

**JUNIOR COLLEGE DISTRICT OF  
EAST CENTRAL MISSOURI**

**UNION, MISSOURI**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2013 and 2012**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Junior College District of East Central Missouri  
Union, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the primary government, as of and for the years ended June 30, 2013 and 2012, and the discretely presented component unit as of and for the years ended December 31, 2012 and 2011, of the Junior College District of East Central Missouri (the "College"), 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.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College'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 College'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 primary government of the Junior College District of East Central Missouri as of June 30, 2013 and 2012, 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. Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of the College as of December 31, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Junior College District of East Central Missouri's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

As discussed in Note A to the basic financial statements, the College adopted the provisions of GASB statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* during the year ended June 30, 2013.

#### **Disclaimer of Opinion on Statistical Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Junior College District of East Central Missouri's basic financial statements. Enrollment Data and Schedule of Bond and Interest Requirements, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the 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 21, 2013, on our consideration of the Junior College District of East Central Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Junior College District of East Central Missouri's internal control over financial reporting and compliance.



DAVIS, LYNN & MOOTS, P.C.  
November 21, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2013

**Introduction**

Management's discussion and analysis is an overview of the financial position and financial activities of the Junior College District of East Central Missouri (the "College"). The College's management prepared this discussion. It should be read in conjunction with the financial statements and notes that follow.

The College prepared the financial statements in accordance with Government Accounting Standards Board ("GASB") principles. The College has implemented GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 established standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a consolidated basis to focus on the College as a whole. The College has also adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, by including the East Central College Foundation as a discretely presented component unit of the College. The East Central College Foundation (the "Foundation") is a legally separate, tax-exempt entity. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs and to provide scholarships to the students attending the College.

There are three financial statements presented for the College: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. In addition, there are three financial statements presented for the Foundation: Statements of Financial Position, Statements of Activities and Statements of Cash Flows.

**Statements of Net Position**

The Statements of Net Position present the assets, liabilities, and net position of the College at the end of the fiscal years, June 30, 2013 and 2012. The purpose of the Statements of Net Position is to present a picture of the financial condition of the College. Total net position, which is the difference between total assets and total liabilities, is one of the indicators of the current financial condition of the College.

The assets and liabilities are categorized as current or noncurrent. Current assets consist primarily of cash and cash equivalents, short-term investments, net accounts receivable, bookstore inventories, and other assets. Noncurrent assets consist primarily of capital assets, including the property, plant and equipment owned by the College, net of any accumulated depreciation.

Net position is presented in three major categories: (1) Capital assets, which represents the College's equity in its property, plant, and equipment, (2) Restricted, those funds that are limited in terms of the purpose and time for which the funds can be spent, and (3) Unrestricted, which are available to the College for any lawful purpose.

The following table of the College's net position at June 30, 2013, 2012 and 2011, shows the unrestricted portion at \$6.4 million, \$6.3 million and \$7.6 million, respectively.



JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2013

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets	\$ 11,583,973	\$ 11,036,483	\$ 14,573,744
Restricted assets	1,637,089	1,533,664	1,448,014
Capital assets	<u>41,559,933</u>	<u>43,059,597</u>	<u>42,903,842</u>
TOTAL ASSETS	<u>\$ 54,780,995</u>	<u>\$ 55,629,744</u>	<u>\$ 58,925,600</u>
Current liabilities	\$ 5,532,363	\$ 5,221,330	\$ 7,346,004
Long-term liabilities	<u>16,693,499</u>	<u>17,617,519</u>	<u>18,574,136</u>
TOTAL LIABILITIES	<u>\$ 22,225,862</u>	<u>\$ 22,838,849</u>	<u>\$ 25,920,140</u>
Net investment in capital assets	\$ 24,728,901	\$ 25,205,873	\$ 24,191,685
Restricted for debt service	1,450,085	1,334,609	1,223,624
Unrestricted	<u>6,376,147</u>	<u>6,250,413</u>	<u>7,590,151</u>
TOTAL NET POSITION	<u>\$ 32,555,133</u>	<u>\$ 32,790,895</u>	<u>\$ 33,005,460</u>

Significant capital expenditures in fiscal year 2013 included the following:

• Audio System	\$ 23,918
• Renovations – Sullivan Area Center	7,572
• Scissor Lift	6,541
• Gym Floor Resurfacing	27,470
• Gym Floor Cover	7,550
• Apple Subsystems (2)	23,398
• Dell Servers, Switches & Enclosure	40,565
• Module for 9000 Chassis	12,995
• Dell Storage Blade	18,065
• ProTools Studio Bundle	20,065
• Vibration Tester / Meter	7,495
• IET Mitsubishi Arm, Controller & Teach Pendant	<u>10,715</u>
TOTAL	<u>\$ 206,349</u>

Net capital assets decreased to \$41,559,933. Capital expenditures, detailed above, totaled \$206,349. Depreciation of \$1,924,699 was recorded.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2013

**Statements of Revenues, Expenses and Changes in Net Position**

The Statements of Revenues, Expenses and Changes in Net Position present the College's financial results for the fiscal year. The statements include the College's revenues and expenses, both operating and non-operating.

Operating revenues and expenses are those for which the College directly exchanges goods and services. Tuition and fees are examples of operating revenues. Non-operating revenues and expenses are those that exclude specific, direct exchanges of goods and services. Local property tax revenue and state aid are two examples of non-operating revenues where the local taxpayers and state legislature, respectively, do not directly receive goods and services for the revenue.

The following is a summarized version of the College's revenues, expenses, and changes in net position for the years ended June 30, 2013, 2012 and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenue	\$ 23,873,085	\$ 23,901,867	\$ 24,908,746
Operating expenses	<u>36,272,592</u>	<u>36,213,157</u>	<u>36,928,254</u>
OPERATING (LOSS)	(12,399,507)	(12,311,290)	(12,019,508)
Non-operating revenues (expenses)	<u>12,163,745</u>	<u>12,096,725</u>	<u>11,437,887</u>
(Decrease) in net position	(235,762)	(214,565)	(581,621)
Net Position, Beginning of year	<u>32,790,895</u>	<u>33,005,460</u>	<u>33,587,081</u>
Net Position, End of year	<u><u>\$ 32,555,133</u></u>	<u><u>\$ 32,790,895</u></u>	<u><u>\$ 33,005,460</u></u>

One of the financial strengths of the College is the diverse stream of revenue, which supplements its student tuition and fees. The following is the College's fiscal years 2013, 2012 and 2011, revenues, both operating and non-operating.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 4,709,197	\$ 4,257,793	\$ 4,209,524
Federal aid	15,192,458	15,730,889	16,282,774
State aid	356,406	612,274	877,441
Local grants and contracts	585,416	346,135	145,798
Other auxiliary services	<u>3,029,608</u>	<u>2,954,776</u>	<u>3,393,209</u>
<b>TOTAL OPERATING REVENUE</b>	<u><u>\$ 23,873,085</u></u>	<u><u>\$ 23,901,867</u></u>	<u><u>\$ 24,908,746</u></u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2013

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	\$ 4,884,286	\$ 4,905,190	\$ 4,976,616
Tax revenues	7,611,911	7,532,529	7,201,982
Contributions	59,709	143,939	-
Interest income	126,792	161,326	311,285
Interest on debt	(518,953)	(601,884)	(1,051,996)
Loss on disposal of asset	<u>-</u>	<u>(44,375)</u>	<u>-</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u><u>\$ 12,163,745</u></u>	<u><u>\$ 12,096,725</u></u>	<u><u>\$ 11,437,887</u></u>

Operating revenue for fiscal year 2013 decreased by \$28,782.

