepaid expense	6,000	-
Total assets	$ 13,423,311	$ 13,192,517
Liabilities and Net Assets		
Liabilities		
Due to The Metropolitan Community College	$ 616,068	$ 25,070
Accrued liabilities	1,265	1,552
Total liabilities	617,333	26,622
Net Assets		
Unrestricted	3,905,402	3,633,951
Temporarily restricted	3,698,589	4,356,223
Permanently restricted	5,201,987	5,175,721
Total net assets	12,805,978	13,165,895
Total liabilities and net assets	$ 13,423,311	$ 13,192,517

The Metropolitan Community College Foundation
(Discretely Presented Component Unit)
Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	$ 162,902	$ 318,811	$ 26,266	$ 507,979
Contributed services	490,536	-	-	490,536
Investment return	380,506	587,067	-	967,573
Other income	9,520	30,913	-	40,433
Net assets released from restrictions	1,594,425	(1,594,425)	-	-
Total revenues, gains and other support	2,637,889	(657,634)	26,266	2,006,521
Expenses				
Scholarships and grants	568,183	-	-	568,183
Foundation projects	1,307,719	-	-	1,307,719
Fundraising	294,321	-	-	294,321
Management and general	196,215	-	-	196,215
Total expenses	2,366,438	-	-	2,366,438
Change in Net Assets	271,451	(657,634)	26,266	(359,917)
Net Assets, Beginning of Year	3,633,951	4,356,223	5,175,721	13,165,895
Net Assets, End of Year	$ 3,905,402	$ 3,698,589	$ 5,201,987	$ 12,805,978

The Metropolitan Community College Foundation
(Discretely Presented Component Unit)
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	$ 142,183	$ 308,012	$ 80,380	$ 530,575
Contributed services	373,903	-	-	373,903
Investment return	498,946	718,750	-	1,217,696
Other income	4,315	28,081	1,771	34,167
Net assets released from restrictions	487,273	(487,273)	-	-
Total revenues, gains and other support	1,506,620	567,570	82,151	2,156,341
Expenses				
Scholarships and grants	332,982	-	-	332,982
Foundation projects	299,950	-	-	299,950
Fundraising	224,342	-	-	224,342
Management and general	149,561	-	-	149,561
Total expenses	1,006,835	-	-	1,006,835
Change in Net Assets	499,785	567,570	82,151	1,149,506
Net Assets, Beginning of Year	3,134,166	3,788,653	5,093,570	12,016,389
Net Assets, End of Year	$ 3,633,951	$ 4,356,223	$ 5,175,721	$ 13,165,895

The Metropolitan Community College Foundation
(Discretely Presented Component Unit)
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	$ (359,917)	$ 1,149,506
Items not requiring (providing) operating activities cash flows		
Contributions restricted for long-term investments	(26,266)	(80,380)
Net realized and unrealized gains on investments	(736,216)	(1,001,160)
Changes in		
Contributions receivable	285,602	92,387
Accrued interest receivable	(29,597)	1
Prepaid assets	(6,000)	-
Due to The Metropolitan Community College	590,998	(45,153)
Accrued liabilities	(287)	278
Net cash provided by (used in) operating activities	(281,683)	115,479
Investing Activities		
Purchase of marketable securities	(3,534,054)	(2,945,092)
Sale of marketable securities	3,762,973	2,246,298
Net cash provided by (used in) investing activities	228,919	(698,794)
Financing Activities		
Contributions restricted for long-term investments	26,266	80,380
Net cash provided by financing activities	26,266	80,380
Decrease in Cash and Cash Equivalents	(26,498)	(502,935)
Cash and Cash Equivalents, Beginning of Year	742,724	1,245,659
Cash and Cash Equivalents, End of Year	$ 716,226	$ 742,724

The Metropolitan Community College

Notes to Financial Statements

June 30, 2018 and 2017

Note 1: Summary of Significant Accounting Policies

Organization

The Junior College District of Metropolitan Kansas City, Missouri (the District) was created in May 1964 by the voters of seven suburban school districts and the Kansas City School District to provide comprehensive higher educational programs through its area colleges. The District also offers courses, which meet the needs of persons who desire enrichment or retraining in the areas of liberal arts, occupational education, continuing education and community services. The District is now comprised of twelve school districts: Belton, Center, Grandview, Hickman Mills, Lee's Summit, North Kansas City, Raytown, Kansas City, Blue Springs, Independence, Fort Osage and Park Hill. Five primary colleges have been established to serve the patrons of the District: Blue River, Longview, Maple Woods, Penn Valley and the Business & Technology College.

The financial statements of The Metropolitan Community College (the College) for the years presented, include the combined accounts and operations of the District and the Kansas City Metropolitan Community Colleges Building Corporation (the Building Corporation), which is a blended component unit. This summary of significant accounting policies of the College is presented to assist in understanding the College's financial statements. The financial statements and notes are representations of the College's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States as applicable to governmental colleges and universities and have been consistently applied in the preparation of the financial statements. The following is a summary of the more significant policies.

Reporting Entity

The College is governed by a six-member Board of Trustees. As required by accounting principles generally accepted in the United States, the College's financial statements present the District (the primary government), its blended component unit (the Building Corporation) and its discretely presented component unit, The Metropolitan Community College Foundation (the Foundation). The component units are included in the College's reporting entity because of the significance of their operations and financial relationships with the College.

Blended Component Unit

The Building Corporation is a not-for-profit corporation formed in 1984, which is governed by a four-member board. Although it is legally separate from the District, the Building Corporation is reported as if it were part of the primary government because its sole purpose is to provide for the construction and financing of educational facilities used by the College. The Building Corporation has the authority to issue Leasehold Development Bonds for the purposes of refunding previous bond issues or constructing new facilities. The buildings are owned by the Building Corporation, which, in turn, leases the buildings to the District under annually renewable lease agreements. The lease payments are equal to the principal and interest debt service payments required to service the related bond issuances. As the Building Corporation is a blended component unit, all balances and transactions between the District and Building Corporation have been eliminated. The Building Corporation has a June 30 fiscal year end.

Discretely Presented Component Unit

The Foundation is a non-profit corporation and is considered to be a related organization to the District. The District's Board of Trustees approves nominations to the Foundation's Board of Directors, but the District's accountability does not extend beyond approval of board members. The District is not financially accountable for the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon, which the Foundation holds and invests, is restricted to the activities of the District by the donors. As these restricted resources can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. During the years ended June 30, 2018 and 2017, the District received direct contributions from the Foundation of $154,929 and $97,526, respectively. The Foundation has a June 30 fiscal year end.

Separate financial statements for the Foundation can be obtained at The Metropolitan Community College, 3200 Broadway, Kansas City, Missouri, 64111. The Foundation is presented on the accrual basis of accounting.

Change in Accounting Principle

In 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources and expenses for postemployment benefits that are provided to retirees.

The College has not restated its financial statements as of and for the year ended June 30, 2017 because the actuarial information was not readily available for that period, thus making restatement of the 2017 financial statements impractical.

As a result of the implementation, unrestricted net position as of July 1, 2017 was restated as follows:

Unrestricted net position, as previously reported	$ 50,216,024
Cumulative effect of change in accounting principle	
Net OPEB liability (measurement date of June 30, 2017)	(13,180,648)
Total cumulative effect of change in accounting principle	(13,180,648)
Unrestricted net position, as restated	$ 37,035,376

Basis of Accounting

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

Cash Equivalents

Cash includes deposits held at banks and all highly liquid instruments purchased with an original maturity of three months or less. Cash equivalents represent excess operating cash swept into an overnight repurchase agreement account, which are readily converted back to cash, on a daily basis, as operating funds are needed.

Investments

It is the College's policy to invest in obligations of the U.S. Treasury, repurchase agreements, bank certificates of deposit and agencies of the federal government and instrumentalities and top-rated commercial paper, which are permissible under Missouri statutes. The Building Corporation is allowed to invest in "permitted investments" as defined by applicable bond indentures. Investments are reported at fair value, except for investments in nonnegotiable certificates of deposit, which are carried at amortized cost.

In addition to the investment tools available to the College, the Foundation's marketable securities consist of equity securities, mutual fund shares, corporate bonds and government notes reported at fair value.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is recorded net of estimated uncollectible amounts. Accounts receivable also includes amounts due from the federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

Capital Assets

Land, construction in progress, buildings and improvements, software and equipment are recorded at cost for assets purchased and at appraised value at date of grant for items acquired by donation.

Capital assets are defined by the College as assets with an initial, individual cost in excess of $5,000 (equipment) or $50,000 (building and improvements; infrastructure and software) estimated useful lives in excess of one year. Interest costs on construction in progress are capitalized when amounts are significant.

Buildings and improvements and equipment are being depreciated on the straight-line basis over their estimated useful lives as follows: buildings-40 years, improvements-15 years, software-3 years and equipment, 3 to 10 years and rental textbooks are capitalized at cost and depreciated over 3 years. The College's investment in infrastructure assets, which is not material to the total of capital assets, is recorded at cost and included in the costs of the related property.

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Loss on Refunding of Bonds

Losses incurred on the refunding of bond issues have been deferred and are being amortized over the life of the bonds and are included in deferred outflows of resources. The net amount as of June 30, 2018 and 2017 was $2,587,341 and $3,106,588, respectively.

Compensated Absences

College employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. Earned, but unused vacation is paid to the employee upon termination, or retirement. Earned, but unused sick leave is paid to an active employee's beneficiary upon death if occurring during active employment.

Unearned Revenue

Half of the summer school tuition revenue and all tuition for school sessions starting after June 30 have been deferred to the next fiscal year.

Unearned Revenue - Contracts

Unearned revenue – contracts includes the difference between rent on a straight-line basis, as required by generally accepted accounting principles, and the actual scheduled payments for the lease as well as unearned revenue on a bookstore vending contract.

Defined Benefit Other Postemployment Benefit Plan

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

Classification of Revenues

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

Operating revenues

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

Non-operating revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as contributions and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that use Proprietary Fund Accounting* and GASB No. 34, such as state appropriations, investment income and county property taxes.

Tuition and Fees

Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship expenses.

County Property Tax Revenues

The four counties in which the District lies, bill the residents for real and personal property taxes due the District. Bills are sent in November and are delinquent after December 31. The taxes are collected by the counties primarily from November through the end of January. Substantially all amounts are received by the end of March. Taxes are remitted to the District throughout the collection period net of a 1.6 percent charge for the years ended June 30, 2018 and 2017, for assessment and collection services on an as-collected basis and no accrual is made for delinquent property taxes.

State Appropriations

State appropriations earned for general operating purposes are determined on a fiscal year basis ending June 30 based upon the state aid funding formula. Using this formula, fiscal year 1991–92 is a base year and following years are adjusted for inflation or any major state-approved additions to programs.

Income Tax Status

The College is exempt from income tax as a local governmental unit. The Building Corporation and the Foundation have qualified for exemption from income tax under Section 501(c)3 of the Internal Revenue Code. However, the College is subject to federal income tax on any unrelated business taxable income.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is presented in three major categories. The first is net investment in capital assets, which represents the College’s equity in property, plant and equipment. The second is restricted. The third is unrestricted, including amounts designated by the Board.

Net investment in capital consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The College first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Use of Estimates

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

Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements, as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third-party payments (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 revenue. The amount reported as operating expenses 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.

Pensions

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

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

Subsequent Events

In September 2018, the College sold the Longview Recreation Center for $4,100,000 resulting in a gain on sale of approximately $2,000,000.

