

**JUNIOR COLLEGE DISTRICT OF  
EAST CENTRAL MISSOURI**

**UNION, MISSOURI**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2014 and 2013**

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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 business type activities, as of and for the years ended June 30, 2014 and 2013, and the discretely presented component unit as of and for the years ended December 31, 2013 and 2012, 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.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Junior College District of East Central Missouri as of June 30, 2014 and 2013, 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, 2013 and 2012, 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.

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

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.

### **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 December 1, 2014, 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.

KPM CPAs, PC

KPM CPAs, PC  
Springfield, Missouri  
December 1, 2014

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

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014

**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, 2014 and 2013. 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, 2014, 2013 and 2012, shows the unrestricted portion at \$6.4 million, \$6.4 million and \$6.3 million, respectively.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 11,960,223	\$ 11,583,973	\$ 11,036,483
Restricted assets	1,637,089	1,637,089	1,533,664
Capital assets	<u>40,389,764</u>	<u>41,559,933</u>	<u>43,059,597</u>
TOTAL ASSETS	<u>\$ 53,987,076</u>	<u>\$ 54,780,995</u>	<u>\$ 55,629,744</u>
Current liabilities	\$ 5,960,711	\$ 5,532,363	\$ 5,221,330
Long-term liabilities	<u>15,526,963</u>	<u>16,693,499</u>	<u>17,617,519</u>
TOTAL LIABILITIES	<u>\$ 21,487,674</u>	<u>\$ 22,225,862</u>	<u>\$ 22,838,849</u>
Net investment in capital assets	\$ 24,653,771	\$ 24,728,901	\$ 25,205,873
Restricted for debt service	1,456,914	1,450,085	1,334,609
Unrestricted	<u>6,388,717</u>	<u>6,376,147</u>	<u>6,250,413</u>
TOTAL NET POSITION	<u>\$ 32,499,402</u>	<u>\$ 32,555,133</u>	<u>\$ 32,790,895</u>

Significant capital expenditures in fiscal year 2014 included the following:

Rolla North Renovations	\$ 154,109
Art Department Renovations	426,298
Heat Exchanger	6,458
Flooring AC136	5,473
Automation Studio Education Package	16,066
Switches and Servers - IT	83,899
Servers and Equipment - IT Instruction	35,857
Sound Curtain and Panels	39,000
Musical Instrument	6,999
Dining Point of Sale System	9,811
Pallet Changer Package	49,105
Robots with Welding Function	75,800
Spectrophotometer	5,470
Horizontal Saw	8,385
Mower, BVAC	10,214
Campus Emergency Call System	<u>13,200</u>
TOTAL	<u>\$ 946,144</u>

Net capital assets decreased to \$40,389,764. Capital expenditures, detailed above, totaled \$946,144. Depreciation of \$1,897,057 was recorded.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014

**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, 2014, 2013 and 2012.

	2014	2013	2012
Operating revenue	\$ 22,205,476	\$ 23,873,085	\$ 23,901,867
Operating expenses	<u>34,342,561</u>	<u>36,272,592</u>	<u>36,213,157</u>
OPERATING (LOSS)	(12,137,085)	(12,399,507)	(12,311,290)
Non-operating revenues (expenses)	<u>12,081,354</u>	<u>12,163,745</u>	<u>12,096,725</u>
(Decrease) in net position	(55,731)	(235,762)	(214,565)
Net Position, Beginning of year	<u>32,555,133</u>	<u>32,790,895</u>	<u>33,005,460</u>
Net Position, End of year	<u><u>\$ 32,499,402</u></u>	<u><u>\$ 32,555,133</u></u>	<u><u>\$ 32,790,895</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 2014, 2013 and 2012, revenues, both operating and non-operating.

	2014	2013	2012
<b>OPERATING REVENUES</b>			
Student tuition and fees	\$ 4,465,538	\$ 4,709,197	\$ 4,257,793
Federal aid	14,260,041	15,192,458	15,730,889
State aid	396,485	356,406	612,274
Local grants and contracts	29,653	585,416	346,135
Other auxiliary services	<u>3,053,759</u>	<u>3,029,608</u>	<u>2,954,776</u>
<b>TOTAL OPERATING REVENUE</b>	<u><u>\$ 22,205,476</u></u>	<u><u>\$ 23,873,085</u></u>	<u><u>\$ 23,901,867</u></u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	\$ 4,877,643	\$ 4,884,286	\$ 4,905,190
Tax revenues	7,540,633	7,611,911	7,532,529
Contributions	62,301	59,709	143,939
Interest income	94,872	126,792	161,326
Land donation	(36,400)	-	-
Interest on debt	(493,525)	(518,953)	(601,884)
Gain on disposal of asset	35,830	-	(44,375)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>\$ 12,081,354</u>	<u>\$ 12,163,745</u>	<u>\$ 12,096,725</u>

Operating revenue for fiscal year 2014 decreased by \$1,667,609.