Following are the components of operating expenses for the College during fiscal years 2013, 2012 and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	\$ 15,738,487	\$ 15,502,850	\$ 15,644,823
Scholarships	11,716,883	12,171,133	12,138,905
Supplies, other services, and utilities	6,892,523	6,891,988	7,597,589
Depreciation	<u>1,924,699</u>	<u>1,647,186</u>	<u>1,546,937</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 36,272,592</u></u>	<u><u>\$ 36,213,157</u></u>	<u><u>\$ 36,928,254</u></u>

Operating expenses increased by \$59,435 in FY13. Scholarships account for the largest change in operating expenses. In fiscal year 2013, these expenditures decreased from \$12,171,133 to \$11,716,883. This is due largely to changes in amounts available to students through Federal grants.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2013

In addition, the following chart presents the fiscal years 2013, 2012 and 2011, operating expenses of the College by function.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>OPERATING EXPENSES BY FUNCTION</b>			
Instruction	\$ 9,001,793	\$ 8,934,813	\$ 10,428,094
Academic support	2,604,644	2,631,627	2,623,825
Student services	1,412,850	1,359,815	1,654,302
Institutional support	4,751,406	4,725,080	4,108,572
Operations and maintenance	2,124,041	2,138,886	2,016,388
Student financial aid	11,660,339	12,126,538	12,122,619
Public service	44,843	52,509	55,160
Depreciation	1,924,699	1,647,186	1,546,937
Auxiliary enterprise	2,747,977	2,596,703	2,372,357
<b>TOTAL OPERATING EXPENSES BY FUNCTION</b>	<b><u>\$ 36,272,592</u></b>	<b><u>\$ 36,213,157</u></b>	<b><u>\$ 36,928,254</u></b>

**Statements of Cash Flows**

The Statements of Cash Flows present information about the cash activity of the College. The statements show the major sources and uses of cash. The following is a summary of the Statements of Cash Flows for the years ended June 30, 2013, 2012 and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Cash Provided (Used) By:</b>			
Operating activities	\$ (10,001,006)	\$ (12,869,061)	\$ (9,744,384)
Capital and related financing activities	(1,951,935)	(3,333,262)	(12,940,672)
Noncapital financing activities	12,555,906	12,581,658	12,178,598
Investing activities	107,484	658,335	13,617,285
<b>Net Change in Cash and Cash Equivalents</b>	<b>710,449</b>	<b>(2,962,330)</b>	<b>3,110,827</b>
Cash and Cash Equivalents, Beginning of year	5,906,804	8,869,134	5,758,307
<b>Cash and Cash Equivalents, End of year</b>	<b><u>\$ 6,617,253</u></b>	<b><u>\$ 5,906,804</u></b>	<b><u>\$ 8,869,134</u></b>

**Debt Administration**

Total debt of the College as of June 30, 2013, was \$17,414,688, which is down \$695,036 from the prior year.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2013

**Economic Outlook**

Mixed signals comprise the economic outlook for East Central College heading into 2014. Enrollment declines have slowed, but have not turned around or leveled off. State aid has not been as sharply reduced as previous years, but has not grown and continues to show declines. Assessed valuation fell slightly in 2013, but growth has not returned to rates as seen in previous years. These indicators may provide the basis for a “bottoming out” of the persistent economic downturn, but have not provided evidence that robust growth is in the short-term forecast.

Following sharp increases in enrollment that began in Spring 2008 and continued through Fall 2010, the College began experiencing a contraction in Spring 2011. Those declines have slowed, but have not turned around. On the Fall 2013 census date, the College had 3,901 students enrolled for 37,670 credit hours, compared to 4,043 students enrolled for 39,383 credit hours on the Fall 2012 census date. Student head count decreased by 3.5% (compared to a 2% decline the previous Fall) while credit hours declined by 4.3% over this period of time (compared to a 2.3% drop the previous Fall). Still, enrollment remains slightly higher than it was at any time prior to 2008. At the same time, state aid to community colleges has continued to decline. The FY14 appropriation of state aid to community colleges remained even with FY13, but administrative withholdings at the beginning of the fiscal year resulted in an effective reduction of 3% from the appropriation. The College budgeted for a 4% withholding, and the possibility of additional mid-year reductions still exist. There is cautious optimism that the upcoming state budget will not include further reductions to higher education. The third primary component of the college's general revenue is local tax revenue. The college's assessed valuation fell 4.07% between 2012 and 2013, from \$1,671,801,607 in 2012 to \$1,606,469,050 in 2013. This follows a year in which the assessed valuation grew by 1.5%.

In order to operate in the current climate, the college has addressed both revenue and expenses that fall under its control. The college raised tuition for FY14. Tuition increased by \$4 per credit hour for in-district students, from \$71 to \$75; \$5 per credit hour for out-of-district students, from \$101 to \$106; \$8 per credit hour for out-of-state students, from \$152 to \$160; and \$9 per credit hour for international students, from \$164 to \$173. In addition to the tuition increase, general fees were also changed to reflect a \$4 increase divided among the student activities, support services and technology fee areas. Despite the increase, East Central College continues to have one of the lowest tuition rates of any college or university in Missouri. In addition to addressing revenue through tuition and fees, the college continues to work to reduce costs through operating efficiency improvements. Salaries had been at FY12 levels, but for FY14 the Board authorized a 2% salary increase and increased the entry level wage to \$9.00/hr.

Development of the FY15 budget will require careful analysis of state revenue, actual collection of local tax revenue, the level of new construction in the district, local employment levels and enrollment trends.