Note 2: Deposits and Investments

Missouri statutes require depository banks to pledge securities as collateral for public funds on deposit, except funds covered by federal depository insurance. Missouri statutes do not extend to the Building Corporation regarding collateralization of funds not covered by federal depository insurance. The College deposits were not exposed to custodial credit risk as of June 30, 2018 and 2017. The College has the following deposits and investments:

Deposits

	2018	2017
Carrying value		
Cash	$ 158,969	$ 138,900
Certificates of deposits	54,517,000	28,859,101
	$ 54,675,969	$ 28,998,001

Investments Maturities in Years

	Cost or Fair Value	Less Than 1	1 - 5
Year Ended June 30, 2018			
District			
Repurchase agreement	$ 50,721,000	$ 50,721,000	$ -
Less outstanding checks			
and deposits/withdrawals in transit	(549,260)	(549,260)	-
Total District	50,171,740	50,171,740	-
Building Corporation			
Money market mutual funds	5,004,518	5,004,518	-
Total Building Corporation	5,004,518	5,004,518	-
Total investments	$ 55,176,258	$ 55,176,258	$ -

	Cost or Fair Value	Less Than 1	1 - 5
Year Ended June 30, 2017			
District			
Repurchase agreement	$ 45,115,000	$ 45,115,000	$ -
Less outstanding checks			
and deposits/withdrawals in transit	(517,188)	(517,188)	-
Federal Home Loan Bank	8,985,590	8,985,590	-
Federal National Mortgage Association	15,969,500	15,969,500	-
Total District	69,552,902	69,552,902	-
Building Corporation			
Money market mutual funds	4,961,412	4,961,412	-
Total Building Corporation	4,961,412	4,961,412	-
Total investments	$ 74,514,314	$ 74,514,314	$ -

A summary of carrying values of investments and deposits at June 30 were as follows:

	2018	2017
Deposits	$ 54,675,969	$ 28,998,001
Investments	55,176,258	74,514,314
	$ 109,852,227	$ 103,512,315

The investments and deposits at June 30 are shown on the statements of net position as follows:

	2018	2017
Cash and cash equivalents	$ 55,335,227	$ 49,697,225
Short-term investments	18,412,000	47,106,090
Long-term investments	36,105,000	6,709,000
Total	$ 109,852,227	$ 103,512,315

State law limits investments in government and municipal bonds and top rated commercial paper as recognized by national rating organizations. The College has no investment policy that would further limit its investment choices. As of June 30, 2018, the College's repurchase agreement is invested in government agencies that are all rated Aaa, AA+ and AAA by Moody's Investors Services, Standards & Poor's and Fitch's ratings, respectively. The District's and Building Corporation's investments in money market mutual funds are invested in Treasury Obligations which is rated Aaa, AA+ and AAA by Moody's Investors Services, Standard & Poor's and Fitch's ratings, respectively. All other investments held by the District and the Building Corporation are rated Aaa, AA+ and AAA by Moody's Investors Service, Standard & Poor's and Fitch's ratings, respectively.

The College places no limit on the amount the College may invest in any one issuer. In fiscal year 2017, more than five percent of the College's investments were invested in government agencies, Federal Home Loan Bank (FHLB) and Federal National Mortgage Association (FNMA). These investments were 46 percent of total investments.

The College's deposit and investment balances were not exposed to custodial credit risk as of June 30, 2018 and 2017.

Note 3: Capital Assets

Capital assets consist of the following categories:

	2018				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 8,254,361	$ -	$ -	$ -	$ 8,254,361
Art	56,000	-	-	-	56,000
Construction in progress	2,836,649	3,589,017	-	(4,400,970)	2,024,696
Equipment in progress	269,998	1,056,189	-	(1,326,187)	-
Software in progress	467,202	-	-	(467,202)	-
Total assets not being depreciated	11,884,210	4,645,206	-	(6,194,359)	10,335,057
Capital assets being depreciated					
Building and improvements	217,525,054	-	-	3,227,533	220,752,587
Infrastructure	7,251,348	-	(1,919)	1,173,437	8,422,866
Equipment	20,839,643	12,670	(687,372)	1,326,187	21,491,128
Software	683,689	-	-	467,202	1,150,891
Total assets being depreciated	246,299,734	12,670	(689,291)	6,194,359	251,817,472
Less accumulated depreciation					
Building and improvements	116,272,765	4,960,440	-	-	121,233,205
Infrastructure	3,248,993	393,541	-	-	3,642,534
Equipment	18,306,014	1,036,355	(687,373)	-	18,654,996
Software	683,689	168,712	-	-	852,401
	138,511,461	6,559,048	(687,373)	-	144,383,136
Net capital assets	$119,672,483	$ (1,901,172)	$ (1,918)	$ -	$ 117,769,393

	2017				
	Beginning Balance	**Additions**	**Disposals**	**Transfers**	**Ending Balance**
Capital assets not being depreciated					
Land	$ 8,414,239	$ -	$ (159,878)	$ -	$ 8,254,361
Art	56,000	-	-	-	56,000
Construction in progress	-	5,108,427	-	(2,271,778)	2,836,649
Equipment in progress	59,271	1,228,797	(59,271)	(958,799)	269,998
Software in progress	-	467,202	-	-	467,202
Total assets not being depreciated	8,529,510	6,804,426	(219,149)	(3,230,577)	11,884,210
Capital assets being depreciated					
Building and improvements	217,312,175	-	(1,630,761)	1,843,640	217,525,054
Infrastructure	6,823,209	-	-	428,139	7,251,348
Equipment	20,226,782	-	(345,937)	958,798	20,839,643
Software	683,689	-	-	-	683,689
Total assets being depreciated	245,045,855	-	(1,976,698)	3,230,577	246,299,734
Less accumulated depreciation					
Building and improvements	112,036,218	4,734,747	(498,200)	-	116,272,765
Infrastructure	2,906,049	342,944	-	-	3,248,993
Equipment	17,450,723	1,201,227	(345,936)	-	18,306,014
Software	683,689	-	-	-	683,689
	133,076,679	6,278,918	(844,136)	-	138,511,461
Net capital assets	$120,498,686	$ 525,508	$(1,351,711)	$ -	$ 119,672,483

The College elected not to capitalize their collection of library books. This collection adheres to the College's policy to (a) maintain them for public exhibition, education or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at the time of purchase rather than be capitalized.

Note 4: Long-term Liabilities

Long-term liability activity for the District and the Building Corporation were as follows:

2018

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
District					
Compensated absences	$ 2,886,142	$ 1,942,070	$ 2,101,650	$ 2,726,562	$ 2,217,858
Other postemployment benefit obligations	(1,512,221)	13,429,268	2,049,000	9,868,047	-
Net pension liability	62,582,048	4,630,486	6,475,818	60,736,716	-
Capital lease purchases	1,353,862	-	448,914	904,948	452,473
Unearned revenue - contracts	698,991	-	348,991	350,000	50,000
Building Corporation					
Bonds payable					
Leasehold revenue bonds, Series 2014A					
Principal	37,895,000	-	-	37,895,000	-
Leasehold revenue bonds, Series 2014B					
Principal	19,660,000	-	4,160,000	15,500,000	4,250,000
Total long-term liabilities	$ 123,563,822	$ 20,001,824	$ 15,584,373	$ 127,981,273	$ 6,970,331

2017

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
District					
Compensated absences	$ 2,841,147	$ 2,253,529	$ 2,208,534	$ 2,886,142	$ 2,232,421
Net pension liability	47,489,279	21,375,971	6,283,202	62,582,048	-
Capital lease purchase	1,329,149	360,562	335,849	1,353,862	448,913
Unearned revenue - contracts	1,645,963	-	946,972	698,991	348,991
Building Corporation					
Bonds payable					
Leasehold revenue bonds, Series 2014A					
Principal	37,895,000	-	-	37,895,000	-
Leasehold revenue bonds, Series 2014B					
Principal	23,725,000	-	4,065,000	19,660,000	4,160,000
Total long-term liabilities	$ 114,925,538	$ 23,990,062	$ 13,839,557	$125,076,043	$ 7,190,325

Insurance replacement cost for buildings subject to lien under the Building Corporation's and the District's debt agreements are $51,669,432. The Building Corporation constructs the educational facilities for the College and leases them to the College on annually renewable leases. The College has agreed to appropriate the amount required by the individual bond principal and interest requirements. This is subject to annual appropriation from the College's budget. The Building Corporation's Series 2014A and Series 2014B fall under this arrangement. Total principal and interest remaining on this debt was $62,607,542 and $68,323,470 as of June 30, 2018 and 2017, respectively, with final payment in fiscal 2029. Interest paid during the years ended June 30, 2018 and 2017 was $1,555,928 and $1,648,645, respectively.

Building Corporation Series 2014

On September 25, 2014, the Building Corporation issued Leasehold Revenue Refunding Bonds Series 2014A, $37,895,000 non-taxable and Series 2014B, $27,450,000 taxable bond issuance, with a weighted average interest rate of 3.06 percent for Series 2014A and 2.2545 percent for Series 2014B. The bonds were issued for the purpose of the advance refunding and legal defeasance of the balances of the Leasehold Revenue and Improvement Bonds Series 2006 of $58,460,000 and Lease Certificates of Participation Bonds Series 2008 of $29,535,000.

At June 30, 2018 and 2017, the current outstanding balance of these defeased bonds was $52,055,000 and $57,440,000, respectively. In accordance with accounting principles generally accepted in the United States of America, the outstanding balances of the defeased bonds Series 2006 and Series 2008 bonds are not reflected on the statements of net position of Building Corporation.

As provided in the bond indenture and the certificates, the Series 2014A and Series 2014B shall be subject to the redemption and payment prior to the stated maturity, upon instructions from the District, due to certain conditions or events affecting title, as a whole or in part on any date, at par (100 percent), plus accrued interest (if any) to the redemption date. During the years ended June 30, 2018 and 2017, none of the Series 2014A and Series 2014B were retired.

Series 2014A

Year Ending	Total to be Paid	Principal Maturities	Interest Expense	Interest Rate
2019	$ 1,159,587	$ -	$ 1,159,587	3.06%
2020	1,159,587	-	1,159,587	3.06%
2021	1,159,587	-	1,159,587	3.06%
2022	3,217,610	2,090,000	1,127,610	3.06%
2023	5,689,259	4,665,000	1,024,259	3.06%
2024-2028	28,407,122	25,550,000	2,857,122	3.06%
2029	5,675,527	5,590,000	85,527	3.06%
	$46,468,279	$37,895,000	$ 8,573,279	

Series 2014B

Year Ending	Total to be Paid	Principal Maturities	Interest Expense	Interest Rate
2019	$ 4,551,539	$ 4,250,000	$ 301,539	2.25%
2020	4,554,596	4,350,000	204,596	2.25%
2021	4,550,454	4,445,000	105,454	2.25%
2022	2,482,674	2,455,000	27,674	2.25%
	$16,139,263	$15,500,000	$ 639,263	

Capital Lease

Capital lease purchases can be summarized as follows:

	2018	2017
Dell Equipment (A)	$ 664,573	$ 996,862
Dell Virus Protection Software (B)	240,375	357,000
	904,948	1,353,862
Less current maturities	(452,473)	(448,913)
	$ 452,475	$ 904,949

(A) On March 27, 2014, the College entered into a capital lease agreement with Dell Financial Services. The lease includes an interest-free $1,976,942 agreement. The lease included wiring, wireless connectivity, security and other technology updates.

(B) In June 2017, the College entered into a capital lease agreement with Dell Financial Services. The lease includes an interest-free $360,562 agreement. The lease included virus protection software.