Following are the components of operating expenses for the College during fiscal years 2014, 2013 and 2012.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	\$ 15,552,577	\$ 15,738,487	\$ 15,502,850
Scholarships	9,817,959	11,716,883	12,171,133
Supplies, other services, and utilities	7,074,968	6,892,523	6,891,988
Depreciation	1,897,057	1,924,699	1,647,186
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 34,342,561</u>	<u>\$ 36,272,592</u>	<u>\$ 36,213,157</u>

Operating expenses decreased by \$1,930,031 in FY14. Scholarships account for the largest change in operating expenses. In fiscal year 2014, these expenditures decreased from \$11,716,883 to \$9,817,959. 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, 2014

In addition, the following chart presents the fiscal years 2014, 2013 and 2012, operating expenses of the College by function.

	2014	2013	2012
<b>OPERATING EXPENSES BY FUNCTION</b>			
Instruction	\$ 9,142,838	\$ 9,001,793	\$ 8,934,813
Academic support	2,293,189	2,604,644	2,631,627
Student services	1,461,216	1,412,850	1,359,815
Institutional support	4,676,421	4,751,406	4,725,080
Operations and maintenance	2,295,011	2,124,041	2,138,886
Student financial aid	9,752,696	11,660,339	12,126,538
Public service	29,653	44,843	52,509
Depreciation	1,897,057	1,924,699	1,647,186
Auxiliary enterprise	2,794,480	2,747,977	2,596,703
<b>TOTAL OPERATING EXPENSES BY FUNCTION</b>	<b>\$ 34,342,561</b>	<b>\$ 36,272,592</b>	<b>\$ 36,213,157</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, 2014, 2013 and 2012.

	2014	2013	2012
<b>Cash Provided (Used) By:</b>			
Operating activities	\$ (10,207,886)	\$ (10,001,006)	\$ (12,869,061)
Capital and related financing activities	(2,301,288)	(1,951,935)	(3,333,262)
Noncapital financing activities	12,480,577	12,555,906	12,581,658
Investing activities	76,994	107,484	658,335
<b>Net Change in Cash and Cash Equivalents</b>	<b>48,397</b>	<b>710,449</b>	<b>(2,962,330)</b>
Cash and Cash Equivalents, Beginning of year	6,617,253	5,906,804	8,869,134
<b>Cash and Cash Equivalents, End of year</b>	<b>\$ 6,665,650</b>	<b>\$ 6,617,253</b>	<b>\$ 5,906,804</b>

**Debt Administration**

Total debt of the College as of June 30, 2014, was \$16,229,225, which is down \$1,185,463 from the prior year. See Note D, long-term liabilities, to the financial statements for details of this decrease.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014

**Economic Outlook**

Mixed signals comprise the economic outlook for East Central College heading into 2015. Enrollment is showing declines and is not expected to see any sharp enrollment increases in the near future. State aid has not been as sharply reduced as previous years, but has not grown. However, we are optimistic the governor and legislature understand the importance of higher education funding and its effect on the state economy. Assessed valuation is up slightly for 2014, growth has not returned to rates as seen in previous years. Indicators may see the college coming out of the "bottoming out" of the past 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. On the Fall 2014 census date, the College had 3,606 students enrolled for 35,125 credit hours, compared to 3,900 students enrolled for 37,662 credit hours for the Fall 2013 census date. Student head count decreased by 7.5% (compared to a 3.5% decline the previous Fall) while credit hours declined by 6.7% over this period of time (compared to a 4.3% drop the previous Fall). Still, enrollment remains slightly above the 2008 benchmark. At the same time, state aid to community colleges has begun to steady. 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 3% withholding, and the possibility of additional mid-year reductions still exist based on state revenue collection. There is cautious confidence that the upcoming state budget will not include further reductions to higher education with an optimistic potential for a slight increase. The third primary component of the college's general revenue is local tax revenue. The college's assessed valuation rose 2.98% between 2013 and 2014, \$1,606,469,050 in 2013 to \$1,655,732,041 in 2014. This follows a year in which the assessed valuation fell by 4.07%.