**Contacting the College's Financial Management**

This financial report is designed to provide our citizens, taxpayers, students and investors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Philip Peña, Vice President of Finance and Administration, East Central College, 1964 Prairie Dell Road, Union, MO 63084-4344.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 STATEMENTS OF NET POSITION – PRIMARY GOVERNMENT  
 JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 5,630,164	\$ 5,023,140
Investments	1,449,000	1,451,000
Receivables:		
Students, net	3,108,497	3,066,016
Federal and state agencies	277,678	278,231
Other, net	278,680	425,665
Inventory	374,889	318,575
Prepaid expenses	465,065	473,856
TOTAL CURRENT ASSETS	<u>11,583,973</u>	<u>11,036,483</u>
Restricted Assets		
Cash and cash equivalents	987,089	883,664
Investments	650,000	650,000
TOTAL RESTRICTED ASSETS	<u>1,637,089</u>	<u>1,533,664</u>
Noncurrent Assets		
Property and equipment, net	41,559,933	43,059,597
TOTAL NONCURRENT ASSETS	<u>41,559,933</u>	<u>43,059,597</u>
TOTAL ASSETS	<u>\$ 54,780,995</u>	<u>\$ 55,629,744</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 219,867	\$ 205,595
Due to agency groups	132,250	129,460
Accrued wages and benefits	371,422	316,438
Accrued interest	192,492	199,055
Unearned revenue	3,403,273	3,375,843
Current maturing of bonds payable	910,000	845,000
Current maturity of performance lease	163,731	149,939
Current portion of early retirement liability	139,328	-
TOTAL CURRENT LIABILITIES	<u>5,532,363</u>	<u>5,221,330</u>
Long-Term Liabilities		
Bonds payable, net	15,658,262	16,589,570
Performance lease	99,039	269,215
Early retirement liability	139,328	-
Post-employment benefit liability	305,000	256,000
Compensated absences	491,870	502,734
TOTAL LONG-TERM LIABILITIES	<u>16,693,499</u>	<u>17,617,519</u>
TOTAL LIABILITIES	<u>22,225,862</u>	<u>22,838,849</u>
<b>NET POSITION</b>		
Net investment in capital assets	24,728,901	25,205,873
Restricted for debt service	1,450,085	1,334,609
Unrestricted	6,376,147	6,250,413
TOTAL NET POSITION	<u>32,555,133</u>	<u>32,790,895</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 54,780,995</u>	<u>\$ 55,629,744</u>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
EAST CENTRAL COLLEGE FOUNDATION, INC. – COMPONENT UNIT  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 127,280	\$ 90,292
Investments	1,283,380	1,028,811
Promises to give	6,412	4,414
Accounts receivable	500	5,392
Accrued interest receivable	4,909	15,637
Prepaid expenses	746	1,349
	<u>1,423,227</u>	<u>1,145,895</u>
<b>TOTAL CURRENT ASSETS</b>		
Assets Restricted for Permanent Investment		
Cash	2,290	2,290
Investments	2,676,933	2,500,312
Promises to give, net	12,099	62,265
Land	89,000	89,000
	<u>2,780,322</u>	<u>2,653,867</u>
<b>TOTAL ASSETS RESTRICTED FOR PERMANENT INVESTMENT</b>		
<b>TOTAL ASSETS</b>	<u>\$ 4,203,549</u>	<u>\$ 3,799,762</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 8,075	\$ 1,750
Scholarships and agency funds payable	83,592	76,974
	<u>91,667</u>	<u>78,724</u>
<b>TOTAL CURRENT LIABILITIES</b>		
<b>NET ASSETS</b>		
Unrestricted	728,128	542,574
Temporarily restricted	603,432	524,597
Permanently restricted	2,780,322	2,653,867
	<u>4,111,882</u>	<u>3,721,038</u>
<b>TOTAL NET ASSETS</b>		
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,203,549</u>	<u>\$ 3,799,762</u>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PRIMARY  
 GOVERNMENT  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowance of \$3,209,414 in 2013 and \$3,175,746 in 2012)	\$ 4,709,197	\$ 4,257,793
Federal aid	15,192,458	15,730,889
State aid	356,406	612,274
Local grants and contracts	585,416	346,135
Other auxiliary services	<u>3,029,608</u>	<u>2,954,776</u>
<b>TOTAL OPERATING REVENUES</b>	<b>23,873,085</b>	<b>23,901,867</b>
<b>OPERATING EXPENSES</b>		
Salaries	12,132,492	11,961,686
Employee benefits	3,605,995	3,541,164
Scholarships	11,716,883	12,171,133
Utilities	732,457	707,405
Supplies	6,160,066	6,184,583
Depreciation	<u>1,924,699</u>	<u>1,647,186</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>36,272,592</u></b>	<b><u>36,213,157</u></b>
<b>OPERATING (LOSS)</b>	<b>(12,399,507)</b>	<b>(12,311,290)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	4,884,286	4,905,190
Tax revenue	7,611,911	7,532,529
Contributions	59,709	143,939
Interest income	126,792	161,326
(Loss) on disposal of assets	-	(44,375)
Interest expense on capital asset - related debt	<u>(518,953)</u>	<u>(601,884)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b><u>12,163,745</u></b>	<b><u>12,096,725</u></b>
<b>(DECREASE) IN NET POSITION</b>	<b>(235,762)</b>	<b>(214,565)</b>
NET POSITION, Beginning of year	<u>32,790,895</u>	<u>33,005,460</u>
NET POSITION, End of year	<u><u>\$ 32,555,133</u></u>	<u><u>\$ 32,790,895</u></u>

See accompanying notes.



JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
EAST CENTRAL COLLEGE FOUNDATION, INC. – COMPONENT UNIT  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
UNRESTRICTED		
Revenues		
Contributions	\$ 20,230	\$ 16,281
Interest and dividends	14,184	5,730
Net realized and unrealized gains (losses)	274,229	(5,574)
Special events	105,854	74,537
Net assets released from restrictions	<u>319,303</u>	<u>257,798</u>
TOTAL REVENUES	733,800	348,772
Expenses		
Program	294,164	230,341
Management and general	39,690	42,824
Fundraising	<u>99,634</u>	<u>111,674</u>
TOTAL EXPENSES	<u>433,488</u>	<u>384,839</u>
CHANGE IN UNRESTRICTED NET ASSETS	300,312	(36,067)
NET ASSETS, Beginning of year	542,574	578,641
RECLASSIFICATION OF NET ASSETS	<u>(114,758)</u>	<u>-</u>
NET ASSETS, End of year	<u>\$ 728,128</u>	<u>\$ 542,574</u>
TEMPORARILY RESTRICTED		
Contributions	\$ 208,816	\$ 178,245
Interest and dividends	82,290	81,663
Net assets released from restrictions	<u>(319,303)</u>	<u>(257,798)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(28,197)	2,110
NET ASSETS, Beginning of year	524,597	522,487
RECLASSIFICATION OF NET ASSETS	<u>107,032</u>	<u>-</u>
NET ASSETS, End of year	<u>\$ 603,432</u>	<u>\$ 524,597</u>
PERMANENTLY RESTRICTED		
Contributions	\$ 115,899	\$ 45,228
Interest and dividends	<u>2,830</u>	<u>7,436</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	118,729	52,664
NET ASSETS, Beginning of year	2,653,867	2,601,203
RECLASSIFICATION OF NET ASSETS	<u>7,726</u>	<u>-</u>
NET ASSETS, End of year	<u>\$ 2,780,322</u>	<u>\$ 2,653,867</u>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 4,694,146	\$ 4,086,840
Aid, grants, and contracts	16,134,833	17,195,143
Payments to suppliers	(6,922,984)	(8,888,901)
Payments to employees	(15,366,711)	(15,935,551)
Financial aid issued to students	(11,716,883)	(12,171,133)
Other receipts, net	3,176,593	2,844,541
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<b>(10,001,006)</b>	<b>(12,869,061)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(425,035)	(1,839,325)
Principal paid on capital debt and leases	(1,001,384)	(3,267,357)
Interest paid on capital debt and leases	(525,516)	(635,504)
Proceeds from bond issue	-	2,408,924
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,951,935)</b>	<b>(3,333,262)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local taxes	7,611,911	7,532,529
State aid	4,884,286	4,905,190
Contributions	59,709	143,939
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>12,555,906</b>	<b>12,581,658</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	2,101,000	2,606,000
Purchase of investments	(2,099,000)	(2,101,000)
Interest on investments	105,484	153,335
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>107,484</b>	<b>658,335</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>710,449</b>	<b>(2,962,330)</b>
CASH AND CASH EQUIVALENTS, Beginning of year	5,906,804	8,869,134
CASH AND CASH EQUIVALENTS, End of year	6,617,253	5,906,804
LESS RESTRICTED CASH AND CASH EQUIVALENTS	987,089	883,664
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 5,630,164</u>	<u>\$ 5,023,140</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (12,399,507)	\$ (12,311,290)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	1,924,699	1,647,186
Changes in assets and liabilities:		
Accounts receivables, net	105,057	7,071
Inventory	(56,314)	(16,335)
Prepaid expenses	8,791	(6,455)
Accrued wages and benefits	54,984	(430,090)
Accounts payable and due to agency groups	17,062	(1,974,123)
Deferred revenue	27,430	217,586
Compensated absences	(10,864)	(17,611)
Early retirement liability	278,656	-
Post-employment benefit liability	49,000	15,000
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (10,001,006)</b>	<b>\$ (12,869,061)</b>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
EAST CENTRAL COLLEGE FOUNDATION, INC. – COMPONENT UNIT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 390,844	\$ 18,707
Adjustments required to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Contributions restricted for endowment	(115,899)	(45,228)
Net realized and unrealized losses (gains) on investments	(274,229)	5,574
Change in operating assets and liabilities:		
Decrease in accounts receivable	4,892	5,623
Decrease in accrued interest receivable	10,728	10,259
(Increase) decrease in prepaid expenses	603	(772)
Increase (decrease) in accounts payable and scholarships payable	12,943	(26,608)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>29,882</u>	<u>(32,445)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(202,317)	(183,617)
Reinvested dividends	(55,084)	(46,010)
Proceeds from sale of investments	100,440	231,582
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(156,961)</u>	<u>1,955</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	164,067	50,468
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>164,067</u>	<u>50,468</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	36,988	19,978
CASH AND CASH EQUIVALENTS, Beginning of year	92,582	72,604
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 129,570</u>	<u>\$ 92,582</u>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Junior College District of East Central Missouri (the “College”) was formed in 1968 and includes portions of Franklin, Crawford, Gasconade, St. Charles, Warren and Washington counties. Permanent facilities at Union, Missouri were first occupied during the 1971-72 school year.