Aggregate future minimum lease payments at June 30, 2018 were:

Year Ending	Principal Maturities
2019	$ 452,473
2020	452,475
	$ 904,948

Unearned Revenue - Contracts

Unearned revenue – contracts can be summarized as follows:

	2018	2017
Sprint lease unearned revenue (A)	$ -	$ 298,991
Follett agreement unearned revenue (B)	350,000	400,000
	350,000	698,991
Less current maturities	(50,000)	(348,991)
	$ 300,000	$ 350,000

(A) The College entered into a lease agreement with Sprint (Nextel Spectrum Acquisition Corporation) for Sprint to lease educational broadband lines (EBS) from the College. The initial lease period is November 2007 through October 2017, with an initial renewal term through October 2027. The lease agreement provides for Sprint to make accelerated rental payments over the term of the lease. The lease required a payment of $3,793,945 in fiscal year 2008, annual payments of $1,293,945 through June 30, 2013 and monthly payments ranging from approximately $80,000 to $100,000 through October 2027. In 2018, Sprint made a one-time fee of $1,000,000 that was non-refundable. The difference between the lease income on a straight-line basis and the actual scheduled lease payments reported as unearned revenue – contracts was $0 and $298,991 as of June 30, 2018 and 2017, respectively. Total rental income earned for years ended June 30, 2018 and 2017 was $1,933,319 and $896,973, respectively.

(B) On July 1, 2015, the College entered into a 10-year agreement with Follett Higher Education Group, Inc. ("Follett") to outsource bookstores for the College on five campuses terminating in 2025. The agreement required Follett to provide a one-time payment of $500,000, which was received by the College during 2016. If the agreement is terminated before expiration, the College is to return the unamortized value of the one-time payment. As of June 30, 2018 and 2017, the unamortized value of the payment was $350,000 and $400,000, respectively.

Note 5: Other Postemployment Benefits

In 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and in 2017, the College reported under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which require the following measurement and recognition disclosures:

Plan Description

The College sponsors a single-employer defined benefit other postemployment benefit (OPEB) plan that provides life insurance, medical, vision and dental benefits to all qualifying retirees and their dependents. Under the College's plan, an employee who meets the retirement criteria must have opted to retire before July 1, 2013 to receive these benefits. The criteria for retirement is the active employee must either be at least age 55 with 10 years of consecutive full-time service, or have 30 years of full-time service. Eligible retirees and their dependents receive coverage through a fully-insured plan, the same plans that are available for active employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The life insurance benefit is two times final salary at retirement. The retiree pays no premiums on this coverage until age 65. If the retiree elects to continue this coverage from age 65 to age 70, they must pay the full premium. After age 70, this benefit is no longer available.

The retiree is eligible to continue coverage of other benefits upon retirement by paying no premium until age 65 and the COBRA premium from age 65 onward. The employee can choose which benefits, medical, vision and/or dental they will continue to receive.

The employees covered by the OPEB Plan at June 30 are:

	2018
Inactive employees or beneficiaries currently receiving benefit payments	601
Active employees	801
	1,402

GASB 75 Disclosures (2018)

Total OPEB Liability

The College's total OPEB liability of $9,868,047 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2016, rolled forward to June 30, 2018.

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	3.30% per annum (end of period) 3.35% per annum (beginning of period)
Salary increases	2.0% per year
Medical cost trend rates	8.0% for 2018, decreasing 0.5% per year for 5 years then decreasing 0.25% per year for an ultimate rate of 5.0% for 2026 and later years
Dental cost trend rate	3.5% per year
Vision cost trend rate	2.5% per year
H.S.A and F.S.A. contribution trend rate	2.0% per year

The discount rate used for the plan was the 20-year, tax-exempt municipal bond rate as there are no assets in the Plan.

Mortality rates were based on the RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2017 Full Generational Improvement.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study from 2016.

Net OPEB Asset

The College's net OPEB asset at June 30, 2017 of $1,512,221 is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

In the July 1, 2016 actuarial valuation, the project unit credit method was used. The actuarial assumptions included a 3.5 percent discount rate, an annual health care cost trend rate of 8.0 percent reduced annually to an ultimate rate of 5 percent. Mortality rates were based on the RPH-2014 Adjusted to 2006 White Collar Headcount-weighted Mortality table with MP-2016 Full Generational Improvement.

Changes in Total OPEB Liability

Changes in total OPEB liability are:

	2018
Service cost	$ 258,494
Interest	365,040
Changes in assumptions or other inputs	(374,914)
Benefit payments	(2,049,000)
Net change in OPEB	(1,800,380)
Net OPEB asset under GASB 45, beginning of year, as previously reported	(1,512,221)
Cumulative Effect of Change in Accounting Principle	13,180,648
Total OPEB liability under GASB 75, beginning of year, as restated	11,668,427
Total OPEB liability, end of year	$ 9,868,047

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability of the College has been calculated using a discount rate of 3.30 percent (3.35 percent in prior year). The following presents the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

	1% Decrease (2.30%)	Current Discount Rate (3.30%)	1% Increase (4.30%)
College's total OPEB liability	$ 10,342,322	$ 9,868,047	$ 9,429,680

The total OPEB liability of the College has been calculated using health care cost trend rates of 8.00 percent decreasing to 5.00 percent. The following presents the total OPEB liability using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

	1% Decrease	Healthcare Cost Trend Rate (8.00% decreasing to 5.00%)	1% Increase
College's total OPEB liability	$ 9,209,581	$ 9,868,047	$ 10,609,131

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the College recognized OPEB expense of $572,386. For the year ended June 30, 2018, the College recognized revenue of $0 for support provided by nonemployer contributing entities. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 259,628	$ -
Changes of assumptions	-	583,396
Total	$ 259,628	$ 583,396

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018, related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending	Amount
2019	$ (51,148)
2020	(51,148)
2021	(51,148)
2022	(51,148)
2023	(51,148)
Thereafter	(68,028)
	$ (323,768)

GASB 45 Disclosures (2017)

Funding Policy

The College establishes and amends contribution requirements. A retiree's coverage shall be no greater than the insurance coverage afforded College employees.

The current funding policy of the College is to fund benefits on a pay-as-you-go basis. Retirees who retire prior to July 1, 2013 upon retirement pay the same premium amount as the active employees until they attain age 65. Otherwise, retirees and dependents must pay COBRA rates to maintain medical coverage with the College.

Annual OPEB Cost and Net OPEB Obligation

The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB cost for the year, the amount actuarially contributed to the Plan, and changes in the College's annual OPEB obligation (asset), included in other assets at June 30, 2017:

	2017
Annual required contribution	$ 1,611,495
Interest on net OPEB oligation	(35,597)
Adjustement to annual required contribution	103,936
Annual OPEB cost/expense	1,679,834
Less contributions and payments made	2,175,000
Decrese in net OPEB obligation	(495,166)
Net OPEB asset, beginning of year	(1,017,055)
Net OPEB asset, end of year	$ (1,512,221)

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for fiscal year 2017 were as follows:

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2017	$ 1,679,834	129.5%	$ (1,512,221)

Funded Status and Funding Progress

Funded stats and funding progress can be summarized as follows:

	2017
Most recent actuarial valuation date	July 1, 2016
Actuarial accrual liability (AAL)	$ 12,845,610
Unfunded actuarial accrued liability	12,845,610
Funded ratio	-
Covered payroll	45,438,106
UAAL as a percentage of covered payroll	28%

Actuarial estimates of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the project unit credit method was used. The actuarial assumptions included a 3.5 percent discount rate, an annual health care cost trend rate of 8.0 percent reduced annually to an ultimate rate of 5 percent. The UAAL is being amortized as a level of percentage of pay on an open basis over 10 years.

Note 6: Retirement Plan and Net Pension Liability

General Information about the Pension Plan

All full-time and certain part-time employees of the College participate either in the Public School Retirement System ("PSRS") or the Public Education Employee Retirement System ("PEERS"), both of which are cost sharing multiple-employer public employee retirement systems, as required by the retirement law set forth in Chapter 169, *Revised Statutes of Missouri*.

PEERS Plan Description. PEERS is a mandatory cost-sharing multiple-employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the System are found in Sections 169.600-169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psrs-peers.org.

PSRS Plan Description. PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "2/3s statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount. A CAFR can be obtained at www.psrs-peers.org.

PEERS Benefits Provided. PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61 percent benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary 0.8 percent benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor.

Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24 or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psrs-peers.org.

PSRS Benefits Provided. PSRS is a defined benefit plan providing retirement, disability and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5 percent benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55 percent benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time PLSO payment at retirement equal to 12, 24 or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psrs-peers.org. Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.

PEERS Cost-of-Living Adjustments (COLA). The PEERS Board has established a policy of providing a 0.00 percent COLA for years in which the CPI increases between 0.00 percent and 2.00 percent, a 2.00 percent COLA for years in which CPI increases between 2.00 percent and 5.00 percent, and a COLA of 5.00 percent if the CPI increase is greater than 5.00 percent. If the CPI decreases, no COLA is provided. For any member, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80 percent of the original benefit for any member.

PSRS Cost-of-Living Adjustments (COLA). The PSRS Board has established a policy of providing a 0.00 percent COLA for years in which the CPI increases between 0.00 percent and 2.00 percent, a 2.00 percent COLA for years in which CPI increases between 2.00 percent and 5.00 percent, and a COLA of 5.00 percent if the CPI increase is greater than 5.00 percent. If the CPI decreases, no COLA is provided. For any member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80 percent of the original benefit for any member.

PEERS Contributions. PEERS members were required to contribute 6.86 percent of their annual covered salary and employer cost of medical, dental and vision premiums during fiscal years 2018 and 2017. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5 percent of pay.

PSRS Contributions. PSRS members were required to contribute 14.5 percent of their annual covered salary and employer cost of medical, dental and vision premiums during fiscal years 2018 and 2017. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1 percent of pay. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

Contributions. The College's contributions to PEERS were $2,097,934 and $2,040,287 and to PSRS were $4,377,884 and $4,242,915 for the years ended June 30, 2018 and 2017, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018 and 2017, the College recorded a liability of $14,518,955 and $15,452,978 for PEERS and $46,217,761 and $47,129,070, respectively, for PSRS for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2017 and 2016 and determined by an actuarial valuation as of that date. At June 30, 2018 and 2017, the College's proportionate share was 0.6400 percent and 0.6334 percent, respectively, for PSRS and 1.9030 percent and 1.9260 percent, respectively, for PEERS.

