JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI

UNION, MISSOURI

FINANCIAL STATEMENTS

Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities as of and for the years ended June 30, 2011 and 2010, and the discretely presented component unit as of and for the years ended December 31, 2010 and 2009, of the Junior College District of East Central Missouri (the "College"), which collectively comprise the College's financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except for the discretely presented component unit, which is not subject to *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Junior College District of East Central Missouri as of and for the year ended June 30, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Further, in our opinion, based on our audits, 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, 2010 and 2009, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 7 through 12 are not a required part of the financial statements but are required supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The statistical data on pages 43-46 is presented for the purpose of additional analysis and is not a required part of the financial statements of the College. Such additional information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Junior College District of East Central Missouri's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
October 27, 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS

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 for fiscal 2006. 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 assets, the statements of revenues, expenses, and changes in net assets, 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 Assets

The statements of net assets present the assets, liabilities, and net assets of the College at the end of the fiscal years, June 30, 2011 and 2010. The purpose of the statements of net assets is to present a picture of the financial condition of the College. Total net assets, which is the difference between total assets and total liabilities, is one of the indicators of the current financial condition of the College.

The assets and liabilities are categorized 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 assets are 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 assets at June 30, 2011 and 2010, shows the unrestricted portion at $8.5 million and $19.9 million, respectively.

	2011	2010
Current assets	$ 16,021,758	$ 26,036,742
Other non-current	1,346,360	1,747,784
Capital assets	42,903,842	33,003,567
TOTAL ASSETS	$ 60,271,960	$ 60,788,093
Current Liabilities	$ 7,866,349	$ 6,916,495
Non-current Liabilities	19,400,151	20,284,517
TOTAL LIABILITIES	$ 27,266,500	$ 27,201,012
Invested in capital assets, net of related debt	$ 23,413,846	$ 12,813,571
Restricted	1,048,989	845,776
Unrestricted	8,542,625	19,927,734
TOTAL NET ASSETS	$ 33,005,460	$ 33,587,081

Significant capital expenditures in fiscal year 2011 included the following:

• Servers – Dell (3)	$ 58,545
• Website Redesign	104,878
• Furniture – Rolla – Room 114A	8,521
• Furniture – Rolla – Room 102A	6,391
• Furniture – Rolla – Lobby	8,628
• Furniture – Rolla – Campus Security	8,976
• Tractor – New Holland	29,766
• Loop Road	454,301
• Stage Platform	7,424
• Walking Path Improvements	19,630
• Software – Autodesk Education	16,625
• Uninterruptible Power Supply – Three-phase	16,040
• Projectors – Epson (2)	18,774
• Robot	23,530
• Cold Food Prep Room	141,650
• Fiber Cable	17,835
• Servers – Graphic Design (4)	59,992
• Qlogic System Unit	51,000
• Qlogic System – Fiber Optic Connections	30,704
• Qlogic System – Fiber Optic Boards (5)	35,500
• Firewalls (2)	27,750
• Construction in Progress	9,235,373
TOTAL	$ 10,381,833

Net capital assets increased to $42,903,842. Capital expenditures, detailed above, totaled $10,381,833. Depreciation of $1,546,937 was recorded. Projects in progress as of June 30, 2011, included the implementation of E-911 on the new telephone system. Construction in progress involved the renovation of the Administration Building (now Buescher Hall).

Statements of Revenues, Expenses and Changes in Net Assets

The statements of revenues, expenses and changes in net assets 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 assets for the years ended June 30, 2011 and 2010.

	2011	2010
Operating revenue	$ 18,622,247	$ 17,614,024
Operating expenses	30,641,755	28,150,882
OPERATING (LOSS)	(12,019,508)	(10,536,858)
Non-operating revenues (expenses)	11,437,887	11,648,055
Increase (decrease) in net assets	(581,621)	1,111,197
Net Assets, Beginning of year	33,587,081	32,475,884
Net Assets, End of year	$ 33,005,460	$ 33,587,081

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 2011 and 2010 revenues, both operating and non-operating.

	2011	2010
OPERATING REVENUES		
Tuition and fees	$ 4,209,524	$ 3,910,253
Federal aid	9,996,275	9,281,842
State aid	877,441	785,581
Local grants and contracts	145,798	-
Other auxiliary services	3,393,209	3,636,348
TOTAL OPERATING REVENUE	$ 18,622,247	$ 17,614,024

	2011	2010
NONOPERATING REVENUES (EXPENSES)		
State appropriations	$ 4,976,616	$ 5,012,967
Tax revenues	7,201,982	7,160,180
Interest income	311,285	522,890
Interest on debt	(1,051,996)	(1,029,419)
Loss on disposal of asset	-	(18,563)
TOTAL NONOPERATING REVENUES (EXPENSES)	$ 11,437,887	$ 11,648,055

Operating revenue for fiscal year 2011 increased by $1,008,223. Cafeteria sales increased by $20,000 (including catering) from FY10. Federal revenue increased primarily due to nearly a $830,000 increase in Pell awards in FY11. Interest income was down because of lower rates and less cash on deposit as a result of building construction.