The financial statements of the College conform to accounting principles generally accepted in the United States of America as applicable to governments. The more significant of the College’s accounting policies are described below.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The College is a primary government, which is governed by an elected six-member board. As required by accounting principles generally accepted in the United States of America, the College has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The component unit discussed below is included in the College’s reporting entity because of the significance of its operational or financial relationships with the College.

Component Unit

**East Central College Foundation, Inc.**

East Central College Foundation, Inc. (the “Foundation”) is a private non-profit organization that reports under FASB Accounting Standards Codification (ASC) 958-205 and subsections. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s audited financial information as it is presented.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Foundation's year end is December 31. The College presents the Foundation financial statements of the calendar year end that falls within the College's fiscal year end.

During the years ended June 30, 2013 and 2012, the Foundation distributed \$102,661 and \$166,415 to the College or its students for both restricted and unrestricted purposes.

Basis of Accounting

The College has adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. GASB Statement No. 35 established standards for external financial reporting for public colleges and universities. The College reports as a Business-Type Activity, as defined by GASB Statement No. 35.

The College's resources are classified for accounting and reporting purposes into the following net position categories:

***Net Investment in Capital Assets*** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

***Restricted*** – Net position whose use by the College is subject to externally imposed stipulations that they can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. When the College is able to utilize restricted expendable assets or unrestricted assets, it utilizes the restricted assets first. The College's restricted net position reflect unspent tax levy proceeds restricted for debt service and unspent contributions with purpose restrictions.

***Unrestricted*** – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Operating Activities

The College's policy for defining operating activities as reported on the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations and local property taxes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash and cash equivalents.

Investments

Investments, which consist of certificates of deposits, are recorded at cost which approximates market value.

Receivables

Receivables from students are deemed to be substantially collectible. All property tax receivables are delinquent and have been written off. Other receivables are comprised mainly of receivables related to book store operations and interest income and no allowances are deemed necessary.

Inventories

Bookstore materials and supplies are carried in an inventory account at average cost and are subsequently charged to supplies and other services when sold or when consumed.

Capital Assets

Land, buildings, improvements, infrastructure, and equipment are stated on the basis of historical cost. Major fixed asset additions are financed primarily from bond proceeds. Assets acquired through gifts or donations are recorded at their estimated fair value at time of acquisition. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives. Net interest expense incurred during the construction of debt-financed facilities is included in the capitalization of the related facilities.

Unearned Revenue

These balances consist of one half of summer student fees of \$322,033, and all fall session student fees of \$3,081,240, totaling \$3,403,273.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating Revenues* – Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees; sales and services of auxiliary enterprises; most federal, state, and local grants and contracts and federal appropriations; and interest on student loans. Revenue from operating sources is recognized when earned.

*Nonoperating Revenues* – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and 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 and investment income.

Scholarship Allowance

Student tuition and fee revenues are presented net of financial assistance and scholarships applied to student accounts.

Post-Employment Health Care Benefits

*Retiree Benefits* – The College offers post-employment health care benefits to all employees who retire from the College. Retirees are eligible as long as they receive retirement benefits under the Public School Retirement System. Retirees pay 100% of their own premiums.

*COBRA Benefits* – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the College makes health care benefits available to eligible former employees and their dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured each month. This program is offered for a duration of 18 months after the employee's termination date. There is no associated cost to the College under this program.

There were 50 former employees receiving retiree or COBRA benefits as of June 30, 2013, and 48 as of June 30, 2012.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Vacation time, personal business days, and sick leave are recorded as expenses and liabilities in the fiscal year earned.

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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 63 – *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* for reporting periods beginning after December 15, 2011. This statement provides financial reporting guidance and standardization for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements of Statement No. 35 – *Basic Financial Statements and Management’s Discussion and Analysis – for Public Colleges and Universities*, by incorporating deferred inflows and deferred outflows into the definition of the required components of residual measure and by renaming that measure as net position, rather than net assets.

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities* (GASB 65) effective for reporting periods beginning after December 15, 2012, though early application was encouraged. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources, certain items that were previously reported as assets and liabilities.

The College adopted GASB Statements No. 63 and 65 for the year ended June 30, 2013.

Reclassification

Certain June 30, 2012, amounts have been reclassified to conform to the June 30, 2013, presentation.



JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS

Investments of the College as of June 30, 2013, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of Deposit	8/3/13 to 3/14/16	<u>\$ 2,099,000</u>

Investments of the College as of June 30, 2012, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of Deposit	8/2/12 to 3/14/13	<u>\$ 2,101,000</u>

Interest Rate Risk and Credit Risk

State law permits public colleges to invest in obligations of the State of Missouri or U.S. government and obligations of government agencies. The college does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the College will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State law requires depository financial institutions to pledge as collateral for public funds on deposit by governmental unit securities which, when combined with the Federal Deposit Insurance Corporation (FDIC) insurance, are at least equal to the amount on deposit at all times. The College's policy is to have collateral and insurance equal to at least 100% of the amount on deposit. At June 30, 2013 and 2012, the College's deposits bank balance was insured or collateralized as follows:

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

	<u>2013</u>	<u>2012</u>
FDIC Insurance	\$ 359,797	\$ 265,295
Collateralized	<u>11,891,489</u>	<u>11,440,946</u>
TOTAL	<u>\$ 12,251,286</u>	<u>\$ 11,706,241</u>

At June 30, 2013 and 2012, all of the College's deposits, were insured or collateralized with securities held by the College's agent in the College's name.

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. More than 5% of the College's total cash and investments are in the following issuer as of June 30, 2013:

- United Bank of Union - \$9,190,604

NOTE C – CAPITAL ASSETS

Activity for capital assets for the years ended June 30, 2013 and 2012, is summarized below:

	Balance June 30, 2012	Additions and Completions	Dispositions	Balance June 30, 2013
Land	\$ 382,697	\$ -	\$ -	\$ 382,697
Buildings	47,889,811	35,042	-	47,924,853
Campus improvements	560,209	-	-	560,209
Furniture and equipment	8,157,342	171,307	(15,188)	8,313,461
Infrastructure	2,326,052	-	-	2,326,052
Construction in progress	-	218,686	-	218,686
	<u>59,316,111</u>	<u>425,035</u>	<u>(15,188)</u>	<u>59,725,958</u>
Accumulated depreciation	<u>(16,256,514)</u>	<u>(1,924,699)</u>	<u>15,188</u>	<u>(18,166,025)</u>
TOTAL	<u>\$ 43,059,597</u>	<u>\$ (1,499,664)</u>	<u>\$ -</u>	<u>\$ 41,559,933</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE C – CAPITAL ASSETS (continued)

	Balance June 30, 2011	Additions and Completions	Dispositions	Balance June 30, 2012
Land	\$ 382,697	\$ -	\$ -	\$ 382,697
Buildings	35,610,765	12,279,046	-	47,889,811
Campus improvements	560,209	-	-	560,209
Furniture and equipment	6,792,727	1,719,127	(354,512)	8,157,342
Infrastructure	2,321,052	5,000	-	2,326,052
Construction in progress	12,137,607	-	(12,137,607)	-
	57,805,057	14,003,173	(12,492,119)	59,316,111
Accumulated depreciation	(14,901,215)	(1,647,185)	291,886	(16,256,514)
TOTAL	<u>\$ 42,903,842</u>	<u>\$ 12,355,988</u>	<u>\$ (12,200,233)</u>	<u>\$ 43,059,597</u>