For the years ended June 30, 2018 and 2017, the College recognized a pension expense of $2,389,737 and $2,501,093 for PEERS and $4,130,286 and $4,892,813 for PSRS, respectively, its proportionate share of the total pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of deferred outflows and inflows due to:		
Differences between expected and actual experience - PEERS	$ 231,503	$ 588,160
Differences between expected and actual experience - PSRS	2,745,258	2,942,781
Changes in assumptions - PEERS	2,499,604	-
Changes in assumptions - PSRS	7,292,376	-
Net difference between projected and actual earnings on pension plan investments - PEERS	312,394	-
Net difference between projected and actual earnings on pension plan investments - PSRS	956,083	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - PEERS	65,286	488,155
Changes in proportion and differences between employer contributions and proportionate share of contributions - PSRS	708,207	2,775,406
Employer contributions subsequent to the measurement date - PEERS	2,075,850	-
Employer contributions subsequent to the measurement date - PSRS	4,417,861	-
Total	$ 21,304,422	$ 6,794,502

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of deferred outflows and inflows due to:		
Differences between expected and actual experience - PEERS	$ 447,302	$ 905,681
Differences between expected and actual experience - PSRS	3,390,915	3,600,952
Changes in assumptions - PEERS	920,380	-
Changes in assumptions - PSRS	533,047	-
Net difference between projected and actual earnings on pension plan investments - PEERS	3,522,582	-
Net difference between projected and actual earnings on pension plan investments - PSRS	9,766,229	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - PEERS	124,636	850,921
Changes in proportion and differences between employer contributions and proportionate share of contributions - PSRS	494,186	3,935,979
Employer contributions subsequent to the measurement date - PEERS	2,097,934	-
Employer contributions subsequent to the measurement date - PSRS	4,377,777	-
Total	$ 25,674,988	$ 9,293,533

Contributions subsequent to the measurement date of June 30, 2018 and 2017 of $6,493,711 and $6,475,711, respectively, were reported as deferred outflows of resources related to pensions and will be recognized as a reduction to the net pension liability in the years ending June 30, 2019 and 2018, respectively. Other amounts reported as collective deferred (inflows)/outflows of resources are to be recognized in pension expense as follows:

Year ending June 30	
2019	$ 531,461
2020	4,578,462
2021	2,792,321
2022	(1,370,971)
2023	1,285,808
Thereafter	199,128
	$ 8,016,209

Actuarial Assumptions. Actuarial valuations of PEERS and PSRS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the total pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period 2010 to 2015 for both PEERS and PSRS dated June 2016.

The total pension liability as of June 30, 2018 was determined based on an actuarial valuation prepared as of June 30, 2017 rolled forward one year, using the following actuarial assumptions:

Expected Return on Investments	7.60%, net of investment expenses and including 2.25% inflation.
Inflation	2.25%
Total Payroll Growth	PEERS: 3.25% per annum, consisting of 2.25% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings and 0.50% of real wage growth. PSRS: 2.75% per annum, consisting of 2.25% inflation, 0.25% additional inflation due to the inclusion of health care costs in pension earnings and 0.25% of real wage growth.
Future Salary Increases	PEERS: 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.5% additional inflation due to the inclusion of health care costs in pension earnings and 0.5% of real wage growth. PSRS: 3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% additional inflation due to the inclusion of health care costs in pension earnings and 0.25% of real wage growth.
Cost-of-Living Increases	The annual cost-of-living adjustment (COLA) assumed in the valuation increases from 1.20% to 1.65% over nine years, beginning January 1, 2019. The COLA reflected for January 1, 2018 is 1.63%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.80% to a normative inflation assumption of 2.25% over nine years. It is also based on the current policy of the Board to grant a COLA on each January 1 as follows: If the June to June change in the CPI-U is less than 2% for consecutive one year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of-living increase is granted. If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted. If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted. If the CPI decreases, no COLA is provided. The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.

Mortality Assumption	
Actives:	PEERS: RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of .75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028. PSRS: RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of .75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
Non-Disabled Retirees, Beneficiaries and Survivors:	PEERS: RP 2006 Total Dataset Employee Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale. PSRS: RP 2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
Disabled Retirees:	RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
Changes in Actuarial Assumptions and Methods	PEERS and PSRS: The Board adopted a new COLA policy during fiscal 2017 resulting in a change in the future COLA assumption from an increasing assumption of 1.00%-1.50% over nine years to an increasing assumption of 1.20%-1.65% over nine years, beginning January 1, 2019. The investment return assumption was lowered from 7.75% to 7.60% per year.
Fiduciary Net Position	PEERS and PSRS issue a publicly available financial report that can be obtained at www.psrs-peers.org.
Long-term Expected Rate of Return	The long-term expected rate of return on PEERS' and PSRS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PEERS' and PSRS' target allocations as of June 30, 2017 are summarized below.

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
U.S. public equity	27.0%	5.16%
Public credit	7.0%	2.17%
Hedged assets	6.0%	4.42%
Non-U.S public equity	15.0%	6.01%
U.S. Treasuries	16.0%	0.96%
U.S. TIPS	4.0%	0.80%
Private credit	4.0%	5.60%
Private equity	12.0%	9.86%
Private real estate	9.0%	3.56%
Total	100%	

The total pension liability as of June 30, 2017 was determined based on an actuarial valuation prepared as of June 30, 2016 rolled forward one year, using the following actuarial assumptions:

Expected Return on Investments	7.75%, net of investment expenses and including 2.25% inflation.
Inflation	2.25%
Total Payroll Growth	PEERS: 3.25% per annum, consisting of 2.25% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings and 0.50% of real wage growth. PSRS: 2.75% per annum, consisting of 2.25% inflation, 0.25% additional inflation due to the inclusion of health care costs in pension earnings and 0.25% of real wage growth.
Future Salary Increases	PEERS: 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.5% additional inflation due to the inclusion of health care costs in pension earnings and 0.5% of real wage growth. PSRS: 3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% additional inflation due to the inclusion of health care costs in pension earnings and 0.25% of real wage growth.
Cost-of-Living Increases	The long-term cost-of-living adjustment (COLA) assumed in the valuation is 1.50% per year, based on the current policy of the Board to grant a 0.00% COLA when annual inflation, as measured by the CPI-U index for a fiscal year, increases between 0.00% and 2.00% and to grant 2.00% when the increase is between 2.00% and 5.00%. The actuarial assumption increases from 1.00% to 1.50% over ten years (from fiscal year 2017 to fiscal year 2027). The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.
Mortality Assumption	
Actives:	PEERS: RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of .75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028. PSRS: RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of .75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
Non-Disabled Retirees, Beneficiaries and Survivors:	PEERS: RP 2006 Total Dataset Employee Mortality Tables with plan-specific Improvement Scale. PSRS: RP 2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.

Disabled Retirees:	RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
Changes in Actuarial Assumptions and Methods	PEERS and PSRS: The inflation assumption decreased from 2.50% to 2.25% per year. The Board adopted a new COLA policy during fiscal 2016 resulting in a decrease in the future COLA assumption from 2.00% per year to a variable, increasing assumption of 1.00%-1.50% over ten years beginning January 1, 2018. PEERS: The payroll growth assumption decreased from 3.75% to 3.25% per year. The future salary increase assumption decreased from 5.00%-12.00%, depending on service to 4.00%-11.00%, depending on service. The investment return assumption decreased from 8.00% to 7.75% per year. The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP 2006 Total Dataset Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale. The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA to the RP-2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale. The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSSA Improvement Scale. PSRS: The payroll growth assumption decreased from 3.50% to 2.75% per year. The future salary increase assumption decreased from 4.00%-10.00%, depending on service to 3.00%-9.50%, depending on service. The investment return assumption decreased from 8.00% to 7.75% per year. The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP 2006 White Collar Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale. The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA to the RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale. The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSSA Improvement Scale.
Fiduciary Net Position	PEERS and PSRS issue a publicly available financial report that can be obtained at www.psrs-peers.org.
Long-term Expected Rate of Return	The long-term expected rate of return on PEERS' and PSRS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PEERS' and PSRS' target allocations as of June 30, 2016 are summarized below.

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
U.S. public equity	27.0%	5.16%
Public credit	7.0%	2.17%
Hedged assets	6.0%	4.42%
Non-U.S public equity	15.0%	6.01%
U.S. Treasuries	16.0%	0.96%
U.S. TIPS	4.0%	0.80%
Private credit	4.0%	5.60%
Private equity	12.0%	9.86%
Private real estate	9.0%	3.56%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent and 7.75 percent as of June 30, 2017 and 2016, respectively, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate or return was 8.0 percent from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return on 7.75 percent based on the actuarial experience studies and asset-liability study conducted during the 2016 fiscal year. The Board of Trustees further reduced the assumed rate of return to 7.60 percent effective with the June 30, 2017 valuation. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The sensitivity of the district's net pension liability to changes in the discount rate is presented below. The district's net pension liability calculated using the discount rate of 7.60 percent is presented as well as the net pension liability using a discount rate that is 1.0 percent lower (6.60 percent) or 1.0 percent higher (8.60 percent) than the current rate. The College's net pension liability calculated using the discount rate of 7.75 percent is presented as well as the net pension liability using a discount rate that is 1.00 percent lower (6.75 percent) or 1.00 higher (8.75 percent) than the current rate as of June 30, 2017.

Proportionate Share of the Net Pension Liability		1% Decrease		Current Rate		1% Increase
As of June 30, 2018:		**(6.60%)**		**(7.60%)**		**(8.60%)**
PEERS	$	26,745,722	$	14,518,955	$	4,263,254
PSRS		82,085,306		46,217,761		16,398,809
As of June 30, 2017:		**(6.75%)**		**(7.75%)**		**(8.75%)**
PEERS	$	26,873,269	$	15,452,978	$	5,868,543
PSRS		79,952,515		47,129,070		19,798,564

The plans are multiemployer defined benefit plans. Both systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to either system at: P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

Note 7: Missouri United School Insurance Council

The Missouri United School Insurance Council (MUSIC) is a not-for-profit self-insurance association, which is designed to provide uniform property and casualty coverage under one comprehensive plan for participating school districts in Missouri. The College purchases insurance coverage for property, general liability, workers' compensation and medical malpractice (for allied health students).

Members pay annual premiums, which are retained to pay losses, fund an administrative budget, buy risk management services and purchase reinsurance for excessive losses.

Because MUSIC is a pooling arrangement comprised of member districts, the members are owners of the loss fund. In the event that the loss fund and related reserves are unable to cover claims, the members would be assessed additional premiums by MUSIC to cover the deficit. The College is not aware of any deficit situation in the MUSIC loss fund, which would require the accrual of a liability as of June 30, 2018 and 2017.

Effective January 1, 1999, the terms of insurance coverage provided by MUSIC were revised, with the College increasing the level of its self-insurance for losses occurring below the amount of the MUSIC coverage stop-loss, which was $356,517 and $342,770 for calendar years 2018 and 2017, respectively. As of June 30, 2018 and 2017, an accrual of $340,468 and $340,250, respectively, has been made to cover the estimated exposure to claims the College would have to pay under its self-insurance agreement, including an estimate for claims incurred but not reported. This claims liability is based on estimates of the ultimate cost of claims including inflation factors and historical trend data. Other non-incremental costs are not included in the basis of estimating the liability.

Note 8: Designations of Unrestricted Net Positions

Unrestricted net position is designated for specific purposes by action of the Board or management. Designations for the use of unrestricted net position as of June 30, 2018 and 2017 are as follows:

	2018	2017
Designated for deferred maintenance	$ 2,615,769	$ 4,610,448
Designated for information technology	1,070,079	1,040,917
Unrestricted	42,879,435	44,564,659
Total	$ 46,565,283	$ 50,216,024

Note 9: Defined Contribution Plan

The College has a 403(b) defined contribution retirement plan covering all employees except for employees regularly attending classes at the College. The College matches contributions 66.67 percent per dollar, with an annual maximum limit of $1,000. The participant is fully vested in amounts attributable to the plan contributions when such plan contributions are made. The College's expense under the plan was approximately $537,000 and $453,000 for the years ended June 30, 2018 and 2017, respectively.

Note 10: Federal Assistance

The College has received significant financial assistance from various federal agencies in the form of grants and entitlements. These programs are subject to audit by agents of the granting authority, or by independent public accountants under the *Single Audit Act*, the purpose of which is to ensure compliance with terms and conditions specified in these agreements. The College does not believe that liabilities for reimbursement, if any, will have a materially adverse effect upon the financial condition of the College.