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 FY15. Tuition increased by \$1 per credit hour for in-district students, from \$75 to \$76; \$5 per credit hour for out-of-district students, from \$106 to \$111; \$8 per credit hour for out-of-state students, from \$160 to \$168; and \$9 per credit hour for international students, from \$172 to \$181. In addition to the tuition increase, a facilities fee was added to support the costs of facilities. The fee is to be spent where the student takes the class. 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. For FY14 the Board authorized a 2% salary increase and increased the entry level wage to \$9.00/hr. FY15 saw an across-the-board salary increase of a \$1,000 per person providing a greater percentage increase for lower wage earners.

Development of the FY16 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, enrollment trends, and continued expansion of operational efficiencies.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014

**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 E. 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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 5,678,561	\$ 5,630,164
Investments	1,445,000	1,449,000
Receivables:		
Students, net	3,310,457	3,108,497
Federal and state agencies	661,875	277,678
Other	123,928	278,680
Inventory	258,810	374,889
Prepaid expenses	481,592	465,065
	<u>11,960,223</u>	<u>11,583,973</u>
Restricted Assets		
Cash and cash equivalents	987,089	987,089
Investments	650,000	650,000
	<u>1,637,089</u>	<u>1,637,089</u>
Noncurrent Assets		
Property and equipment, net	40,389,764	41,559,933
	<u>40,389,764</u>	<u>41,559,933</u>
	<u>53,987,076</u>	<u>54,780,995</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 615,203	\$ 219,867
Due to agency groups	104,294	132,250
Accrued wages and benefits	356,639	371,422
Accrued interest	185,348	192,492
Unearned revenue	3,480,956	3,403,273
Current maturing of bonds payable	980,000	910,000
Current maturity of performance lease	99,039	163,731
Current portion of early retirement liability	139,232	139,328
	<u>5,960,711</u>	<u>5,532,363</u>
Long-Term Liabilities		
Bonds payable, net	14,656,954	15,658,262
Performance lease	-	99,039
Early retirement liability	-	139,328
Post-employment benefit liability	354,000	305,000
Compensated absences	516,009	491,870
	<u>15,526,963</u>	<u>16,693,499</u>
	<u>21,487,674</u>	<u>22,225,862</u>
<b>NET POSITION</b>		
Net investment in capital assets	24,653,771	24,728,901
Restricted for debt service	1,456,914	1,450,085
Unrestricted	6,388,717	6,376,147
	<u>32,499,402</u>	<u>32,555,133</u>
	<u>\$ 53,987,076</u>	<u>\$ 54,780,995</u>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
EAST CENTRAL COLLEGE FOUNDATION, INC. – COMPONENT UNIT  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 96,750	\$ 127,280
Investments	1,930,827	1,283,380
Pledges receivable	-	6,412
Accounts receivable	1,750	500
Accrued interest receivable	4,067	4,909
Prepaid expenses	747	746
	<u>2,034,141</u>	<u>1,423,227</u>
Assets Restricted for Permanent Investment		
Cash	2,290	2,290
Investments	2,772,253	2,676,933
Pledges receivable, net	10,924	12,099
Land	89,000	89,000
	<u>2,874,467</u>	<u>2,780,322</u>
	<u>4,908,608</u>	<u>4,203,549</u>
	<u>\$ 4,908,608</u>	<u>\$ 4,203,549</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 12,635	\$ 8,075
Scholarships and agency funds payable	72,385	83,592
	<u>85,020</u>	<u>91,667</u>
<b>NET ASSETS</b>		
Unrestricted	1,263,397	728,128
Temporarily restricted	685,723	603,432
Permanently restricted	2,874,468	2,780,322
	<u>4,823,588</u>	<u>4,111,882</u>
	<u>\$ 4,908,608</u>	<u>\$ 4,203,549</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowance of \$3,493,330 in 2014 and \$3,209,414 in 2013)	\$ 4,465,538	\$ 4,709,197
Federal aid	14,260,041	15,192,458
State aid	396,485	356,406
Local grants and contracts	29,653	585,416
Other auxiliary services	<u>3,053,759</u>	<u>3,029,608</u>
<b>TOTAL OPERATING REVENUES</b>	<b>22,205,476</b>	<b>23,873,085</b>
<b>OPERATING EXPENSES</b>		
Salaries	11,863,960	12,132,492
Employee benefits	3,688,617	3,605,995
Scholarships	9,817,959	11,716,883
Utilities	828,224	732,457
Supplies	6,246,744	6,160,066
Depreciation	<u>1,897,057</u>	<u>1,924,699</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>34,342,561</u></b>	<b><u>36,272,592</u></b>
<b>OPERATING (LOSS)</b>	<b>(12,137,085)</b>	<b>(12,399,507)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	4,877,643	4,884,286
Tax revenue	7,540,633	7,611,911
Contributions	62,301	59,709
Interest income	94,872	126,792
Land donation	(36,400)	-
Gain on disposal of assets	35,830	-
Interest expense on capital asset - related debt	<u>(493,525)</u>	<u>(518,953)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b><u>12,081,354</u></b>	<b><u>12,163,745</u></b>
<b>(DECREASE) IN NET POSITION</b>	<b>(55,731)</b>	<b>(235,762)</b>
NET POSITION, Beginning of year	<u>32,555,133</u>	<u>32,790,895</u>
NET POSITION, End of year	<b><u>\$ 32,499,402</u></b>	<b><u>\$ 32,555,133</u></b>