NOTE D – LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2013 and 2012, is as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Bonds payable	\$ 18,725,000	\$ -	\$ (845,000)	\$ 17,880,000	\$ 910,000
Add: Bond premium	55,930	-	(21,308)	34,622	-
Less: Bond discount	(1,346,360)	-	-	(1,346,360)	-
	17,434,570	-	(866,308)	16,568,262	910,000
Performance lease	419,154	-	(156,384)	262,770	163,731
Early retirement liability	-	278,656	-	278,656	139,328
Post-employment benefit liability	256,000	49,000	-	305,000	-
	<u>\$ 18,109,724</u>	<u>\$ 327,656</u>	<u>\$ (1,022,692)</u>	<u>\$ 17,414,688</u>	<u>\$ 1,213,059</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE D – LONG-TERM LIABILITIES (continued)

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Bonds payable	\$ 19,489,996	\$ 2,345,000	\$ (3,109,996)	\$ 18,725,000	\$ 845,000
Add: Bond premium	-	63,924	(7,994)	55,930	-
Less: Bond discount	(1,346,360)	-	-	(1,346,360)	-
	<u>18,143,636</u>	<u>2,408,924</u>	<u>(3,117,990)</u>	<u>17,434,570</u>	<u>845,000</u>
Performance lease	568,521	-	(149,367)	419,154	149,939
Post-employment benefit liability	<u>241,000</u>	<u>15,000</u>	<u>-</u>	<u>256,000</u>	<u>-</u>
	<u>\$ 18,953,157</u>	<u>\$ 2,423,924</u>	<u>\$ (3,267,357)</u>	<u>\$ 18,109,724</u>	<u>\$ 994,939</u>

Bonds payable at June 30, 2013 and 2012, consists of:

	<u>2013</u>	<u>2012</u>
\$6,870,000 serial bonds due in annual principal installments of \$230,000 to \$995,000 through February 15, 2026; interest at varying rates from 3.90% to 4.00%.	\$ 6,195,000	\$ 6,195,000
\$10,275,000 serial bonds due in annual principal installments of \$20,000 to \$1,060,000 through February 15, 2026; interest at varying rates from 3.00% to 4.00%.	10,125,000	10,185,000
\$2,345,000 serial bonds due in annual principal installments of \$735,000 to \$825,000 through February 15, 2015; interest rate 2.00%.	<u>1,560,000</u>	<u>2,345,000</u>
<b>TOTAL BONDS PAYABLE</b>	<u>\$ 17,880,000</u>	<u>\$ 18,725,000</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE D – LONG-TERM LIABILITIES (continued)

The following is a summary of bond principal maturities and interest requirements:

Year Ended June 30,	Principal	Interest	Total
2014	\$ 910,000	\$ 513,313	\$ 1,423,313
2015	980,000	494,262	1,474,262
2016	1,020,000	731,742	1,751,742
2017	1,075,000	787,588	1,862,588
2018	1,135,000	654,591	1,789,591
2019	1,215,000	606,254	1,821,254
2020	1,305,000	612,336	1,917,336
2021	1,395,000	619,462	2,014,462
2022	1,500,000	353,800	1,853,800
2023	1,625,000	293,800	1,918,800
2024	1,760,000	228,800	1,988,800
2025	1,905,000	158,400	2,063,400
2026	2,055,000	82,200	2,137,200
	<u>\$ 17,880,000</u>	<u>\$ 6,136,548</u>	<u>\$ 24,016,548</u>

The College has recognized the face value of capital appreciation bonds issued in the 2006 and 2008 bond issues. The bonds were received at a discount from the face value. As of June 30, 2013, the discount balance is \$872,213 for the 2006 series and \$474,147 for the 2008 series, for a total of \$1,346,360.

During 2005 and in prior years, the College defeased various bonds issued by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. Funds are being held in a trust account to pay principal and interest on the bonds on February 15, 2016. The balance in escrow at June 30, 2013 and 2012, is \$354,858 and \$356,360, respectively. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the College's net position. As of June 30, 2013, and 2012, the amount of defeased debt outstanding but removed from the Statement of Net Position amounted to \$350,000.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE D – LONG-TERM LIABILITIES (continued)

*Voluntary Retirement Plan* – In fiscal year 2013, the College offered a voluntary retirement incentive program. Full-time employees with 10 consecutive years of service and who are eligible for “normal retirement” as defined by the Public School Retirement System (PSRS) or Public Education Employee Retirement System (PEERS) can participate. The incentive includes 33% of the base salary for fiscal year 2013, or \$750 per year of service and the cash equivalent to one year of health, dental, and vision insurance premiums, payable over two years beginning in July 2013. As of June 30, 2013 and 2012, the College’s liability to participants electing this program is \$278,656 and \$0, respectively.

*Performance Lease* – The College entered into a performance lease for energy efficient light fixtures and air conditioning units. Facilities under capitalized leases are recorded at the present value of future minimum lease payments. The future minimum payments on all significant leases with initial or remaining terms of one year or more at June 30, 2013, are as follows:

Year Ended June 30,	
2014	\$ 172,395
2015	<u>100,565</u>
	TOTAL FUTURE MINIMUM PAYMENTS 272,960
	LESS AMOUNT REPRESENTING INTEREST <u>(10,190)</u>
	PRINCIPAL BALANCE, JUNE 30, 2013 <u>\$ 262,770</u>

Gross amount of assets acquired was \$1,776,767.

The charge resulting from amortization of assets recorded under capital lease is included with depreciation expense.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
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NOTE E – RETIREMENT PLAN

The Junior College District of East Central Missouri contributes to the Public School Retirement System of Missouri (PSRS), a cost-sharing multiple-employer defined benefit pension plan. PSRS provides retirement and disability benefits to full-time (and certain part-time) certificated employees and death benefits to members and beneficiaries. Positions covered by the Public School Retirement System are not covered by Social Security. PSRS benefit provisions are set forth in Chapter 169.010 - .141 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to a seven-member Board of Trustees. PSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public School Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

PSRS members are required to contribute 14.5% of their annual covered salary and the Junior College District of East Central Missouri is required to contribute a matching amount. The contribution requirements of members and the Junior College District of East Central Missouri are established and may be amended by the PSRS Board of Trustees. The Junior College District of East Central Missouri's contributions to PSRS for the years ending June 30, 2013, 2012, and 2011, were \$2,398,023, \$2,371,277, and \$2,282,386, respectively, equal to the required contributions.

The Junior College District of East Central Missouri also contributes to the Public Education Employee Retirement System of Missouri (PEERS), a cost-sharing multiple-employer defined benefit pension plan. PEERS provides retirement and disability benefits to employees of the district who work 20 or more hours per week and who do not contribute to the Public School Retirement System of Missouri. Positions covered by the Public Education Employee Retirement System are also covered by Social Security. Benefit provisions are set forth in Chapter 169.600 - .715 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to the Board of Trustees of the Public School Retirement System. PEERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Education Employee Retirement System of Missouri, P. O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

PEERS members are required to contribute 6.86% of their annual covered salary and the Junior College District of East Central Missouri is required to contribute a matching amount. The contribution requirements of members and the Junior College District of East Central Missouri are established and may be amended by the Board of Trustees. The Junior College District of East Central Missouri's employer and employee contributions to PEERS for the years ending June 30, 2013, 2012, and 2011, were \$456,984, \$490,621, and \$479,574, respectively, equal to the required contributions.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE F – TAXES

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable by December 31. The counties of the College collect the property taxes and remit payments to the College.