Note 11: Contingencies

The College is named as a defendant in various legal actions arising in the normal course of operations. The College's management believes the resolution of those actions will not have a material effect on the College's financial statements.

Note 12: Governmental Accounting Standards Board (GASB) Statements

The College adopted the following statements during the year ended June 30, 2018:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, applies to governments that provide OPEB to their employees or finance OPEB for employees of other governments. It replaces GASB Statement No. 45 and requires governments to report a liability on the face of their financial statements for the OPEB provided. In addition, it requires governments in all types of OPEB plans to provide more extensive note disclosures and RSI about OPEB liabilities. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017 (College's June 30, 2018 fiscal year). See *Note 1* and *Note 5* for effect of this Statement to the College.

As of June 30, 2018, the GASB has issued statements that will require consideration and implementation by the College as follows:

In June 2017, GASB issued GASB Statement No. 87, *Leases,* which establishes a uniform approach to accounting for and reporting leases based on the principle that all leases are, in substance, financings. The provisions of Statement No. 87 are effective for fiscal years beginning after December 15, 2019 (College's June 30, 2019 fiscal year). The effect of this Statement to the College has not yet been determined.

Note 13: Disclosure About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

		2018		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
2018				
Money market mutual funds	$ 5,004,518	$ 5,004,518	$ -	$ -
Total investments measured at fair value	$ 5,004,518	$ 5,004,518	$ -	$ -

		2017		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
2017				
Federal Home Loan Bank	$ 8,985,590	$ -	$ 8,985,590	$ -
Federal National Mortgage Association	15,969,500	-	15,969,500	-
Money market mutual funds	4,961,412	4,961,412	-	-
Total investments measured at fair value	$ 29,916,502	$ 4,961,412	$ 24,955,090	$ -

Federal Home Loan Bank and Federal National Mortgage Association securities classified as Level 2 of the fair value hierarchy are valued using third-party pricing services based on market observable information such as market quotes for similar assets, as well as normal market pricing considerations such as duration, interest rates and prepayment assumptions.

Note 14: Tax Abatements

For the fiscal year ended June 30, 2018, the College's property tax revenue was reduced through abatements and diversions through various incentive granting agencies and entities with an impact to the College totaling an estimated $3,743,944 under the following programs:

Tax Abatement Program	Amount of Taxes Abated during the Fiscal Year
Tax Increment Financing	$ 1,426,659
Chapter 353 Abatement	403,276
Chapter 99 Abatement	33,118
EEZ	21,550
Multi-Abatement	1,859,341
	$ 3,743,944

The College is subject to tax abatements and diversions granted or entered into by other government entities through various incentive granting agencies and entities as outlined below:

Tax Increment Financing – Grants tax diversion to promote new investment, infrastructure improvements and job growth by providing financial assistance and incentive to redevelopers. Created pursuant to Section 99.800 of the Revised Statutes of Missouri.

Chapter 353 Tax Abatement – Grants tax abatement to encourage investment and assist in the removal of blight and blighting conditions within urban redevelopment areas. Created pursuant to Sections 353.010 to 353.190 RSMo and City Ordinance 140306.

Chapter 99 Tax Abatement – Grants abatement through several programs to encourage investment and assist in redevelopment of designated real property resulting in real property tax abatement for certain projects. Created pursuant to Section 99 of the Revised Statutes of Missouri.

EEZ – Grants property tax abatement to encourage job creation and investment by providing tax credits and property tax abatement to new or expanding businesses located in an Enhance Enterprise Zone (EEZ). Created pursuant to Sections 135.950 to 135.973 RSMo and City Ordinances 051411, 051412 and 051413.

Note 15: Foundation

The following disclosures pertain to the discretely presented component unit.

Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018 and 2017, cash equivalents consisted primarily of investments in money market mutual funds. At June 30, 2018, the Foundation's cash accounts did not exceed federally insured limits.

Marketable Securities and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment income and net investment gains (losses) are reported as follows:

- As increases (decreases) in permanently restricted net assets, if the terms of the gift or the Foundation's interpretation of relevant state tax law requires that they be added to the principal of the permanent endowment fund.
- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income.
- As increases (decreases) in unrestricted net assets in all other cases.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Investment return includes interest income, which is accrued as earned, and dividend income, which is recorded when notified of the dividend. Realized gains and losses are recorded when notified of the sale. The change in unrealized appreciation or depreciation, which occurs during the year, is recorded as a component of investment return in the statements of activities.

Net Assets

The accounting and reporting of the Foundation classifies resources by their nature and purpose, based on the presence or absence of donor-imposed restrictions, into three classes of net assets:

Unrestricted net assets – Consist of funds free of any donor-imposed restriction.

Temporarily restricted net assets – Consist of contributions and other inflows of funds temporarily subject to donor imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of the Foundation that fulfill donor stipulations.

Permanently restricted net assets – Consist of contributions and other inflows of funds subject to donor imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Contributions

A contribution, in the form of an unconditional promise to give, is recognized as revenue by the Foundation in the period in which the promise is received. Conditional promises to give made by donors are not recognized until the conditions are met. Assets received subject to conditions are accounted for as refundable advances until the conditions are met.

Contributions are recorded at their fair value. Unconditional promises to give are reported at net realizable value by establishing an allowance for uncollectible promises. Unconditional promises to give cash over a period of time in excess of one year are recorded at the present value of amounts to be received, using an appropriate discount rate, if the amounts of such discounts are material.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Gains and losses on temporarily restricted assets are reported as restricted until appropriated by the Board of Directors. Expirations of temporary restrictions on net assets (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributed Services

The College provides the Foundation with office space and furniture and equipment without charge. The Executive Director and staff of the Foundation are employed by the College without compensation from the Foundation and the Financial Services Department of the College also provides accounting processing services to the Foundation. In connection with the personnel and services provided by the College, the Foundation recognized contributed services revenue and related offsetting expense in the amount of $490,536 and $373,903 for the years ended June 30, 2018 and 2017, respectively. Included in these amounts are payments to outside vendors/contractors for advisory services and other expenses supporting the Foundation.

No amounts have been reflected in the financial statements for donated services, which do not create or enhance nonfinancial assets or which do not require specialized skills; however, time and resources have been contributed by volunteers in furtherance of the Foundation's objectives.

Substantially all program expenses included in the statements of activities are reimbursed to the College as the result of College payments on behalf of the Foundation. Accordingly, the balances "Due to The Metropolitan Community College" on the statements of financial position of $616,068 and $25,070 at June 30, 2018 and 2017, respectively, represents amounts due to the College not yet reimbursed at year-end.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

Subsequent Events

Subsequent events have been evaluated through November 14, 2018, which is the date the financial statements were available to be issued.

Marketable Securities and Investment Return

Investments at June 30, 2018 and 2017 consisted of the following:

	2018	2017
Equity securities	$ 796,559	$ 462,281
Equity mutual funds	1,684,873	1,435,400
U.S. Treasury notes	892,489	-
Corporate bonds	1,473,298	-
Fixed income mutual funds		
DoubleLine Total Return Bond Fund	-	912,913
Other fixed income mutual funds	96,695	1,405,414
Hedge fund/REIT	-	9,367
Exchange traded funds (ETF)		
Vanguard Growth ETF	1,348,290	1,143,360
Vanguard S&P 500 ETF	810,908	721,695
Vanguard Small-Cap ETF	924,680	675,920
Vanguard FTSE Developed Markets ETF	1,718,574	1,655,279
Vanguard Value ETF	622,980	675,920
Vanguard Mid-Cap ETF	1,174,418	1,061,774
iShares 1-3 Year Credit Bond ETF	-	685,568
Other ETFs	556,068	1,241,495
Municipal bonds	493,851	-
	$ 12,593,683	$ 12,086,386

The Foundation's temporarily and permanently restricted net assets include various endowment funds established by donors. At June 30, 2018 and 2017, the fair value of the assets were not less than the level required by donor stipulation or law.

Total investment return is comprised of the following:

	2018	2017
Interest and dividend income	$ 231,357	$ 216,536
Net realized and unrealized gains	736,216	1,001,160
	$ 967,573	$ 1,217,696

Investment return is net of investment fees reported in the statements of activities, which were $57,855 and $45,895 for the years ended June 30, 2018 and 2017, respectively.

Contributions Receivable

Contributions receivable at June 30, 2018 and 2017 consisted of the following unconditional promises to give discounted using the discount rate for the year the receivable was originally pledged at 2.70 percent:

	2018	2017
Due within one year	$ 53,301	$ 330,000
Due in one to five years	25,000	50,000
	78,301	380,000
Less		
Allowance for uncollectible contributions	1,527	7,486
Unamortized discount	2,699	12,837
	$ 74,075	$ 359,677

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 were available for the following purposes:

	2018	2017
Investment earnings payout stabilization fund	$ 1,553,401	$ 1,287,181
Scholarships	901,632	1,006,885
Neeland J & A Student Assistance	341,081	287,701
Other	280,197	259,453
MCC-BR Cyber Security	100,000	100,000
Kite Festival	73,034	65,307
Block Academic Coaching	67,071	95,427
Polsky Business Development Fund	67,678	67,127
James Neeland Award Fund	67,030	56,761
Hall Young Dev Curriculum	55,275	55,275
Book & Student Emergency Fund	44,880	47,521
Visual Arts & IT Building	32,498	23,542
Burns & McDonald Design Lab	30,092	-
KC Construction Careers Academy	26,204	-
Foundation Alumni	17,357	16,611
Hammonds Family Fund	14,688	-
Student Success Center	8,281	952,885
Baseball Program	6,819	6,759
Nursing Loan Program	5,039	4,753
Brooks Center at PV	3,289	3,649
Friends of the Carter Arts Center	2,866	4,545
Longview Cultural Arts Center	177	8,177
Health Science Institute Program	-	6,664
	$ 3,698,589	$ 4,356,223

Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2018 and 2017 are restricted to:

	2018	2017
Scholarships	$ 3,380,429	$ 3,380,429
Other	1,821,558	1,795,292
	$ 5,201,987	$ 5,175,721

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2018	2017
Scholarships and grants	$ 461,157	$ 334,777
Student Success Center	950,166	-
Book & Student Emergency Fund	5,214	-
FI-Hall-Youth Dev Curric	-	20,401
Other Foundation Projects	134,595	70,329
Storytelling	28,301	24,952
Brooks Center at PV	-	21,908
Longview Automotive Program	7,519	7,519
Kite Festival	7,473	7,387
	$ 1,594,425	$ 487,273

Endowment

The Foundation's endowment consists of numerous individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of Missouri as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at June 30, 2018 and 2017 was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2018				
Donor-restricted	$ -	$ 2,708,637	$ 5,201,987	$ 7,910,624
Board-designated	280,802	-	-	280,802
Total endowment funds	$ 280,802	$ 2,708,637	$ 5,201,987	$ 8,191,426
June 30, 2017				
Donor-restricted	$ -	$ 2,417,126	$ 5,175,721	$ 7,592,847
Board-designated	247,500	-	-	247,500
Total endowment funds	$ 247,500	$ 2,417,126	$ 5,175,721	$ 7,840,347

Changes in endowment net assets for the years ended June 30, 2018 and 2017 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	$ 241,269	$ 1,863,208	$ 5,093,570	$ 7,198,047
Investment return				
Investment income	7,967	155,754	-	163,721
Net appreciation	18,037	591,896	-	609,933
Total investment return	26,004	747,650	-	773,654
Contributions	-	-	80,380	80,380
Other income	-	-	1,771	1,771
Appropriation of endowment assets for expenditures	(19,773)	(193,732)	-	(213,505)
Endowment net assets, June 30, 2017	247,500	2,417,126	5,175,721	7,840,347
Investment return				
Investment income	7,364	140,627	-	147,991
Net appreciation	13,105	446,440	-	459,545
Total investment return	20,469	587,067	-	607,536
Contributions	46,925	-	26,266	73,191
Appropriation of endowment assets for expenditures	(34,092)	(295,556)	-	(329,648)
Endowment net assets, June 30, 2018	$ 280,802	$ 2,708,637	$ 5,201,987	$ 8,191,426

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, there were no deficiencies of this nature reported at June 30, 2018 and 2017.