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>UNRESTRICTED</b>		
Revenues		
Contributions	\$ 51,749	\$ 20,230
Interest and dividends	5,125	14,184
Net realized and unrealized gains (losses)	534,167	274,229
Special events	65,026	105,854
Net assets released from restrictions	<u>248,765</u>	<u>319,303</u>
TOTAL REVENUES	904,832	733,800
Expenses		
Program	257,222	294,164
Management and general	19,564	39,690
Fundraising	<u>105,457</u>	<u>99,634</u>
TOTAL EXPENSES	<u>382,243</u>	<u>433,488</u>
CHANGE IN UNRESTRICTED NET ASSETS	522,589	300,312
NET ASSETS, Beginning of year	728,128	542,574
RECLASSIFICATION OF NET ASSETS	<u>12,680</u>	<u>(114,758)</u>
NET ASSETS, End of year	<u>\$ 1,263,397</u>	<u>\$ 728,128</u>
<b>TEMPORARILY RESTRICTED</b>		
Contributions	\$ 171,617	\$ 208,816
Interest and dividends	99,956	82,290
Net realized and unrealized gains (losses)	76,613	-
Net assets released from restrictions	<u>(248,765)</u>	<u>(319,303)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	99,421	(28,197)
NET ASSETS, Beginning of year	603,432	524,597
RECLASSIFICATION OF NET ASSETS	<u>(17,130)</u>	<u>107,032</u>
NET ASSETS, End of year	<u>\$ 685,723</u>	<u>\$ 603,432</u>
<b>PERMANENTLY RESTRICTED</b>		
Contributions	\$ 86,281	\$ 115,899
Interest and dividends	<u>3,415</u>	<u>2,830</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	89,696	118,729
NET ASSETS, Beginning of year	2,780,322	2,653,867
RECLASSIFICATION OF NET ASSETS	<u>4,450</u>	<u>7,726</u>
NET ASSETS, End of year	<u>\$ 2,874,468</u>	<u>\$ 2,780,322</u>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 4,341,261	\$ 4,694,146
Aid, grants, and contracts	14,301,982	16,134,833
Payments to suppliers	(6,608,036)	(6,922,984)
Payments to employees	(15,633,645)	(15,366,711)
Financial aid issued to students	(9,817,959)	(11,716,883)
Other receipts, net	<u>3,208,511</u>	<u>3,176,593</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(10,207,886)	(10,001,006)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(726,888)	(425,035)
Principal paid on capital debt and leases	(1,073,731)	(1,001,384)
Interest paid on capital debt and leases	<u>(500,669)</u>	<u>(525,516)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,301,288)	(1,951,935)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local taxes	7,540,633	7,611,911
State aid	4,877,643	4,884,286
Contributions	<u>62,301</u>	<u>59,709</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	12,480,577	12,555,906
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	2,019,024	2,101,000
Purchase of investments	(2,015,594)	(2,099,000)
Interest on investments	<u>73,564</u>	<u>105,484</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>76,994</u>	<u>107,484</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,397	710,449
CASH AND CASH EQUIVALENTS, Beginning of year	<u>6,617,253</u>	<u>5,906,804</u>
CASH AND CASH EQUIVALENTS, End of year	6,665,650	6,617,253
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>987,089</u>	<u>987,089</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 5,678,561</u>	<u>\$ 5,630,164</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES</b>		
Operating (loss)	\$ (12,137,085)	\$ (12,399,507)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	1,897,057	1,924,699
Changes in assets and liabilities:		
Accounts receivables, net	(431,405)	105,057
Inventory	116,079	(56,314)
Prepaid expenses	(16,527)	8,791
Accrued wages and benefits	(14,783)	54,984
Accounts payable and due to agency groups	367,380	17,062
Deferred revenue	77,683	27,430
Compensated absences	24,139	(10,864)
Early retirement liability	(139,424)	278,656
Post-employment benefit liability	<u>49,000</u>	<u>49,000</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (10,207,886)</u>	<u>\$ (10,001,006)</u>