The assessed valuations of the College on January 1, 2013 and 2012, upon which the levies for fiscal years 2013 and 2012 were based, were \$1,672,836,214 and \$1,646,915,740, respectively. The tax levy per \$100 of assessed valuation was as follows:

	<u>2013</u>	<u>2012</u>
General operations	\$ .3559	\$ .3544
Debt service	.0841	.0841
TOTAL LEVY	<u>\$ .4400</u>	<u>\$ .4385</u>

NOTE G – OPERATING LEASES

The College was committed under the following operating leases, all which were entered into on July 1, 2013, and will expire on June 30, 2014

	<u>2013</u>	<u>2012</u>
Southwest Area Center	\$ 21,876	\$ 20,028
R-Tech (Washington)	75,000	75,000
R-Tech (Rolla)	145,530	141,397
Nursing School Facility (Rolla)	-	37,120
TOTAL REMAINING LEASE OBLIGATIONS	<u>\$ 242,406</u>	<u>\$ 273,545</u>

NOTE H – RISK MANAGEMENT

The College participates in a public entity risk pool to insure against its general liability risks. The risk of loss is transferred to this risk pool, with the pool retaining the right to raise insurance premiums in the subsequent calendar year if claims experience is unfavorable. The insurance premiums for the 2013 and 2012 calendar year were \$243,053 and \$216,175, respectively. Management is aware of no events or circumstances which would generate a significant increase in future insurance premiums.



JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE I – CLAIMS AND ADJUSTMENTS

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the College may be required to reimburse the grantor government. As of June 30, 2013, significant amounts of expenditures have not been audited by grantor governments, but the College believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the College.

NOTE J – CONTINGENCIES, COMMITMENT AND SUBSEQUENT EVENTS

Contingencies

The College is subject to various lawsuits and claims. Although the outcome of a pending claim is not presently determinable, in the opinion of the College's attorney, the resolution of these matters will not have material adverse effects on the financial condition of the College.

NOTE K – POSTEMPLOYMENT HEALTH CARE PLAN

*Plan Description* – The College's postemployment health care plan is a single-employer defined benefit health care plan. To be eligible for participation in the plan, retirees must meet the retirement eligibility requirements as set by the Public School Retirement System of Missouri (PSRS) or the Public Education Employee Retirement System of Missouri (PEERS). Eligible participants receive benefits in the form of an implicit rate subsidy where participants receive health insurance coverage by paying a blended retiree/active rate.

*Funding Policy* – The contribution requirements of plan members and the College are established and may be amended by the Board of Trustees. Current contribution requirements require participants to pay the full blended premium. The College funds the plan on a pay-as-you-go basis.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE K – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

*Annual OPEB Cost and Net OPEB Obligation* – The College’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the College, an amount actuarially determined in accordance with the parameters of GASB-45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the College’s annual OPEB cost for the year ended June 30, 2013:

ARC	\$ 104,000
Interest on net OPEB obligation	12,000
Adjustment to ARC	<u>(10,000)</u>
Annual OPEB cost (expense)	<u><u>\$ 106,000</u></u>

The change in net OPEB obligation was as follows:

Balance June 30, 2012	Annual OPEB Cost	Employer Contributions	Balance June 30, 2013
Net OPEB Obligation			Net OPEB Obligation
<u>\$ 256,000</u>	<u>\$ 106,000</u>	<u>\$ 57,000</u>	<u>\$ 305,000</u>

*Funding Status and Funding Progress* – As a pay-as-you-go plan, the plan was 0% funded at June 30, 2013.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	\$ -	\$ 829,000	\$ 829,000	0%	\$ 9,133,000	9.08%

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE K – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

*Actuarial Methods and Assumptions* – The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. In the 2013 actuarial valuation, the projected unit credit method was used with benefits attributed from the date of hire to expected retirement age. The actuarial assumptions included a health care cost trend rate of 10% in 2013, reduced by decrements of 0.5% each year until an ultimate health care cost trend rate of 5% is reached in 2023. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of 30 years on an open basis, and the valuation assumes that 60% of all future retirees and their dependents will participate in the postemployment benefit plan.

NOTE L – INDUSTRIAL NEW JOBS TRAINING CERTIFICATES

In accordance with sections 178.892 through and including 178.896, RSMo and 4 CSR 195-3.010 to provide tax-aided training for employees of industries, which are new to, or expanding their operations within the State of Missouri, the College has issued Industrial New Jobs training Certificates. Proceeds of the certificates are used to reimburse the employer for training related costs. The certificates are to be repaid up to eight years using payroll tax withholdings related to the new jobs created. If such funds are not sufficient to repay the debt, then other withholding taxes paid by the employer shall be applied. A special (trust) fund is maintained for the deposit of tax withholdings received from the state and to disburse amounts received for program costs and debt service. The certificates do not constitute indebtedness of the College and, accordingly, are not included in the accompanying Statement of Net Position.

The Valiant Aerostructures, LLC, project was issued under the “alternative structure”. This structure reimburses training costs incurred by the Employer on a “cash flow” basis and does not involve the sale of Certificates to a third party. Under this structure monies from the New Jobs Training Credit deposited in the Job Training Program Fund is applied to reimburse the employer for training costs. As the employer incurred training costs it submits evidence of those costs to the College for approval, similar to the standard payment structure. However, rather than being immediately reimbursed for such costs from monies in the Program Fund representing proceeds of the sale of the Certificates, the training costs approved by the College would be owed to the Employer. The Employer is then reimbursed for these training costs only as monies are available from the New Jobs Training Credit in the Job Training Program Fund.

Accordingly, the outstanding balance column on the following schedule represents the remaining balance of unretired certificates on the standard structure and the remaining balance to be reimbursed to the employer for the alternative structure.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
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NOTE L – INDUSTRIAL NEW JOBS TRAINING CERTIFICATES (continued)

As of June 30, 2013, the Industrial New Jobs Training Certificates outstanding were \$335,850 and were comprised of the following:

Company	Total Certificates Sold	Outstanding Balance June 30, 2013
Valiant Aerostructures, LLC - Washington, MO	\$ 335,850	\$ 335,850

NOTE M – ACCOUNTS RECEIVABLE

Accounts receivable is presented net of allowance for doubtful accounts as of June 30, 2013 and 2012 as follows:

	2013		
	Gross Receivable	Allowance	Net Receivable
Student receivables	\$ 3,156,792	\$ 48,295	\$ 3,108,497
Other receivables	341,180	62,500	278,680
	\$ 3,497,972	\$ 110,795	\$ 3,387,177
	2012		
	Gross Receivable	Allowance	Net Receivable
Student receivables	\$ 3,114,415	\$ 48,399	\$ 3,066,016
Other receivables	425,665	-	425,665
	\$ 3,540,080	\$ 48,399	\$ 3,491,681

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE N – COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the audited financial statements of the Foundation for the years ended December 31, 2012 and 2011.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

***Basis of Accounting*** – The financial statements of East Central College Foundation, Inc. (the Foundation) have been prepared on the accrual basis.

***Basis of Presentation*** – The Foundation prepares financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections. Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Foundation is required to present a Statement of Cash Flows.

***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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

***Cash and Cash Equivalents*** – The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Pledges Receivable*** – Unconditional promises to give in future periods are recognized as revenues in the period the promises are received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. The Foundation provides an allowance for uncollectible amounts equal to the estimated collection losses that will be incurred in collection of all promises to give. The estimated losses are based on a review of the current status of the existing promises to give.