The Foundation has adopted investment and spending policies for its endowment fund. The objective of these policies is to provide the Foundation a predictable funding stream for its programs while protecting the purchasing power of the endowment fund. In accordance with the Foundation's investment policy, the endowment fund shall be invested to provide for total return. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, the endowment fund shall be invested in a diversified portfolio, consisting of common stocks, bonds, cash equivalents and other investments, which may reflect varying rates of returns. The overall rate of return objective of the portfolio is a reasonable "real" rate, consistent with the risk levels established by the Endowment and Investment Committee of the Board of Directors.

The Foundation recognizes the need for spendable income by the beneficiaries of the endowment and long-term institutional funds under their custodianship. The spending policy reflects an objective to distribute as much total return as is consistent with overall investment objectives defined above while protecting the real value of the endowment fund principal. The Board approved spending percentage, based on the average collected fund balance, was 5 percent for the fiscal years ended June 30, 2018 and 2017.

Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Equity securities	$ 796,559	$ 796,559	$ -	$ -
Equity mutual funds	1,684,873	1,684,873	-	-
U.S. Treasury notes	892,489	892,489	-	-
Corporate bonds	1,473,298	-	1,473,298	-
Fixed income mutual funds	96,695	96,695	-	-
Exchange traded funds (ETF)				
Vanguard Growth ETF	1,348,290	1,348,290	-	-
Vanguard S&P 500 ETF	810,908	810,908	-	-
Vanguard Small-Cap ETF	924,680	924,680	-	-
Vanguard FTSE Developed Markets ETF	1,718,574	1,718,574	-	-
Vanguard Value ETF	622,980	622,980	-	-
Vanguard Mid-Cap ETF	1,174,418	1,174,418	-	-
Other ETFs	556,068	556,068	-	-
Municipal bonds	493,851	-	493,851	-
	$12,593,683	$ 10,626,534	$ 1,967,149	$ -

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017				
Equity securities	$ 462,281	$ 462,281	$ -	$ -
Equity mutual funds	1,435,400	1,435,400	-	-
Fixed income mutual funds				
DoubleLine Total Return Bond Fund	912,913	912,913	-	-
Other fixed income mutual funds	1,405,414	1,405,414	-	-
Hedge fund/REIT	9,367	9,367	-	-
Exchange traded funds (ETF)				
Vanguard Growth ETF	1,143,360	1,143,360	-	-
Vanguard S&P 500 ETF	721,695	721,695	-	-
Vanguard Small-Cap ETF	675,920	675,920	-	-
Vanguard FTSE Developed Markets ETF	1,655,279	1,655,279	-	-
Vanguard Value ETF	675,920	675,920	-	-
Vanguard Mid-Cap ETF	1,061,774	1,061,774	-	-
iShares 1-3 Year Credit Bond ETF	685,568	685,568	-	-
Other ETFs	1,241,495	1,241,495	-	-
	$12,086,386	$ 12,086,386	$ -	$ -

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2018 and 2017.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

Note 16: Condensed Combining Information

Condensed combining information for the College as of and for the fiscal year ended June 30 is as follows:

	2018			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Net Position				
Assets				
Current assets	$ 80,815,153	$ 1,182,055	$ -	$ 81,997,208
Noncurrent assets	74,252,374	79,622,019	-	153,874,393
Total assets	155,067,527	80,804,074	-	235,871,601
Deferred outflows	21,564,050	2,587,341	-	24,151,391
Liabilities				
Current liabilities	14,007,565	5,004,518	-	19,012,083
Noncurrent liabilities	71,865,942	49,145,000	-	121,010,942
Total liabilities	85,873,507	54,149,518	-	140,023,025
Deferred inflows	7,377,898	-	-	7,377,898
Net position				
Net investment in capital assets	37,242,426	28,814,360	-	66,056,786
Unrestricted	46,137,746	427,537	-	46,565,283
Total net position	$ 83,380,172	$ 29,241,897	$ -	$ 112,622,069

	2018			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Revenues, Expenses and Changes in Net Position				
Operating revenues (expenses)				
Operating revenues	$ 46,178,043	$ -	$ -	$ 46,178,043
Depreciation expense	(2,599,489)	(3,959,559)	-	(6,559,048)
Other operating expenses	(125,636,304)	-	5,758,838	(119,877,466)
Operating loss	(82,057,750)	(3,959,559)	5,758,838	(80,258,471)
Nonoperating revenues (expenses)				
Nonoperating revenues	94,005,005	5,759,035	(5,758,838)	94,005,202
Interest on debt related to capital assets	(1,965)	(2,028,282)	-	(2,030,247)
Total nonoperating revenues, net	94,003,040	3,730,753	(5,758,838)	91,974,955
Change in net position	11,945,290	(228,806)	-	11,716,484
Net position, beginning of year, as previously reported	84,615,530	29,470,703	-	114,086,233
Cumulative Effect of Change in Accounting Principle	(13,180,648)	-	-	(13,180,648)
Net position, beginning of year, as restated	71,434,882	29,470,703	-	100,905,585
Net position, end of year	$ 83,380,172	$ 29,241,897	$ -	$ 112,622,069

	2018			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Cash Flows				
Net cash used in operating activities	$ (76,485,089)	$ -	$ -	$ (76,485,089)
Net cash provided by noncapital financing activities	86,605,975	5,758,838	-	92,364,813
Net cash used in capital and related financing activities	(5,106,836)	(5,715,929)	-	(10,822,765)
Net cash provided by investing activities	580,846	197	-	581,043
	5,594,896	43,106	-	5,638,002
Cash and cash equivalents, beginning of year	44,543,313	5,153,912	-	49,697,225
Cash and cash equivalents, end of year	$ 50,138,209	$ 5,197,018	$ -	$ 55,335,227

	2017			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Net Position				
Assets				
Current assets	$ 104,911,741	$ 1,138,949	$ -	$ 106,050,690
Noncurrent assets	42,799,905	83,581,578	-	126,381,483
Total assets	147,711,646	84,720,527	-	232,432,173
Deferred outflows	25,674,988	3,106,588	-	28,781,576
Liabilities				
Current liabilities	14,986,853	4,961,412	-	19,948,265
Noncurrent liabilities	64,490,718	53,395,000	-	117,885,718
Total liabilities	79,477,571	58,356,412	-	137,833,983
Deferred inflows	9,293,533	-	-	9,293,533
Net position				
Net investment in capital assets	34,737,043	29,133,166	-	63,870,209
Unrestricted	49,878,487	337,537	-	50,216,024
Total net position	$ 84,615,530	$ 29,470,703	$ -	$ 114,086,233

	2017			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Revenues, Expenses and Changes in Net Position				
Operating revenues (expenses)				
Operating revenue	$ 49,749,219	$ -	$ -	$ 49,749,219
Depreciation expense	(2,219,166)	(4,059,752)	-	(6,278,918)
Other operating expenses	(125,897,990)	-	5,762,819	(120,135,171)
Operating loss	(78,367,937)	(4,059,752)	5,762,819	(76,664,870)
Nonoperating revenues (expenses)				
Nonoperating revenues	90,719,179	5,762,248	(5,762,819)	90,718,608
Interest on debt related to capital assets	-	(2,538,652)	-	(2,538,652)
Total nonoperating revenues, net	90,719,179	3,223,596	(5,762,819)	88,179,956
Change in net position	12,351,242	(836,156)	-	11,515,086
Net position, beginning of year	72,264,288	30,306,859	-	102,571,147
Net position, end of year	$ 84,615,530	$ 29,470,703	$ -	$ 114,086,233

	2017			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Cash Flows				
Net cash used in operating activities	$ (72,204,573)	$ -	$ -	$ (72,204,573)
Net cash provided by noncapital financing activities	83,181,719	5,955,320	-	89,137,039
Net cash used in capital and related financing activities	(5,428,002)	(5,713,645)	-	(11,141,647)
Net cash provided by investing activities	4,956,522	2	-	4,956,524
	10,505,666	241,677	-	10,747,343
Cash and cash equivalents, beginning of year	34,037,647	4,912,235	-	38,949,882
Cash and cash equivalents, end of year	$ 44,543,313	$ 5,153,912	$ -	$ 49,697,225

Required Supplementary Information

The Metropolitan Community College
Schedule of Changes in the College's Total OPEB Liability and Related Ratios
June 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 258,494
Interest	365,040
Changes in assumptions or other inputs	(374,914)
Benefit payments	(2,049,000)
Net change in Total OPEB Liability	(1,800,380)
Net OPEB asset under GASB 45, beginning of year, as previously reported	(1,512,221)
Cumulative Effect of Change in Accounting Principle	13,180,648
Total OPEB liability under GASB 75, beginning of year, as restated	11,668,427
Total OPEB liability, end of year	$ 9,868,047
Covered-Employee Payroll	$ 61,460,898
Total OPEB Liability as a Percentage of Covered-Employee Payroll	16.06%

Notes to Schedule:

Benefit Changes

- There were no changes to benefit terms for the year ended June 30, 2018.

Changes of Assumptions

- There was a change in the discount rate which has a net impact of $583,396.

The Metropolitan Community College
Schedule of Funding Progress for OPEB Plan
June 30, 2018

Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2016	$ -	$ 12,845,610	$ (12,845,610)	0%	$ 45,438,106	28%
July 1, 2014	-	17,584,735	(17,584,735)	0%	44,468,616	40%
July 1, 2012	-	24,420,508	(24,420,508)	0%	47,757,555	43%
July 1, 2010	-	12,469,000	(12,469,000)	0%	51,416,000	24%
June 30, 2009	-	25,993,000	(25,993,000)	0%	50,218,000	52%

Note:

- Fiscal year 2009 is the transition year for GASB Statement No. 45.
- Fiscal year 2011 the post-employment benefit plan was modified and effective July 1, 2013 eligible retirees and their dependents may continue coverage under the College's plan by paying active COBRA rates.
- The unfunded Actuarial Liability (AAL) is amortized over 10 years.