Following are the components of operating expenses for the College during fiscal years 2011 and 2010.

	2011	2010
OPERATING EXPENSES		
Salaries and benefits	$ 15,644,823	$ 14,781,838
Supplies, other services, and utilities	7,597,589	7,445,577
Scholarships	5,852,406	4,434,049
Depreciation	1,546,937	1,489,418
TOTAL OPERATING EXPENSES	$ 30,641,755	$ 28,150,882

Operating expenses increased by $2,490,873 in FY11. Scholarships account for the largest change in operating expenses. In fiscal year 2011, these expenditures increased from $4,434,049 to $5,852,406. Scholarship expenses are a function of increased enrollment. In this context, scholarship expenses include institutional and foundation scholarships, some forms of federal aid, as well as other forms of student aid.

In addition, the following chart presents the fiscal years 2011 and 2010 operating expenses of the College by function.

	2011	2010
OPERATING EXPENSES BY FUNCTION		
Instruction	$ 10,428,094	$ 9,469,949
Academic support	2,623,825	2,419,729
Student services	1,654,302	1,508,322
Institutional support	4,108,572	4,372,013
Operations and maintenance	2,016,388	2,026,441
Student financial aid	5,836,120	4,391,863
Public service	55,160	77,633
Depreciation	1,546,937	1,489,418
Auxiliary enterprise	2,372,357	2,395,514
TOTAL OPERATING EXPENSES BY FUNCTION	$ 30,641,755	$ 28,150,882

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 flow for the years ended June 30, 2011 and 2010.

	2011	2010
Cash Provided (Used) By:		
Operating activities	$ (9,744,384)	$ (8,521,431)
Capital and related financing activities	(12,940,672)	(4,377,632)
Noncapital financing activities	12,178,598	12,173,147
Investing activities	13,617,285	1,522,890
Net Change in Cash and Cash Equivalents	3,110,827	796,974
Cash and Cash Equivalents, Beginning of year	5,758,307	4,961,333
Cash and Cash Equivalents, End of year	$ 8,869,134	$ 5,758,307

Economic Outlook

The college in FY11 neared completion of major renovation on the main campus. Renovation of George H. Buescher Hall (formerly the Administration Building) was in its final stages as the fiscal year closed. Substantial completion occurred in July, 2011, and the building was in operation by August, 2011. At the same time, the College opened the loop road and new parking lot, projects which were completed in the fall of 2010.

Although enrollment increased during the fall semester of 2010, this trend reversed in the spring semester of 2011 and the enrollment decline persisted in the fall of 2011. On the fall 2011 census date, the College had 4,127 students enrolled for 40,290 credit hours, compared to 4,471 students enrolled for 43,787 credit hours on the fall 2010 census date. Student head count decreased by 7.7% while credit hours declined by 8% over this period of time. At the same time, state aid to community colleges continued to decline. FY12 state aid to community colleges decreased by 7%. The third primary component of the college's general revenue is local tax revenue. The college's assessed valuation declined by .3% between 2010 and 2011, from $1,648,910,752 in 2010 to $1,643,790,405 in 2011.

Several measures have been taken to offset these downward trends. For the first time since 2005, the college raised tuition for FY12. Tuition increased by $5 per credit hour for in-district students, from $61 to $66; $7 per credit hour for out-of-district students, from $87 to $94; $10 per credit hour for out-of-state students, from $131 to $141; and $11 per credit hour for international students, from $141 to $152. However, East Central College continues to have the lowest tuition of any college or university in Missouri, despite the tuition increase. Secondly, state law allows the college to increase its operating levy to offset the decline in assessed valuation, in order to receive substantially the same revenue as the prior year. The district's operating levy in 2011 is 35.44 cents per $100 of assessed valuation, compared to 34.88 cents in 2010. Finally, the college reduced current expenses by approximately 20% in the FY12 operating budget, reduced personnel costs through attrition, and reduced other expenditures in order to balance with projected revenue.

Development of the FY13 budget will require careful analysis of declining 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 Dr. Jon Bauer, 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 ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	$ 8,869,134	$ 5,758,307
Investments	2,606,000	15,912,000
Receivables:		
Students, net	2,677,477	2,775,147
Federal and state agencies	784,076	336,543
Other	315,430	462,407
Inventory	302,240	277,402
Prepaid expenses	467,401	514,936
TOTAL CURRENT ASSETS	16,021,758	26,036,742
Noncurrent Assets		
Other assets	1,346,360	1,747,784
Property and equipment, net	42,903,842	33,003,567
TOTAL NONCURRENT ASSETS	44,250,202	34,751,351
TOTAL ASSETS	$ 60,271,960	$ 60,788,093
LIABILITIES		
Current Liabilities		
Accounts payable	$ 2,151,301	$ 1,191,013
Due to agency groups	157,877	156,177
Accrued wages and benefits	746,528	699,760
Accrued interest	232,675	232,899
Deferred revenue	3,158,257	3,134,713
Compensated absences	520,345	561,075
Current portion of early retirement liability	-	98,194
Current maturing of bonds payable	750,000	700,000
Current maturity of performance lease	149,366	142,664
TOTAL CURRENT LIABILITIES	7,866,349	6,916,495
Noncurrent Liabilities		
Bonds payable	18,739,996	19,489,996
Performance lease	419,155	568,521
Post-employment benefit liability	241,000	226,000
TOTAL NONCURRENT LIABILITIES	19,400,151	20,284,517
TOTAL LIABILITIES	27,266,500	27,201,012
NET ASSETS		
Invested in property and equipment, net of related debt	23,413,846	12,813,571
Restricted	1,048,989	845,776
Unrestricted	8,542,625	19,927,734
TOTAL NET ASSETS	33,005,460	33,587,081
TOTAL LIABILITIES AND NET ASSETS	$ 60,271,960	$ 60,788,093