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 711,706	\$ 390,844
Adjustments required to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Contributions restricted for endowment	(86,281)	(115,899)
Net realized and unrealized losses (gains) on investments	(610,780)	(274,229)
Change in operating assets and liabilities:		
Accounts receivable	(1,250)	4,892
Accrued interest receivable	842	10,728
Prepaid expenses	(1)	603
Accounts payable and scholarships payable	(6,647)	12,943
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>7,589</u>	<u>29,882</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(400,198)	(202,317)
Reinvested dividends	(73,443)	(55,084)
Proceeds from sale of investments	<u>341,654</u>	<u>100,440</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(131,987)</u>	<u>(156,961)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	<u>93,868</u>	<u>164,067</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>93,868</u>	<u>164,067</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(30,530)</u>	<u>36,988</u>
CASH AND CASH EQUIVALENTS, Beginning of year	<u>129,570</u>	<u>92,582</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 99,040</u>	<u>\$ 129,570</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Non-cash Transactions		
Donation of services	<u>\$ 145,421</u>	<u>\$ 156,070</u>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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, 2014 AND 2013

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, 2014 and 2013, the Foundation distributed \$113,664 and \$102,661 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.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple net position categories, net position is depleted in restricted before unrestricted.

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, 2014 AND 2013

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

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the business-type activities. Capital assets are defined by the College as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed less interest income earned on debt proceeds.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Buildings, improvements, infrastructure and equipment assets are depreciated using the modified half-month depreciation method, (straight line depreciation with a half month depreciation if placed in service before the middle of the month, otherwise no depreciation until the next full month) over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	20-25
Equipment	5-7
Vehicles	6

Unearned Revenue

These balances consist of one half of summer student fees of \$357,953, and all fall session student fees of \$3,123,003, totaling \$3,480,956.

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.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 54 former employees receiving retiree or COBRA benefits as of June 30, 2014, and 50 as of June 30, 2013.

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.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS

Investments of the College as of June 30, 2014, are as follows:

Investment Type	Maturity	Amount
Certificates of Deposit	8/6/14 to 3/14/16	\$ 2,095,000

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

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

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, 2014 and 2013, the College's deposits bank balance was insured or collateralized as follows:

	2014	2013
FDIC Insurance	\$ 353,967	\$ 359,797
Collateralized	12,054,718	11,891,489
TOTAL	\$ 12,408,685	\$ 12,251,286

At June 30, 2014 and 2013, all of the College's deposits, were insured or collateralized with securities held by the College's agent in the College's name.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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

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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
United Bank of Union	<u>\$ 9,152,143</u>	<u>\$ 9,190,604</u>

NOTE C – CAPITAL ASSETS

Activity for capital assets for the years ended June 30, 2014 and 2013, is summarized below:

	Balance June 30, 2013	Additions and Completions	Dispositions	Balance June 30, 2014
Land	\$ 382,697	\$ -	\$ (570)	\$ 382,127
Buildings	47,924,853	592,338	-	48,517,191
Campus improvements	560,209	-	-	560,209
Furniture and equipment	8,313,461	353,806	-	8,667,267
Infrastructure	2,326,052	-	-	2,326,052
Construction in progress	218,686	-	(218,686)	-
	59,725,958	946,144	(219,256)	60,452,846
Accumulated depreciation	(18,166,025)	(1,897,057)	-	(20,063,082)
TOTAL	<u>\$ 41,559,933</u>	<u>\$ (950,913)</u>	<u>\$ (219,256)</u>	<u>\$ 40,389,764</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE C – CAPITAL ASSETS (continued)