The Metropolitan Community College

Schedules of the College's Proportionate Share of the Net Pension Liability and College Contributions

June 30, 2018

Schedule of the College's Proportionate Share of Net Pension Liability

Year Ended *	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2018 PEERS	1.9030%	$ 14,518,955	$ 30,582,111	47.48%	85.35%
6/30/2018 PSRS	0.6400%	46,217,761	30,878,787	149.67%	83.77%
6/30/2017 PEERS	1.9260%	15,452,978	29,741,780	51.96%	83.32%
6/30/2017 PSRS	0.6334%	47,129,070	29,987,632	157.16%	82.18%
6/30/2016 PEERS	2.0643%	10,918,210	30,953,507	35.27%	88.28%
6/30/2016 PSRS	0.6335%	36,571,069	29,482,161	124.04%	85.78%
6/30/2015 PEERS	2.0233%	7,388,403	29,505,189	25.04%	91.33%
6/30/2015 PSRS	0.6214%	25,493,403	28,345,963	89.94%	89.34%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

Schedule of College's Contributions

Year Ended	Contractually Required Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013 PEERS	$ 2,107,749	$ 2,107,749	$ -	$ 30,744,954	6.86%
6/30/2013 PSRS	4,633,378	4,633,378	-	32,831,174	14.11%
6/30/2014 PEERS	2,024,056	2,024,056	-	29,505,189	6.86%
6/30/2014 PSRS	4,001,458	4,001,458	-	28,345,963	14.12%
6/30/2015 PEERS	2,123,411	2,214,010	(90,599)	30,953,507	7.15%
6/30/2015 PSRS	3,927,796	4,158,868	(231,072)	29,482,161	14.11%
6/30/2016 PEERS	2,123,413	2,123,413	-	29,741,780	7.14%
6/30/2016 PSRS	4,159,289	4,159,289	-	27,807,649	14.96%
6/30/2017 PEERS	2,040,287	2,040,287	-	29,741,780	6.86%
6/30/2017 PSRS	4,242,915	4,242,915	-	29,987,632	14.15%
6/30/2018 PEERS	2,097,934	2,097,934	-	30,582,111	6.86%
6/30/2018 PSRS	4,377,884	4,377,884	-	30,878,787	14.18%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The Metropolitan Community College

Schedules of the College's Proportionate Share of the Net Pension Liability and College Contributions (Continued)

June 30, 2018

Notes to Schedules of the College's Proportionate Share of the Net Pension Liability and College Contributions

See Note 6 for factors that affect trends in the amounts reported, such as changes in benefit terms or assumptions. Contribution rates for PEERS and PSRS remained the same for the College for years ended June 30, 2018, 2017 and 2016.

Other Supplementary Information

The Metropolitan Community College

Combining Schedule of Net Position

June 30, 2018

	District	Building Corporation	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 50,138,209	$ 5,197,018	$ -	$ 55,335,227
Short-term investments	18,412,000	-	-	18,412,000
Accounts receivable, net of allowance; $263,025	11,695,488	(4,014,963)	-	7,680,525
Other assets	569,456	-	-	569,456
Total current assets	80,815,153	1,182,055	-	81,997,208
Noncurrent Assets				
Long-term investments	36,105,000	-	-	36,105,000
Capital assets				
Nondepreciable	9,528,962	806,095	-	10,335,057
Depreciable, net	28,618,412	78,815,924	-	107,434,336
Total noncurrent assets	74,252,374	79,622,019	-	153,874,393
Total assets	155,067,527	80,804,074	-	235,871,601
Deferred Outflows of Resources	21,564,050	2,587,341	-	24,151,391
Total assets and deferred outflows of resources	$ 176,631,577	$ 83,391,415	$ -	$ 260,022,992
Liabilities				
Current Liabilities				
Accounts payable, accrued and other liabilities	$ 7,659,568	$ 754,518	$ -	$ 8,414,086
Compensated absences	2,217,858	-	-	2,217,858
Current portion of long-term debt	-	4,250,000	-	4,250,000
Unearned revenue - tuition	3,627,666	-	-	3,627,666
Unearned revenue - contracts	50,000	-	-	50,000
Capital lease purchases	452,473	-	-	452,473
Total current liabilities	14,007,565	5,004,518	-	19,012,083
Noncurrent Liabilities				
Bond payable	-	49,145,000	-	49,145,000
Compensated absences	508,704	-	-	508,704
Other postemployment benefit obligations	9,868,047	-	-	9,868,047
Net pension liability	60,736,716	-	-	60,736,716
Capital lease purchases	452,475	-	-	452,475
Unearned revenue - contracts	300,000	-	-	300,000
Total noncurrent liabilities	71,865,942	49,145,000	-	121,010,942
Total liabilities	85,873,507	54,149,518	-	140,023,025
Deferred Inflows of Resources	7,377,898	-	-	7,377,898
Net Position				
Net investment in capital assets	37,242,426	28,814,360	-	66,056,786
Unrestricted	46,137,746	427,537	-	46,565,283
Total net position	$ 83,380,172	$ 29,241,897	$ -	$ 112,622,069

The Metropolitan Community College

Combining Schedule of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018

	District	Building Corporation	Eliminations	Total
Operating Revenues				
Tuition and fees	$ 46,918,390	$ -	$ -	$ 46,918,390
Less sholarship allowance	21,774,143	-	-	21,774,143
Student tuition and fees, net	25,144,247	-	-	25,144,247
Federal grants and contracts	11,317,308	-	-	11,317,308
State and local grants and contracts	3,172,059	-	-	3,172,059
Auxiliary services revenues	1,672,756	-	-	1,672,756
Other	4,871,673	-	-	4,871,673
Total operating revenues	46,178,043	-	-	46,178,043
Operating Expenses				
Salaries and wages	63,306,546	-	-	63,306,546
Fringe benefits	21,819,736	-	-	21,819,736
Supplies and other services	32,796,998	-	(5,758,838)	27,038,160
Utilities	4,014,870	-	-	4,014,870
Scholarships and fellowships	3,698,154	-	-	3,698,154
Depreciation	2,599,489	3,959,559	-	6,559,048
Total operating expenses	128,235,793	3,959,559	(5,758,838)	126,436,514
Operating Loss	(82,057,750)	(3,959,559)	5,758,838	(80,258,471)
Nonoperating Revenues (Expenses)				
Federal Pell Grant revenue	21,666,105	-	-	21,666,105
State appropriations	31,115,709	-	-	31,115,709
County property tax revenue	35,529,587	-	-	35,529,587
Investment income	1,291,201	197	-	1,291,398
Other nonoperating revenues	4,402,403	5,758,838	(5,758,838)	4,402,403
Interest on debt related to capital assets	(1,965)	(2,028,282)	-	(2,030,247)
Total nonoperating revenues, net	94,003,040	3,730,753	(5,758,838)	91,974,955
Increase (Decrease) in Net Position	11,945,290	(228,806)	-	11,716,484
Net Position, Beginning of Year, as Previously Reported	84,615,530	29,470,703	-	114,086,233
Cumulative Effect of Change in Accounting Principle	(13,180,648)	-	-	(13,180,648)
Net Position, Beginning of Year, as Restated	71,434,882	29,470,703	-	100,905,585
Net Position, End of Year	$ 83,380,172	$ 29,241,897	$ -	$ 112,622,069

The Metropolitan Community College

Schedule of Revenues, Expenses and Changes in Fund Balances

Year Ended June 30, 2018

	Agency Fund	General Fund	Special Projects Fund	Designated Fund	Business & Continuing Education Fund	Auxiliary Enterprises Fund	Student Aid Fund	Restricted Fund	Unexpended Plant Fund	Invested in Plant Fund	Total
Revenues											
Student tuition and fees, net	$ 235,253	$ 41,009,681	$ 2,452,851	$ 627,483	$ 2,593,097	$ 25	$ (21,774,143)	$ -	$ -	$ -	$ 25,144,247
State aid	-	31,115,709	-	-	-	-	-	-	-	-	31,115,709
Government grants and contracts	35,542	2,447,687	306,278	-	594,550	8,088	23,233,286	9,530,041	-	-	36,155,472
State and county taxes	-	35,529,587	-	-	-	-	-	-	-	-	35,529,587
Investment income	-	1,291,201	-	-	-	-	-	-	-	-	1,291,201
Other income	120,476	2,471,754	288,724	-	1,788,436	2,949,898	125,409	254,453	2,947,682	-	10,946,832
Total revenues	391,271	113,865,619	3,047,853	627,483	4,976,083	2,958,011	1,584,552	9,784,494	2,947,682	-	140,183,048
Expenses											
Instructional	(13,000)	40,296,659	1,313,645	-	2,181,187	-	-	621,679	7,794	-	44,407,964
Academic support	-	9,671,577	421,851	-	844,929	-	-	2,947,950	6,469	-	13,892,776
Student services	309,396	14,382,311	-	-	-	-	1,396	454,890	291	-	15,148,284
Plant operation and maintenance	-	11,422,121	-	-	-	563,836	-	-	11,201,038	-	23,186,995
Depreciation	-	-	-	-	-	-	-	-	-	2,599,489	2,599,489
Institutional support	-	21,744,292	48,845	6,277	170,085	-	-	-	1,564,967	-	23,534,466
Scholarships and fellowships	2,996	1,658,018	8,378	-	15,483	-	1,583,157	430,122	-	-	3,698,154
Public service	-	-	-	-	-	-	-	5,330,555	-	-	5,330,555
Interest expense	-	-	-	-	-	-	-	-	1,965	-	1,965
Auxiliary epenses	-	-	-	-	-	1,093,067	-	-	-	-	1,093,067
Total expenses	299,392	99,174,978	1,792,719	6,277	3,211,684	1,656,903	1,584,553	9,785,196	12,782,524	2,599,489	132,893,715
Revenues Over (Under) Expenses	91,879	14,690,641	1,255,134	621,206	1,764,399	1,301,108	(1)	(702)	(9,834,842)	(2,599,489)	7,289,333
Add: Capitalized expenses	6,639	1,108,459	73,411	-	-	-	-	-	3,467,448	-	4,655,957
Total before fund transfers	98,518	15,799,100	1,328,545	621,206	1,764,399	1,301,108	(1)	(702)	(6,367,394)	(2,599,489)	11,945,290
Total fund transfers	(6,639)	(15,799,100)	(1,328,545)	-	(1,764,398)	(1,251,108)	-	701	15,493,132	4,655,957	-
Increase (Decrease) in Fund Balance	91,879	-	-	621,206	1	50,000	(1)	(1)	9,125,738	2,056,468	11,945,290
Fund Balance, Beginning of Year, As Previously Reported	834,070	20,058,742	-	32,814	-	(400,000)	-	-	23,606,794	40,483,110	84,615,530
Cumulative Effect of Change in Accounting Principle	-	-	-	-	-	-	-	-	(13,180,648)	-	(13,180,648)
Fund Balance, Beginning of Year, As Restated	834,070	20,058,742	-	32,814	-	(400,000)	-	-	10,426,146	40,483,110	71,434,882
Fund Balance, End of Year	$ 925,949	$ 20,058,742	$ -	$ 654,020	$ 1	$ (350,000)	$ (1)	$ (1)	$ 19,551,884	$ 42,539,578	$ 83,380,172

The Metropolitan Community College

Schedule of Revenues, Expenses and Changes in Fund Balances (Continued)

Year Ended June 30, 2018

	District	Building Corporation	Eliminations	Total
Revenues				
Student tuition and fees	$ 46,918,390	$ -	$ -	$ 46,918,390
Less scholarship allowance	21,774,143	-	-	21,774,143
Student tuition and fees, net	25,144,247	-	-	25,144,247
State aid	31,115,709	-	-	31,115,709
Government grants and contracts	36,155,472	-	-	36,155,472
State and county taxes	35,529,587	-	-	35,529,587
Investment income	1,291,201	197	-	1,291,398
Other income	10,946,832	5,758,838	(5,758,838)	10,946,832
Total revenues	140,183,048	5,759,035	(5,758,838)	140,183,245
Operating Expenses				
Instructional	44,407,964	-	-	44,407,964
Academic support	13,892,776	-	-	13,892,776
Student services	15,148,284	-	-	15,148,284
Plant operation and maintenance	23,186,995	-	(5,758,838)	17,428,157
Depreciation	2,599,489	3,959,559	-	6,559,048
Institutional support	23,534,466	-	-	23,534,466
Scholarships and fellowships	3,698,154	-	-	3,698,154
Public service	5,330,555	-	-	5,330,555
Interest expense	1,965	2,028,282	-	2,030,247
Auxiliary expense	1,093,067	-	-	1,093,067
Total operating expenses	132,893,715	5,987,841	(5,758,838)	133,122,718
Revenues over (under) expenditures	7,289,333	(228,806)	-	7,060,527
Add: Capitalized expenses	4,655,957	-	-	4,655,957
Net Increase (Decrease) in Fund Balance	11,945,290	(228,806)	-	11,716,484
Fund Balance, Beginning of Year, as Previously Reported	84,615,530	29,470,703	-	114,086,233
Cumulative Effect of Change in Accounting Principle	(13,180,648)	-	-	(13,180,648)
Fund Balance, Beginning of Year, as Restated	71,434,882	29,470,703	-	100,905,585
Fund Balance, End of Year	$ 83,380,172	$ 29,241,897	$ -	$ 112,622,069