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
EAST CENTRAL COLLEGE FOUNDATION, INC. – COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Current Assets		
Cash	$ 39,598	$ 71,803
Investments	1,129,174	877,999
Promises to give	200	500
Accounts receivable	11,015	8,384
Accrued interest receivable	25,896	21,478
Prepaid expenses	577	793
TOTAL CURRENT ASSETS	1,206,460	980,957
Assets Restricted for Permanent Investment		
Cash	33,006	3,006
Investments	2,407,478	2,393,849
Promises to give, net	71,719	90,128
Land	89,000	89,000
TOTAL ASSETS RESTRICTED FOR PERMANENT INVESTMENT	2,601,203	2,575,983
TOTAL ASSETS	$ 3,807,663	$ 3,556,940
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ -	$ 2,618
Scholarships and agency funds payable	105,332	96,169
TOTAL CURRENT LIABILITIES	105,332	98,787
NET ASSETS		
Unrestricted	578,641	331,422
Temporarily restricted	522,487	550,748
Permanently restricted	2,601,203	2,575,983
TOTAL NET ASSETS	3,702,331	3,458,153
TOTAL LIABILITIES AND NET ASSETS	$ 3,807,663	$ 3,556,940

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowance of $3,251,040 in 2011 and $3,275,370 in 2010)	$ 4,209,524	$ 3,910,253
Federal aid	9,996,275	9,281,842
State aid	877,441	785,581
Local grants and contracts	145,798	-
Other auxiliary services	3,393,209	3,636,348
TOTAL OPERATING REVENUES	18,622,247	17,614,024
OPERATING EXPENSES		
Salaries	12,219,996	11,500,577
Employee benefits	3,424,827	3,281,261
Scholarships	5,852,406	4,434,049
Utilities	737,452	713,255
Supplies	6,860,137	6,732,322
Depreciation	1,546,937	1,489,418
TOTAL OPERATING EXPENSES	30,641,755	28,150,882
OPERATING (LOSS)	(12,019,508)	(10,536,858)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	4,976,616	5,012,967
Tax revenue	7,201,982	7,160,180
Interest income	311,285	522,890
(Loss) on disposal of asset	-	(18,563)
Interest expense on capital asset - related debt	(1,051,996)	(1,029,419)
TOTAL NONOPERATING REVENUES (EXPENSES)	11,437,887	11,648,055
INCREASE (DECREASE) IN NET ASSETS	(581,621)	1,111,197
NET ASSETS, Beginning of year	33,587,081	32,475,884
NET ASSETS, End of year	$ 33,005,460	$ 33,587,081

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, 2010 AND 2009

	2010	2009
UNRESTRICTED		
Revenues		
Contributions	$ 12,157	$ 13,592
Interest and dividends	10,576	13,108
Net realized and unrealized gains	238,150	368,524
Special events	88,447	56,528
Net assets released from restrictions	290,987	343,007
TOTAL REVENUES	640,317	794,759
Expenses		
Program	240,230	260,072
Management and general	43,063	45,801
Fundraising	109,805	104,128
TOTAL EXPENSES	393,098	410,001
CHANGE IN UNRESTRICTED NET ASSETS	247,219	384,758
NET ASSETS, Beginning of year	331,422	(136,754)
RECLASSIFICATION OF NET ASSETS	-	83,418
NET ASSETS, End of year	$ 578,641	$ 331,422
TEMPORARILY RESTRICTED		
Contributions	$ 179,733	$ 193,437
Interest and dividends	82,993	85,991
Net assets released from restrictions	(290,987)	(343,007)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(28,261)	(63,579)
NET ASSETS, Beginning of year	550,748	622,935
RECLASSIFICATION OF NET ASSETS	-	(8,608)
NET ASSETS, End of year	$ 522,487	$ 550,748
PERMANENTLY RESTRICTED		
Contributions	$ 11,330	$ 38,514
Interest and dividends	13,890	2,593
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	25,220	41,107
NET ASSETS, Beginning of year	2,575,983	2,609,686
RECLASSIFICATION OF NET ASSETS	-	(74,810)
NET ASSETS, End of year	$ 2,601,203	$ 2,575,983