	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
	59,316,111	425,035	(15,188)	59,725,958
Accumulated depreciation	(16,256,514)	(1,924,699)	15,188	(18,166,025)
TOTAL	<u>\$ 43,059,597</u>	<u>\$ (1,499,664)</u>	<u>\$ -</u>	<u>\$ 41,559,933</u>

NOTE D – LONG-TERM LIABILITES

Long-term liability activity for the years ended June 30, 2014 and 2013, is as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Bonds payable	\$ 17,880,000	\$ -	\$ (910,000)	\$ 16,970,000	\$ 980,000
Add: Bond premium	34,622	-	(21,308)	13,314	-
Less: Bond discount	(1,346,360)	-	-	(1,346,360)	-
	16,568,262	-	(931,308)	15,636,954	980,000
Performance lease	262,770	-	(163,731)	99,039	99,039
Early retirement liability	278,656	-	(139,424)	139,232	139,232
Post-employment benefit liability	305,000	49,000	-	354,000	-
Compensated absences	491,870	24,139	-	516,009	-
	<u>\$ 17,906,558</u>	<u>\$ 73,139</u>	<u>\$ (1,234,463)</u>	<u>\$ 16,745,234</u>	<u>\$ 1,218,271</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE D – LONG-TERM LIABILITIES (continued)

	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)	-
	<u>17,434,570</u>	-	(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	-
Compensated absences	502,734	-	(10,864)	491,870	-
	<u>\$ 18,612,458</u>	<u>\$ 327,656</u>	<u>\$ (1,033,556)</u>	<u>\$ 17,906,558</u>	<u>\$ 1,213,059</u>

Bonds payable at June 30, 2014 and 2013, consists of:

	2014	2013
\$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%.	10,040,000	10,125,000
\$2,345,000 serial bonds due in annual principal installments of \$735,000 to \$825,000 through February 15, 2015; interest rate 2.00%.	735,000	1,560,000
<b>TOTAL BONDS PAYABLE</b>	<u>\$ 16,970,000</u>	<u>\$ 17,880,000</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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
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>\$ 16,970,000</u>	<u>\$ 5,623,235</u>	<u>\$ 22,593,235</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, 2014, 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, 2014 and 2013, is \$353,301 and \$354,858, 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, 2014, and 2013, the amount of defeased debt outstanding but removed from the Statement of Net Position amounted to \$350,000.

*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, 2014 and 2013, the College’s liability to participants electing this program is \$139,232 and \$278,656, respectively.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE D – LONG-TERM LIABILITIES (continued)

*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, 2014, are as follows:

Year Ended June 30,	
<u>2015</u>	<u>\$ 100,565</u>
	TOTAL FUTURE MINIMUM PAYMENTS 100,565
	LESS AMOUNT REPRESENTING INTEREST <u>(1,526)</u>
	PRINCIPAL BALANCE, JUNE 30, 2014 <u>\$ 99,039</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.

*Post-employment Benefit Liability* – see Note K

*Compensated Absences* – see Note A

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.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE E – RETIREMENT PLAN (continued)

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, 2014, 2013, and 2012, were \$2,481,237, \$2,398,023, and \$2,371,277, 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, 2014, 2013, and 2012, were \$436,791, \$456,984, and \$490,621, 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, 2014 and 2013, upon which the levies for fiscal years 2014 and 2013 were based, were \$1,613,174,234 and \$1,672,836,214, respectively. The tax levy per \$100 of assessed valuation was as follows:

	<u>2014</u>	<u>2013</u>
General operations	\$ .3700	\$ .3559
Debt service	<u>.0841</u>	<u>.0841</u>
TOTAL LEVY	<u>\$ .4541</u>	<u>\$ .4400</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE G – OPERATING LEASES

The College was committed under the following operating leases, all which were entered into on July 1, 2014, and will expire on June 30, 2015, with the exception of the Columbia College lease, which was entered into on November 1, 2013, and will expire on October 31, 2018.