The Metropolitan Community College

Schedule of Expenses by Functional and Natural Classification

Year Ended June 30, 2018

Natural Expense Classification

Functional Expense Classification

	Salaries and wages	Fringe benefits	Supplies and other services	Utilities	Scholarships and fellowships	Depreciation	Interest Expense	Total Expenses by Functional Classification (Fund Report)
Type of expense								
Instructional	$ 30,800,266	$ 8,760,609	$ 4,847,090	$ 531,651	$ -	$ -	$ -	$ 44,939,616
Academic support	7,764,268	2,788,438	3,337,660	2,410	-	-	-	13,892,776
Student services	9,764,823	3,666,345	1,717,116		-	-	-	15,148,284
Plant operation and maintenance	3,352,369	1,457,082	9,137,897	3,480,809	-	-	-	17,428,157
Institutional support	10,368,291	4,820,929	7,813,403	-	-	-	-	23,002,623
Public service	413,568	122,274	4,794,905	-	-	-	-	5,330,747
Auxiliary expense	842,961	204,059	46,046	-	-	-	-	1,093,066
Scholarships and fellowships	-	-	-	-	3,698,154	-	-	3,698,154
Depreciation	-	-	-	-	-	6,559,048	-	6,559,048
Interest expense	-	-	-	-	-	-	2,030,247	2,030,247
Total expenses	63,306,546	21,819,736	31,694,117	4,014,870	3,698,154	6,559,048	2,030,247	133,122,718
Less: Capitalized expenses	-	-	(4,655,957)	-	-	-	-	(4,655,957)
Total expenses by natural classification (GASB Report)	$ 63,306,546	$ 21,819,736	$ 27,038,160	$ 4,014,870	$ 3,698,154	$ 6,559,048	$ 2,030,247	$ 128,466,761

The Metropolitan Community College

Schedule of Fund Transfers From/(To)

Year Ended June 30, 2018

	Operational					Restricted Funds		Plant Funds	
	General	Special Projects	IWI	Student Fund	Auxiliary	Student Aid	Restricted	Unexpended Plant	Invested in Plant
Fund Transfers									
Transfer for capitalized equipment	$ 1,108,459	$ 73,411	$ -	$ 6,639	$ -	$ -	$ -	$ 3,467,448	$ (4,655,957)
Transfer to cover net bond payment	5,758,838	-	-	-	-	-	-	(5,758,838)	-
Transfer for designated maintenance projects	1,500,000	-	-	-	-	-	-	(1,500,000)	-
Transfer for designated IT projects	500,000	-	-	-	-	-	-	(500,000)	-
Transfer annual fund close-out	(4,269,939)	1,255,134	1,764,398	-	1,251,108	-	(701)	-	-
Transfer to match financial plan	11,201,742	-	-	-	-	-	-	(11,201,742)	-
Net fund transfers	$ 15,799,100	$ 1,328,545	$ 1,764,398	$ 6,639	$ 1,251,108	$ -	$ (701)	$ (15,493,132)	$ (4,655,957)

Funds statements are still used to manage the colleges and for external reporting to various agencies and have been included in the "Other Supplementary Information" section of the accompanying report for informational purposes. The main difference between the Colleges' primary audited financial statements and the funds statement presentations is the treatment of scholarship aid used for tuition and fees. The primary statements per GASB 35 require such aid to be offset against tuition and fees, whereas the funds statements reflect gross tuition and fees and scholarship aid.

Fund accounting is the procedure by which resources are classified for accounting and reporting purposes into funds that are maintained in accordance with activities or specific objectives. Separate accounts are maintained for each fund. Funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund groups.

The assets, liabilities and fund balances of the Colleges are reported in two self-balancing fund groups as follows:

Current Funds include two separate fund groups, unrestricted and restricted, both of which are currently expendable for purposes of meeting the primary objectives of the Colleges, *i.e.*, instruction, public service and related supporting services. The unrestricted funds group, over which the College's governing board retains full control to use in achieving any of its institutional purposes, includes the operational (general, business/continuing education and special projects), auxiliary enterprise and agency funds. The general fund is used for all operational-type charges that are not covered by the following two categories. The business/continuing education fund is utilized to account for contracted instructional activities with the business community and most other noncredit instruction. The special projects fund is used to account for programs, which have been internally designated by the College's governing board as pilot projects or require special accountability. Resources restricted by donors or other outside agencies for specific current operating purposes are accounted for in the restricted funds group, which includes the restricted and student aid funds.

Plant Funds include resources available for future plant acquisitions, renewals and replacements, resources restricted for the retirement of indebtedness and funds which have been invested in the plant. These funds are broken into two separate sections: **Plant Funds** and **Building Corporation** plant funds.

Compliance

The Metropolitan Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education/Federal Supplemental Education Opportunity Grants	84.007	N/A	$ -	$ 498,681
U.S. Department of Education/Federal Direct Student Loans	84.268	N/A	-	9,463,101
U.S. Department of Education/Federal Work Study Program	84.033	N/A	-	317,787
U.S. Department of Education/Federal Pell Grant Program	84.063	N/A	-	21,700,096
Total Student Financial Assistance Cluster			-	31,979,665
U.S. Department of Education/Education Opportunity Center	84.066	N/A	-	429,543
U.S. Department of Education/Student Support Services	84.042	N/A	-	340,962
U.S. Department of Education/Upward Bound	84.047	N/A	-	82,429
Total TRIO Cluster			-	852,934
U.S. Department of Labor/Missouri Department of Economic Development/WIOA Adult Program	17.258	N/A	-	14,159
Total Workforce Investment Act Cluster			-	14,159
U.S. Department of Education/Title III - Higher Education - Institutional Aid	84.031	N/A	-	1,077,086
U.S. Department of Education/Title III - Higher Education - Institutional Aid	84.031	N/A	-	1,665,483
Total Title III - Higher Education - Institutional Aid Grant			-	2,742,569
U.S. Department of Education/Missouri Department of Elementary & Secondary Education/Carl D. Perkins Vocational Programs	84.048	N/A	-	865,976
U.S. Department of Agriculture/Missouri Department Social Services & Missouri Community College Assn./SkillUP Program	10.591	N/A	-	273,547
U.S. Department of Labor/Trade Adjustment Assistance Community College & Career Training Missouri STEM	17.282	N/A	3,420,352	5,429,873
U.S. Department of Labor/State of Missouri Department of Economic Development/Apprenticeship USA	17.285	N/A	-	81,813
National Aeronautics & Space Administration/Missouri University of Science and Technology/Missouri Space Grant Consortium	43.001	0050027	-	3,770
National Endowment for the Humanities/Missouri Humanities Council/Metropolitan Community College Storytelling Celebration	45.129	1990	-	10,000
U.S. Department of Health and Human Services/Behavorial Health Workforce Education & Training for Professionals & Paraprofessionals	93.243	N/A	-	166,152
U.S. Department of Health and Human Services/University of Missouri-Kansas City/Kansas City Health Tracks	93.137	0000066198-0050918	-	20,565
Total			$ 3,420,352	$ 42,441,023

The Metropolitan Community College

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Notes to Schedule

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

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Cost Circular A-110 or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Metropolitan Community College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

BKD
CPAs & Advisors

1201 Walnut Street, Suite 1700 | Kansas City, MO 64106-2246
816.221.6300 | Fax 816.221.6380 | bkd.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*

Independent Auditor's Report

Board of Trustees
The Metropolitan Community College
Kansas City, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of The Junior College District of Metropolitan Kansas City, Missouri's (d/b/a The Metropolitan Community College the "College") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 14, 2018, which contained an emphasis of matter paragraph for a change in accounting principle. The financial statements of The Metropolitan Community College Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Kansas City, Missouri
November 14, 2018

BKD
CPAs & Advisors

1201 Walnut Street, Suite 1700 | Kansas City, MO 64106-2246
816.221.6300 | Fax 816.221.6380 | bkd.com

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
The Metropolitan Community College
Kansas City, Missouri

Report on Compliance for the Major Federal Program

We have audited The Junior College District of Metropolitan Kansas City, Missouri's (d/b/a The Metropolitan Community College the "College") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2018. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

BKD, LLP

Kansas City, Missouri
November 14, 2018

The Metropolitan Community College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) were:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal awards program disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

The Metropolitan Community College
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018

7. The College's major program was:

Name of Federal Program	CFDA Number
Student Finanical Assistance Cluster	
U.S. Department of Education/Federal Supplemental Education Opportunity Grants	84.007
U.S. Department of Education/Federal Direct Student Loans	84.268
U.S. Department of Education/Federal Work Study Program	84.033
U.S. Department of Education/Federal Pell Grant Program	84.063

8. The threshold used to distinguish between Type A and Type B programs was $1,273,231.

9. The College qualified as a low-risk auditee? ☐ Yes ☒ No

The Metropolitan Community College

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2018

Findings Required to be Reported by *Government Auditing Standards*

No matters are reportable.

Findings Required to be Reported by Uniform Guidance

No matters are reportable.

Reference Number	Findings	Status
2017-001	**Student Financial Aid Cluster** **U.S. Department of Education** **Federal Direct Loan Program (FDL) (CFDA No. 84.268)** **Federal Supplemental Educations Opportunity Grants (CFDA No. 84.007)** **Federal Work Study Program (CFDA No. 84.033)** **Federal Pell Grant (CFDA No. 84.063)** **U.S. Department of Health and Human Services** **Scholarships for Disadvantaged Students (CFDA No. 93.925)**	Resolved

Criteria or Specific Requirement - Special Tests and Provisions, 34 CFR 685.309 and 34 CFR 690.83(b)(2)

Condition - The College did not ensure accurate notification to the National Student Loan Data System (NSLDS) of student status changes.

Questioned Costs - None

Context - Out of a population of 7,931 student enrollment status changes requiring notification, a sample of 40 students were selected for testing. Out of the 40 students selected for testing, 13 changes in status were not reported accurately to the NSLDS. In each of these instances, effective date of the change and/or the student status did not agree between the College's records and what was reported to the NSLDS. The sample was not a statistically valid sample.

Effect - NSLDS was not notified accurately of student enrollment status changes.

Cause - During the 2016-2017 academic award year, the College discovered an error in the May 2017 enrollment status change data to the National Student Clearinghouse (NSC) which then submits data to the NSLDS. This error resulted in unintentional previous data uploaded to NSLDS instead of current period information which resulted in 13 students' data being incorrectly captured.

3200 Broadway | Kansas City, MO 64111 | T (816) 604-1000 | F (816) 759-1158 | www.mcckc.edu