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 4,330,738	$ 3,823,488
Aid, grants, and contracts	10,571,981	10,146,777
Payments to suppliers	(6,612,904)	(7,042,023)
Payments to employees	(15,721,979)	(14,612,005)
Financial aid issued to students	(5,852,406)	(4,434,049)
Other receipts, net	3,540,186	3,596,381
NET CASH (USED) BY OPERATING ACTIVITIES	(9,744,384)	(8,521,431)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(11,447,212)	(2,924,171)
Principal paid on capital debt and leases	(441,240)	(424,042)
Interest paid on capital debt and leases	(1,052,220)	(1,029,419)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(12,940,672)	(4,377,632)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local taxes	7,201,982	7,160,180
State aid	4,976,616	5,012,967
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	12,178,598	12,173,147
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	13,412,000	16,912,000
Purchase of investments	(106,000)	(15,912,000)
Interest on investments	311,285	522,890
NET CASH PROVIDED BY INVESTING ACTIVITIES	13,617,285	1,522,890
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,110,827	796,974
CASH AND CASH EQUIVALENTS, Beginning of year	5,758,307	4,961,333
CASH AND CASH EQUIVALENTS, End of year	$ 8,869,134	$ 5,758,307
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES		
Operating (loss)	$ (12,019,508)	$ (10,536,858)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:		
Depreciation	1,546,937	1,489,418
Changes in assets and liabilities:		
Accounts receivables, net	(202,886)	(483,608)
Inventory	(24,838)	(57,184)
Prepaid expenses	47,535	(32,529)
Accrued wages and benefits	46,768	91,741
Accounts payable and due to agency groups	961,988	493,267
Deferred revenue	23,544	436,230
Combensated absences	(40,730)	63,126
Early retirement liability	(98,194)	(98,034)
Post-employment benefit liability	15,000	113,000
NET CASH (USED) BY OPERATING ACTIVITIES	$ (9,744,384)	$ (8,521,431)

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, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 244,178	$ 362,286
Adjustments required to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Contributions restricted for endowment	(11,330)	(38,514)
Net realized and unrealized (gains) on investments	(238,150)	(368,524)
Change in operating assets and liabilities:		
(Increase) in accounts receivable	(2,631)	(4,084)
(Increase) in accrued interest receivable	(4,418)	(4,428)
Decrease in prepaid expenses	216	185
Increase in accounts payable and scholarships payable	6,545	48,625
NET CASH (USED) BY OPERATING ACTIVITIES	(5,590)	(4,454)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(86,979)	(517,088)
Reinvested dividends	(42,244)	(40,537)
Proceeds from sale of investments	102,569	265,820
NET CASH (USED) BY INVESTING ACTIVITIES	(26,654)	(291,805)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	30,039	101,929
NET CASH PROVIDED BY FINANCING ACTIVITIES	30,039	101,929
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,205)	(194,330)
CASH AND CASH EQUIVALENTS, Beginning of year	74,809	269,139
CASH AND CASH EQUIVALENTS, End of year	$ 72,604	$ 74,809

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The College applies all applicable GASB pronouncements and Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989, except those that conflict with a GASB pronouncement. 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 Units

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 (formerly FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*). 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.

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, 2011 and 2010, the Foundation distributed $147,903 and $174,422 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 assets categories:

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

Restricted **–** Net assets 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 assets reflect unspent tax levy proceeds restricted for debt service and unspent contributions with purpose restrictions.

Unrestricted **–** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets 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 assets 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.

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.

Deferred Revenue

These balances consist of one half of summer and all of fall session student fees.

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 48 former employees receiving retiree or COBRA benefits as of June 30, 2011, and 46 as of June 30, 2010.

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.

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2011 and 2010, the College's investments consisted entirely of certificates of deposit due in less than one year.

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, 2011 and 2010, the College's deposits bank balance was insured or collateralized as follows:

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

	2011	2010
FDIC Insurance	$ 258,096	$ 259,591
Collateralized	11,925,471	21,712,410
TOTAL	$ 12,183,567	$ 21,972,001

At June 30, 2011 and 2010, 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 investments are in the following issuer as of June 30, 2011:

- United Bank of Union - $12,175,471

NOTE C – CAPITAL ASSETS

Activity for capital assets is summarized below:

	Balance June 30, 2010	Additions and Completions	Dispositions	Balance June 30, 2011
Land	$ 382,697	$ -	$ -	$ 382,697
Buildings	35,469,115	141,650	-	35,610,765
Campus improvements	560,209	-	-	560,209
Furniture and equipment	6,312,346	530,880	(50,499)	6,792,727
Infrastructure	1,847,121	473,931	-	2,321,052
Construction in progress	1,836,856	10,374,816	(74,065)	12,137,607
	46,408,344	11,521,277	(124,564)	57,805,057
Accumulated depreciation	(13,404,777)	(1,546,937)	50,499	(14,901,215)
TOTAL	$ 33,003,567	$ 9,974,340	$ (74,065)	$ 42,903,842

NOTE C – CAPITAL ASSETS (continued)