***Investments*** – Investments consist primarily of assets invested in marketable equity and debt securities, certificates of deposit, mutual funds, and money-market accounts. The Foundation accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the consolidated statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the Statement of Activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
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NOTE N – COMPONENT UNIT DISCLOSURES (continued)

**Land** – Land is carried at its fair value at the date of donation.

**In-Kind Contributions** – Non-cash contributions are recorded at their estimated fair values at the dates of the gifts.

**Restricted and Unrestricted Revenues and Support** – The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Income derived from investments of permanently restricted funds is accounted for in accordance with the terms of those agreements.

**Description of Program Services and Supporting Activities** – The following program services and supporting activities are included in the accompanying financial statements:

Program – The program component of the Foundation consists of all aspects of the Foundation's administration of scholarships to students attending East Central College.

Management and General – Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Foundation's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Foundation.

Fundraising – Provides the structure necessary to encourage and secure private and public financial support.

**Expense Allocation** – Expenses are charged to program services and supporting activities on the basis of estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

**Advertising** – Costs for advertising are expensed as incurred.

**Income Taxes** – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Subsequent Events** – Management has evaluated subsequent events through July 17, 2013, the date the financial statements were available to be issued.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE N – COMPONENT UNIT DISCLOSURES (continued)

**Income Taxes** – The Foundation adopted the provisions of FASB ASC 740-10-25 on January 1, 2009. Under this standard, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the assets will be sustained. The implementation of this standard had no impact on the Foundation’s financial statements. The Foundation does not believe there are any material uncertain tax assets and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended December 31, 2012, there were no interest or penalties recorded or included in the Foundation’s financial statements. The Foundation’s Forms 990, *Returns of Organization Exempt from Income Tax*, for the years ending 2009, 2010 and 2011, are subject to examination by the IRS, generally for three years after they were filed.

2. **ORGANIZATION**

The Foundation is a nonprofit organization incorporated under the laws of the State of Missouri, primarily as the official fundraising and gift-receiving agency of East Central College.

3. **ENDOWMENT**

The Foundation’s endowment consists of both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** – The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the State of Missouri effective August 28, 2009, as requiring the 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 the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets 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) The duration and preservation of the fund
- 2) The purpose of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE N – COMPONENT UNIT DISCLOSURES (continued)

**Endowment Investment Policy** – The Foundation’s endowment investment policy intends for the Foundation to invest in assets for the purposes of providing current income to meet a portion of the Foundation’s needs and appreciation to enhance the future resources available to the Foundation. The two primary objectives are to provide real growth of principal and to provide income on fund assets. To limit risk and still meet long-term return objectives, the Foundation invests in a balanced portfolio. The targeted asset allocation consists of 30% cash, cash equivalents, and fixed-income securities; and 70% equity securities.

**Endowment Spending Policy** – The Foundation has established an endowment spending policy in which a maximum of 5% of a three-year moving average of the market value of endowed funds may be spent each year. Prior years’ undisbursed funds are not included in the 5% maximum and may also be disbursed.

**Endowment Net Asset Composition by Type of Fund as of December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 103,853	\$ 2,780,322	\$ 2,884,175
Board-designated endowment funds	196,081	-	-	196,081
TOTAL FUNDS	<u>\$ 196,081</u>	<u>\$ 103,853</u>	<u>\$ 2,780,322</u>	<u>\$ 3,080,256</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 178,938	\$ 114,437	\$ 2,653,867	\$ 2,947,242
Net asset reclassification	64,583	-	8,798	73,381
Investment return:				
Investment income	-	76,877	2,829	79,706
Net (loss) (realized and unrealized)	(7,251)	-	-	(7,251)
Total investment return	(7,251)	76,877	2,829	72,455
Contributions	200	4,060	114,828	119,088
Appropriation of endowment assets for expenditures	(40,389)	(91,521)	-	(131,910)
Endowment net assets, end of year	<u>\$ 196,081</u>	<u>\$ 103,853</u>	<u>\$ 2,780,322</u>	<u>\$ 3,080,256</u>



JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE N – COMPONENT UNIT DISCLOSURES (continued)

4. *PLEDGES RECEIVABLE*

Unconditional promises to give consist of the following:

	<u>2012</u>	<u>2011</u>
Unrestricted promises to give	\$ 6,412	\$ 4,414
Permanently restricted promises to give	12,600	65,850
Less: Allowance for uncollectible amounts	(334)	(2,372)
Discount for promises to give	<u>(167)</u>	<u>(1,213)</u>
Promises to give, net	<u>\$ 18,511</u>	<u>\$ 66,679</u>

The promises are collectible in future years as shown below:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 10,012	\$ 31,718
One to five years	<u>8,499</u>	<u>34,961</u>
	<u>\$ 18,511</u>	<u>\$ 66,679</u>

Unconditional promises to give to establish a permanent scholarship endowment are included in the financial statements as permanently restricted assets and support. They are recorded after discounting at the rate of 2% to the present value of the future cash flows.

5. *INVESTMENTS*

The FASB *Fair Value Measurements* standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Foundation has adopted this standard for its financial assets and liabilities measured on a recurring and nonrecurring basis (ASC 820-10).

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset, or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
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NOTE N – COMPONENT UNIT DISCLOSURES (continued)

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Organization’s own assumptions in determining the fair value of investments).

Investments are recorded at fair value on a recurring basis during the years ended December 31, 2012 and 2011, using quoted prices in active markets.

Investments at December 31, 2012 and 2011, consist of the following:

	<u>Level I</u>	
	<u>Quoted Prices in Active Markets For</u>	
	<u>Identical Assets</u>	
	<u>2012</u>	<u>2011</u>
Equity securities and mutual funds	\$ 2,543,613	\$ 2,151,214
Government and corporate obligations	126,368	116,287
Certificates of deposit	1,274,524	1,245,374
Cash surrender value of life insurance policy	15,808	16,248
	<u>\$ 3,960,313</u>	<u>\$ 3,529,123</u>

The amounts reported in the Statement of Financial Position are classified as follows:

	<u>2012</u>	<u>2011</u>
Unrestricted and temporarily restricted investments	\$ 1,283,380	\$ 1,028,811
Investments restricted for permanent investment	2,676,933	2,500,312
	<u>\$ 3,960,313</u>	<u>\$ 3,529,123</u>

Investments are carried at fair value in accordance with generally accepted accounting principles in the United States of America. Net realized and unrealized gains (losses) totaling \$274,229 and \$(5,574) were recorded in 2012 and 2011, respectively.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE N – COMPONENT UNIT DISCLOSURES (continued)

6. *INVESTMENT RETURN*

Investment return during 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 99,304	\$ 94,829
Realized and unrealized gains (losses) on investments, net	<u>274,229</u>	<u>(5,574)</u>
	<u>\$ 373,533</u>	<u>\$ 89,255</u>

The above investment return is classified in the Statement of Activities as follows:

	<u>2012</u>	<u>2011</u>
Unrestricted	\$ 288,413	\$ 156
Temporarily restricted	82,290	81,663
Permanently restricted	<u>2,830</u>	<u>7,436</u>
	<u>\$ 373,533</u>	<u>\$ 89,255</u>

7. *SCHOLARSHIPS AND AGENCY FUNDS*

Scholarships payable consist of amounts awarded to students for the Spring 2013 and Spring 2012 semesters but not paid as of December 31, 2012 and 2011, respectively.

The Foundation serves as a fiscal agent for both outside organizations and specific groups at East Central College. Such amounts are not included in the revenues and expenses of the Foundation.