	Balance June 30, 2009	Additions and Completions	Dispositions	Balance June 30, 2010
Land	$ 382,697	$ -	$ -	$ 382,697
Buildings	35,070,860	415,134	(16,879)	35,469,115
Campus improvements	560,209	-	-	560,209
Furniture and equipment	5,738,699	606,039	(32,392)	6,312,346
Infrastructure	1,698,169	148,952	-	1,847,121
Construction in progress	82,809	1,836,856	(82,809)	1,836,856
	43,533,443	3,006,981	(132,080)	46,408,344
Accumulated depreciation	(11,946,067)	(1,489,418)	30,708	(13,404,777)
TOTAL	$ 31,587,376	$ 1,517,563	$ (101,372)	$ 33,003,567

NOTE D – LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2011 and 2010, is as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
Bonds payable	$ 20,189,996	$ -	$ (700,000)	$ 19,489,996	$ 750,000
Performance lease	711,185	-	(142,664)	568,521	149,366
Early retirement liability	98,194	-	(98,194)	-	-
Post-employment benefit liability	226,000	15,000	-	241,000	-
	$ 21,225,375	$ 15,000	$ (940,858)	$ 20,299,517	$ 899,366

NOTE D – LONG-TERM LIABILITIES (continued)

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Bonds payable	$ 20,849,996	$ -	$ (660,000)	$ 20,189,996	$ 700,000
Performance lease	847,446	-	(136,261)	711,185	142,664
Early retirement liability	196,228	-	(98,034)	98,194	98,194
Post-employment benefit liability	113,000	113,000	-	226,000	-
	$ 22,006,670	$ 113,000	$ (894,295)	$ 21,225,375	$ 940,858

Bonds payable at June 30, 2011 and 2010, consists of:

	2011	2010
$6,964,004 serial bonds due in annual principal installments of $190,000 to $830,000 through February 15, 2015; interest at varying rates from 3.80% to 8.50%.	$ 3,069,996	$ 3,749,996
$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%.	10,225,000	10,245,000
TOTAL BONDS PAYABLE	19,489,996	20,189,996
DISCOUNT ON FACE VALUE	1,346,360	1,747,784
TOTAL BONDS PAYABLE, NET OF DISCOUNT	$ 18,143,636	$ 18,442,212

NOTE D – LONG-TERM LIABILITIES (continued)

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. The discount on capital appreciation bonds is recorded under other assets on the statement of net assets. As of June 30, 2011, the discount balance is $872,213 for the 2006 series and $474,147 for the 2008 series, for a total of $1,346,360.

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

Year Ending June 30,	Principal	Interest	Total
2012	$ 750,000	$ 620,466	$ 1,370,466
2013	830,000	588,736	1,418,736
2014	915,000	553,249	1,468,249
2015	1,005,000	513,759	1,518,759
2016	759,246	731,742	1,490,988
2017-2021	5,039,390	3,280,231	8,319,621
2022-2026	8,845,000	1,117,000	9,962,000
	$ 18,143,636	$ 7,405,183	$ 25,548,819

During 2005 and in prior years, the College defeased various bond 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 the 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. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the College’s net assets. As of June 30, 2011, and 2010, the amount of defeased debt outstanding but removed from the statement of net assets amounted to $350,000.

In 2005, the Board of Trustees authorized the defeasance of a portion of Series 1998 Bonds. On June 13, 2005, the College paid to UMB Bank $799,564, which UMB Bank deposited into an irrevocable trust with an escrow agent, to defease a portion of the outstanding 1998 bonds maturing on or after February 2015. This transaction reduced total debt service payments by approximately $322,862. At June 30, 2011, $3,069,996 of the bonds are outstanding. No economic gain was realized as a result of the defeasance.

NOTE D – LONG-TERM LIABILITIES (continued)

Voluntary Retirement Plan – In fiscal year 2005, the College offered a voluntary retirement incentive program. Full-time employees with 15 consecutive years of employment were eligible. The incentive included 50% of the final base pay, payable over three years beginning in September 2006 and paid health insurance until June 30, 2006. In addition, in fiscal year 2008, the College offered a new incentive for those full-time employees who have at least 10 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). The incentive included 50% of the final base salary, payable over three years beginning in September 2009 and paid health, dental, and vision insurance until June 30, 2009. As of June 30, 2011 and 2010, the College's liability to participants electing these programs was $0 and $98,194, 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 of more at June 30, 2011, are as follows:

Fiscal Year		
2012	$	172,395
2013		172,395
2014		172,395
2015		100,565
TOTAL FUTURE MINIMUM PAYMENTS		617,750
LESS AMOUNT REPRESENTING INTEREST		(49,229)
PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	$	568,521

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

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

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% 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, 2011, 2010, and 2009, were $2,282,386, $2,082,535, and $1,855,516, 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 6.63% 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, 2011, 2010, and 2009, were $479,574, $430,833, and $373,143, respectively, equal to the required contributions.

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, 2010 and 2009, upon which the levies for fiscal years 2011 and 2010 were based, were $1,648,611,793 and $1,618,635,927, respectively. The tax levy per $100 of assessed valuation was as follows:

	2011	2010
General operations	$ .3488	$ .3488
Debt service	.0841	.0841
TOTAL LEVY	$ .4329	$ .4329

NOTE G – OPERATING LEASES

The College was committed under the following operating leases, all which expire in one year, as of June 30, 2011:

	2011	2010
Southwest Area Center	$ 20,028	$ 17,259
R-Tech (Washington)	75,000	75,000
R-Tech (Rolla)	141,397	126,850
Storage Facility	-	7,700
Nursing School Facility (Rolla)	37,120	36,000
TOTAL REMAINING LEASE OBLIGATIONS	$ 273,545	$ 262,809

Lease expenditures for the fiscal year ended 2011 and 2010 were $265,062 and $258,354, respectively.

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 2011 and 2010 calendar year were $185,511 and $200,986, respectively. Management is aware of no events or circumstances which would generate a significant increase in future insurance premiums.

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, 2011, 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

Commitment

At June 30, 2011, the College was committed to a construction contract with KRS Associates for the Administration Building renovation for a total of $557,911. The College was also committed to contracts with Modern Business Interiors and Peterson Group for Administration Building furnishings for a total of $438,879.

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 rare 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.

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, 2011:

ARC	$	86,000
Interest on net OPEB obligation		10,000
Adjustment to ARC		(9,000)
Annual OPEB cost (expense)	$	87,000

The change in net OPEB obligation was as follows:

Balance June 30, 2010 Net OPEB Obligation	Annual OPEB Cost	Employer Contributions	Balance June 30, 2011 Net OPEB Obligation
$ 226,000	$ 87,000	$ 72,000	$ 241,000

Funding Status and Funding Progress – As a pay-as-you-go plan, the plan was 0% funded at June 30, 2011.

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 2011 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 11% in 2011, reduced by decrements of 0.5% each year until an ultimate health care cost trend rate of 5% is reached in 2019. 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 – SUBSEQUENT EVENTS

In October 2011, the College was awarded an $865,869 grant from the U.S. Department of Labor, as one of a 13-college consortium to receive federal dollars to expand health care-related programs and provide training for health care workers. The consortium, the Missouri Healthcare Workforce Innovation Networks, made up of Missouri's 12 community colleges and a state technical college was awarded a three year, $20 million grant from the U.S. Departments of Education and Labor. The College is looking at using the funding to develop an entry-level health information technology pathway including non-credit and credit certificates allowing students to work in medical areas.

NOTE M – COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the audited financial statements of the Foundation for the years ended December 31, 2010 and 2009.

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 (formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations).* Under SFAS No. 117, 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.

NOTE M – COMPONENT UNIT DISCLOSURES (continued)

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

Promises to Give **–** 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 (formerly SFAS No. 124, Accounting for Certain Investments Held by Not-For-Profit Organizations). 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 changes in net assets.

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.

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.

NOTE M – COMPONENT UNIT DISCLOSURES (continued)

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 East Central College Foundation, Inc. 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 East Central College Foundation, Inc.'s program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of East Central College Foundation, Inc.

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 August 5, 2011, the date the financial statements were available to be issued.

Recent Accounting Pronouncements **–** In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles: a replacement of FASB Statement No. 162*. On July 1, 2009, *The Hierarchy of Generally Accepted Accounting Principles* was rendered irrelevant, and the FASB ASC became the source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. On the effective date of this statement, the ASC supersedes all then-existing non-SEC accounting and reporting standards, effective for financial statements issued for interim and annual periods ending after September 15, 2009.

NOTE M – COMPONENT UNIT DISCLOSURES (continued)

The Foundation adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* [FIN 48] on January 1, 2009. Under FIN 48, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FIN 48 had no impact on the Foundation's financial statements. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of January 1, 2009, as a result of the adoption of FIN 48. For the year ended December 31, 2010, there were no interest or penalties recorded or included in the Foundation's financial statements.

In accordance with FASB ASC 958-205 and subsections (formerly FASB Staff Position No. 117-1 [FAS 117-1], *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*), the Foundation has determined it is subject to the Uniform Prudent Management of Institutional Funds Act of 2006. The State of Missouri adopted UPMIFA effective August 28, 2009, and as a result, the Foundation has adopted the provisions of FASB ASC 958-205 and subsections (formerly FAS 117-1) for the year ended December 31, 2010.

FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FAS 117-1 also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

For those net assets meeting the definition of endowment, FAS 117-1 requires the Foundation to classify a portion of the donor-restricted endowment fund as permanently restricted net assets, unless stated otherwise in the gift instrument by the donor. Permanently restricted net assets represent the fair value of the original gift as of the gift date. Temporarily restricted net assets consist of the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. The temporarily restricted net assets will remain classified as temporarily restricted until the Board of Directors appropriates these funds for expenditure by the Foundation.

2. *ORGANIZATION*

East Central College Foundation, Inc. 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.

NOTE M – COMPONENT UNIT DISCLOSURES (continued)

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

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.