8. *NET ASSETS*

Temporarily restricted net assets of \$603,432 and \$524,597 at December 31, 2012 and 2011, respectively, are available for scholarships and other uses based on donor-imposed restrictions.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE N – COMPONENT UNIT DISCLOSURES (continued)

Net assets were released from donor restrictions during 2012 and 2011, by incurring expenses satisfying the restricted purposes or time restrictions specified by donors as follows:

	<u>2012</u>	<u>2011</u>
In-kind contributions	\$ 156,070	\$ 145,712
Scholarships	99,729	104,316
Miscellaneous activities	9,227	7,770
Special projects	<u>54,277</u>	<u>-</u>
	<u>\$ 319,303</u>	<u>\$ 257,798</u>

Permanently restricted net assets consist of donations that are restricted for permanent investment in an endowment. The earnings of the endowment are restricted for the funding of various scholarships and are therefore included in temporarily restricted net assets.

9. *RELATED PARTY TRANSACTIONS*

The Foundation utilizes employees, materials and office space from the Junior College District of East Central Missouri (the College) at no charge. The value of these in-kind donations from the College, which is included in temporarily restricted contribution revenue, amounted to \$156,070 and \$145,712 for the years ended December 31, 2012 and 2011, respectively.

10. *RECLASSIFICATION OF NET ASSETS*

Net assets were reclassified from unrestricted to temporarily restricted and permanently restricted in the amount of \$107,032 and \$7,726, respectively. Net assets were reclassified due to a recalculation of Title III requirements of restriction.

**REQUIRED SUPPLEMENTARY INFORMATION**

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

**Postemployment Health Care Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	\$ -	\$ 1,021,000	\$ 1,021,000	0%	\$ 9,242,000	11.05%
7/1/2012	-	829,000	829,000	0%	9,133,000	9.08%

**STATISTICAL INFORMATION (UNAUDITED)**

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 ENROLLMENT DATA (UNAUDITED)

Year Ending June 30,	Summer		Fall		Spring	
	Enrollment	Hours	Enrollment	Hours	Enrollment	Hours
2009	1,145	5,247	3,591	33,328	3,816	34,154
2010	1,446	7,006	4,203	40,444	4,346	41,433
2011	1,574	7,853	4,127	40,290	4,444	41,372
2012	1,445	6,998	4,043	39,383	4,251	38,700
2013	1,308	6,357	3,901	37,670	4,187	38,569



JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 SCHEDULE OF BOND AND INTEREST REQUIREMENTS  
 \$2,345,000 BOND ISSUE – SERIES 2012

Year Ended June 30,	Rate	Principal	Interest	Total
2014	2.00%	\$ 825,000	\$ 31,200	\$ 856,200
2015	2.00%	735,000	14,700	749,700
		<u>\$ 1,560,000</u>	<u>\$ 45,900</u>	<u>\$ 1,605,900</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 SCHEDULE OF BOND AND INTEREST REQUIREMENTS  
 \$6,870,000 BOND ISSUE – SERIES 2006

Year Ended June 30,	Rate	Principal	Interest	Total
2014	4.00%	\$ -	\$ 157,600	\$ 157,600
2015	4.00%	-	157,600	157,600
2016	3.90%	230,000	226,076	456,076
2017	3.98%	285,000	251,562	536,562
2018	4.05%	345,000	281,972	626,972
2019	4.11%	405,000	315,554	720,554
2020	4.16%	465,000	352,012	817,012
2021	4.19%	525,000	390,637	915,637
2022	4.00%	595,000	157,600	752,600
2023	4.00%	685,000	133,800	818,800
2024	4.00%	780,000	106,400	886,400
2025	4.00%	885,000	75,200	960,200
2026	4.00%	995,000	39,800	1,034,800
		<u>\$ 6,195,000</u>	<u>\$ 2,645,813</u>	<u>\$ 8,840,813</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 SCHEDULE OF BOND AND INTEREST REQUIREMENTS  
 \$10,275,000 BOND ISSUE – SERIES 2008

Year Ended June 30,	Rate	Principal	Interest	Total
2014	3.00%	\$ 85,000	\$ 324,513	\$ 409,513
2015	3.50%	245,000	321,962	566,962
2016	3.60%	790,000	505,666	1,295,666
2017	3.79%	790,000	536,026	1,326,026
2018	3.75%	790,000	372,619	1,162,619
2019	3.75%	810,000	290,700	1,100,700
2020	3.75%	840,000	260,324	1,100,324
2021	3.75%	870,000	228,825	1,098,825
2022	4.00%	905,000	196,200	1,101,200
2023	4.00%	940,000	160,000	1,100,000
2024	4.00%	980,000	122,400	1,102,400
2025	4.00%	1,020,000	83,200	1,103,200
2026	4.00%	1,060,000	42,400	1,102,400
		<u>\$ 10,125,000</u>	<u>\$ 3,444,835</u>	<u>\$ 13,569,835</u>

## **OTHER FINANCIAL INFORMATION**



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
RANDALL G. MOOTS, CPA  
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**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Junior College District of East Central Missouri  
Union, 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 primary government of the Junior College District of East Central Missouri, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Junior College District of East Central Missouri's financial statements, and have issued our report thereon, dated November 21, 2013.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

### **Compliance and Other Matters**

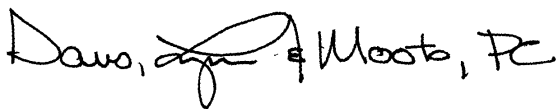
As part of obtaining reasonable assurance about whether the Junior College District of East Central Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with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

### **Other Matters**

We noted certain other matters that we have reported to management of the College in a separate letter dated November 21, 2013.

### **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 Junior College District of East Central Missouri'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 Junior College District of East Central Missouri's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DAVIS, LYNN & MOOTS, P.C.  
November 21, 2013



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

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**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees  
Junior College District of East Central Missouri  
Union, Missouri

**Compliance**

We have audited the Junior College District of East Central Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2013. The Junior College District of East Central Missouri's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance of the Junior College District of East Central Missouri'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we consider 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 on the Junior College District of East Central Missouri's compliance.

## Opinion on the Major Federal Program

In our opinion, the Junior College District of East Central Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

## Internal Control over Compliance

Management of the Junior College District of East Central Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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



DAVIS, LYNN & MOOTS, P.C.  
November 21, 2013



JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2013

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct			
Student Financial Assistance Cluster			
Pell Grants	84.063	N/A	\$ 7,578,676
College Work-Study	84.033	N/A	80,984
Supplemental Educational Opportunity Grants	84.007	N/A	128,398
Federal Direct Student Loans	84.268	N/A	<u>6,778,555</u>
TOTAL U.S. DEPARTMENT OF EDUCATION (DIRECT)			14,566,613
Missouri Department of Elementary and Secondary Education			
Adult Education (AEL)	84.002	5436	114,859
Perkins Vocational	84.048	5427	<u>191,095</u>
TOTAL U.S. DEPARTMENT OF EDUCATION (PASS-THROUGH)			<u>305,954</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			14,872,567
<u>U.S. DEPARTMENT OF LABOR</u>			
St. Louis Community College			
Trade Adjustment Assistance Community College and Career Training Grants	17.282	N/A	41,204
Ozarks Technical College			
Trade Adjustment Assistance Community College and Career Training Grants	17.282	N/A	<u>247,495</u>
TOTAL U.S. DEPARTMENT OF LABOR			288,699
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Franklin County, Missouri			
CDBG - State Administered Small Cities Program Cluster			
CDBG - Training for Tomorrow	14.228	N/A	<u>31,192</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>31,192</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 15,192,458</u></u>

N/A – Not Applicable

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the College's financial statements.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements.
2. No significant deficiencies or material weaknesses were disclosed in the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies or material weaknesses were disclosed during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion.
6. There were no findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was:

Student Financial Assistance Cluster	84.007, 84.033, 84.063 and 84.268
--------------------------------------	-----------------------------------
8. The threshold to determine a Type A program was \$300,000.
9. Junior College District of East Central Missouri was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2013

There were no prior year audit findings.