NOTE M – COMPONENT UNIT DISCLOSURES (continued)

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, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 125,254	$ 2,601,203	$ 2,726,457
Board-designated endowment funds	156,043	-	-	156,043
TOTAL FUNDS	$ 156,043	$ 125,254	$ 2,601,203	$ 2,882,500

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 187,668	$ 181,274	$ 2,575,983	$ 2,944,925
Investment return:				
Investment income	2,273	82,625	13,890	98,788
Net (loss) (realized and unrealized)	(68)	-	-	(68)
Total investment return	2,205	82,625	13,890	98,720
Contributions	4,238	6,500	11,330	22,068
Appropriation of endowment assets for expenditures	(38,068)	(145,145)	-	(183,213)
Endowment net assets, end of year	$ 156,043	$ 125,254	$ 2,601,203	$ 2,882,500

NOTE M – COMPONENT UNIT DISCLOSURES (continued)

4. *PROMISES TO GIVE*

Unconditional promises to give consist of the following:

	2010	2009
Unrestricted promises to give	$ 200	$ 500
Permanently restricted promises to give	75,250	94,320
Less: Allowance for uncollectible amounts	(2,354)	(2,795)
Discount for promises to give	(1,177)	(1,397)
Promises to give, net	$ 71,919	$ 90,628

The promises are collectible in future years as shown below:

	2010	2009
Less than one year	$ 35,736	$ 35,797
One to five years	36,183	54,831
	$ 71,919	$ 90,628

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 4% to the present value of the future cash flows.

5. *INVESTMENTS*

Investments at December 31, 2010 and 2009, consist of the following:

	Quoted Prices in Active Markets For Identical Assets	
	2010	2009
Equity securities and mutual funds	$ 2,127,504	$ 1,850,503
Government and corporate obligations	127,815	121,844
Certificates of deposit	1,269,452	1,294,823
Cash surrender value of life insurance policy	11,881	4,678
	$ 3,536,652	$ 3,271,848

NOTE M – COMPONENT UNIT DISCLOSURES (continued)

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

	2010	2009
Unrestricted and temporarily restricted investments	$ 1,129,174	$ 877,999
Investments restricted for permanent investment	2,407,478	2,393,849
	$ 3,536,652	$ 3,271,848

Investments are carried at fair value in accordance with generally accepted accounting principles in the United States of America. Net realized and unrealized gains totaling $238,150 and $368,524 were recorded in 2010 and 2009, respectively.

6. *INVESTMENT RETURN*

Investment return during 2010 and 2009 consisted of the following:

	2010	2009
Interest and dividends	$ 107,459	$ 101,692
Realized and unrealized gains (losses) on investments, net	238,150	368,524
	$ 345,609	$ 470,216

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

	2010	2009
Unrestricted	$ 248,726	$ 381,632
Temporarily restricted	82,993	85,991
Permanently restricted	13,890	2,593
	$ 345,609	$ 470,216

7. *SCHOLARSHIPS AND AGENCY FUNDS*

Scholarships payable consist of amounts awarded to students for the Spring 2011 and Spring 2010 semesters but not paid as of December 31, 2010 and 2009, 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.

NOTE M – COMPONENT UNIT DISCLOSURES (continued)

8. *NET ASSETS*

Temporarily restricted net assets of $522,487 and $550,748 at December 31, 2010 and 2009, respectively, are available for scholarships and other uses based on donor-imposed restrictions.

Net assets were released from donor restrictions during 2010 and 2009, by incurring expenses satisfying the restricted purposes or time restrictions specified by donors as follows:

	2010	2009
In-kind contributions	$ 146,349	$ 160,438
Scholarships	132,085	160,288
Miscellaneous activities	12,553	22,281
	$ 290,987	$ 343,007

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 $146,349 and $160,438 for the years ended December 31, 2010 and 2009, respectively.

STATISTICAL INFORMATION (UNAUDITED)

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

Year Ending	Summer		Fall		Spring	
June 30,	Enrollment	Hours	Enrollment	Hours	Enrollment	Hours
1997	1,045	3,847	3,184	24,742	3,018	21,515
1998	937	3,720	3,288	24,931	3,124	20,681
1999	1,117	3,820	3,390	25,246	3,651	22,759
2000	1,165	4,472	3,396	27,744	3,216	23,538
2001	1,383	4,801	3,383	28,365	3,206	25,468
2002	1,135	4,455	3,631	29,333	3,432	26,284
2003	1,163	4,954	3,305	29,409	3,370	26,718
2004	1,190	5,003	3,618	30,073	3,569	28,477
2005	1,106	4,615	3,734	31,692	3,986	29,684
2006	1,082	5,003	3,474	32,046	3,125	28,004
2007	1,038	4,592	3,604	32,677	3,351	29,583
2008	1,145	5,247	3,591	33,328	3,571	30,712
2009	1,446	7,006	4,203	40,444	3,816	34,154
2010	1,574	7,853	4,471	43,787	4,346	41,433
2011	1,702	7,785	5,021	43,798	5,030	41,729

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF BOND AND INTEREST REQUIREMENTS
$6,964,004 BOND ISSUE – SERIES 1998

Year Ending June 30,	Rate	Principal	Interest	Total
2012	4.300%	$ 710,000	$ 135,353	$ 845,353
2013	4.375%	770,000	104,824	874,824
2014	4.450%	830,000	71,136	901,136
2015	4.500%	760,000	34,197	794,197
		$ 3,070,000	$ 345,510	$ 3,415,510

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

Year Ending June 30,	Rate	Principal	Interest	Total
2012	4.000%	$ -	$ 157,600	$ 157,600
2013	4.000%	-	157,600	157,600
2014	4.000%	-	157,600	157,600
2015	4.000%	-	157,600	157,600
2016	3.900%	161,524	226,076	387,600
2017	3.980%	191,038	251,562	442,600
2018	4.050%	220,627	281,972	502,599
2019	4.110%	247,046	315,554	562,600
2020	4.160%	270,588	352,012	622,600
2021	4.190%	291,963	390,637	682,600
2022	4.000%	595,000	157,600	752,600
2023	4.000%	685,000	133,800	818,800
2024	4.000%	780,000	106,400	886,400
2025	4.000%	885,000	75,200	960,200
2026	4.000%	995,000	39,800	1,034,800
		$ 5,322,786	$ 2,961,013	$ 8,283,799

The principal amounts are presented net of the discount on capital appreciation bonds.

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

Year Ending June 30,	Rate	Principal	Interest	Total
2012	3.000%	$ 40,000	$ 327,513	$ 367,513
2013	3.000%	60,000	326,312	386,312
2014	3.000%	85,000	324,513	409,513
2015	3.500%	245,000	321,962	566,962
2016	3.600%	597,722	505,666	1,103,388
2017	3.790%	567,362	536,026	1,103,388
2018	3.790%	730,768	372,619	1,103,387
2019	3.750%	810,000	290,700	1,100,700
2020	3.750%	840,000	260,324	1,100,324
2021	3.750%	870,000	228,825	1,098,825
2022	4.000%	905,000	196,200	1,101,200
2023	4.000%	940,000	160,000	1,100,000
2024	4.000%	980,000	122,400	1,102,400
2025	4.000%	1,020,000	83,200	1,103,200
2026	4.000%	1,060,000	42,400	1,102,400
		$ 9,750,852	$ 4,098,660	$ 13,849,512

The principal amounts are presented net of the discount on capital appreciation bonds.

OTHER INFORMATION

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MOOTS, P.C.
Certified Public
Accountants

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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 the business-type activities of Junior College District of East Central Missouri, as of and for the year ended June 30, 2011, which comprise Junior College District of East Central Missouri's financial statements and have issued our report thereon dated October 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Junior College District of East Central Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Junior College District of East Central Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *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 combination of deficiencies, in internal controls, 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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
October 27, 2011

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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Junior College District of East Central Missouri with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Junior College District of East Central Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Junior College District of East Central Missouri's management. Our responsibility is to express an opinion on Junior College District of East Central Missouri's compliance based on our audit.

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

In our opinion, Junior College District of East Central Missouri complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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

Internal Control Over Compliance

The management of Junior College District of East Central Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Junior College District of East Central Missouri'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 A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Our consideration of the 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 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.

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

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
October 27, 2011

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Pell Grants	84.063	N/A	$ 8,553,317
College Work-Study	84.033	N/A	111,290
Supplemental Educational Opportunity Grants	84.007	N/A	57,605
Federal Family Education Loans	84.032	N/A	151,087
Federal Direct Student Loans	84.268	N/A	6,286,499
Academic Competitiveness Grant (ACG)	84.375	N/A	155,587
TOTAL U.S. DEPARTMENT OF EDUCATION (DIRECT)			15,315,385
Passed Through Missouri Department of Elementary and Secondary Education			
Adult Education (AEL)	84.002	5436	78,533
Perkins Vocational	84.048	5427	165,091
Tech-Prep	84.243A	5431	265,611
Passed Through Missouri Department of Higher Education			
State Fiscal Stabilization Fund Cluster			
ARRA Education State Grants, Recovery Act	84.394	N/A	246,840
TOTAL U.S. DEPARTMENT OF EDUCATION (PASS-THROUGH)			756,075
TOTAL U.S. DEPARTMENT OF EDUCATION			16,071,460
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Franklin County, Missouri			
CDBG - State Administered Small Cities Program Cluster			
CDBG - Training for Tomorrow	14.228	N/A	362,400
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			362,400
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 16,433,860

N/A – Not Applicable

NOTE A - BASIS OF ACCOUNTING

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.

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Junior College District of East Central Missouri.

2. No significant deficiencies were disclosed during the audit of the financial statements as reported in the 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*.

3. No instances of noncompliance material to the financial statements of Junior College District of East Central Missouri, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies in internal control over the major federal award programs were disclosed as reported in the REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.

5. The auditor's report on compliance for the major federal award programs for Junior College District of East Central Missouri expresses an unqualified opinion.

6. There were no findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The programs tested as major programs were the Student Financial Assistance Cluster (84.063, 84.007, 84.033, 84.032, 84.268 and 84.375), and CDBG – Training for Tomorrow (14.228).

8. The threshold for distinguishing between Types A and B programs was $300,000.

9. Junior College District of East Central Missouri was not 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, 2011

There were no prior year audit findings.