	<u>2014</u>	<u>2013</u>
Southwest Area Center	\$ 21,876	\$ 21,876
R-Tech (Washington)	75,000	75,000
R-Tech (Rolla)	145,530	145,530
Columbia College	327,844	-
TOTAL REMAINING LEASE OBLIGATIONS	<u>\$ 570,250</u>	<u>\$ 242,406</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 2014 and 2013 calendar year were \$213,127 and \$243,053, 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, 2014, 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.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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.

Subsequent Event

In October 2014, the College was awarded over \$500,000 in grant funds from the U.S. Department of Labor to receive federal funding for additional training and certification opportunities in computer information systems. The grant is part of the Trade Adjustment Assistance Community College and Career Training (TAACCCT) initiative.

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.

*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, 2014:

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

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE K – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

The change in net OPEB obligation was as follows:

Balance June 30, 2013	Annual OPEB Cost	Employer Contributions	Balance June 30, 2014
Net OPEB Obligation			Net OPEB Obligation
\$ 305,000	\$ 106,000	\$ 57,000	\$ 354,000

*Funding Status and Funding Progress* – As a pay-as-you-go plan, the plan was 0% funded at June 30, 2014.

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%

*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 – ACCOUNTS RECEIVABLE

Accounts receivable is presented net of allowance for doubtful accounts as of June 30, 2014 and 2013, as follows:

	2014		
	Gross Receivable	Allowance	Net Receivable
Student receivables	\$ 3,339,847	\$ 29,390	\$ 3,310,457

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE L – ACCOUNTS RECEIVABLE

	2013		
	Gross Receivable	Allowance	Net Receivable
Student receivables	\$ 3,156,792	\$ 48,295	\$ 3,108,497
Other receivables	341,180	62,500	278,680
	<u>\$ 3,497,972</u>	<u>\$ 110,795</u>	<u>\$ 3,387,177</u>

NOTE M – RESTRICTED ASSETS

Cash and cash equivalents and investments are reported as restricted when there are limitations imposed on their use either through enabling action adopted by the College or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2014 and 2013, restricted cash and cash equivalents and investments consisted of \$1,637,089 for fulfillment of debt reserve requirements.

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, 2013 and 2012.

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.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE N – COMPONENT UNIT DISCLOSURES (continued)

***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.

***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:

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

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, 2014, the date the financial statements were available to be issued.

***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, 2013, 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 2010, 2011 and 2012, are subject to examination by the IRS, generally for three years after they were filed.

2. ***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.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE N – COMPONENT UNIT DISCLOSURES (continued)

**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.

**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 Assets Composition by Type of Fund as of December 31, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 107,547	\$ 2,874,467	\$ 2,982,014
Board-designated endowment funds	284,514	-	-	284,514
TOTAL FUNDS	<u>\$ 284,514</u>	<u>\$ 107,547</u>	<u>\$ 2,874,467</u>	<u>\$ 3,266,528</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE N – COMPONENT UNIT DISCLOSURES (continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 196,081	\$ 103,853	\$ 2,780,322	\$ 3,080,256
Net asset reclassification	135,563	-	4,450	140,013
Investment return:				
Investment income	-	83,757	13,415	97,172
Net gain (realized and unrealized)	14,295	-	-	14,295
Total investment return	14,295	83,757	13,415	111,467
Contributions	-	2,122	76,280	78,402
Appropriation of endowment assets for expenditures	(61,425)	(82,185)	-	(143,610)
Endowment net assets, end of year	<u>\$ 284,514</u>	<u>\$ 107,547</u>	<u>\$ 2,874,467</u>	<u>\$ 3,266,528</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 178,938	\$ 114,437	\$ 2,653,867	\$ 2,947,242
Net assets 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
Other income	-	-	-	-
Board-designated	-	-	-	-
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, 2014 AND 2013

NOTE N – COMPONENT UNIT DISCLOSURES (continued)

3. *PLEDGES RECEIVABLE*

Unconditional promises to give consist of the following:

	2013	2012
Unrestricted promises to give	\$ -	\$ 6,412
Permanently restricted promises to give	11,350	12,600
Less: Allowance for uncollectible amounts	(284)	(334)
Discount for promises to give	(142)	(167)
Promises to give, net	\$ 10,924	\$ 18,511

The promises are collectible in future years as shown below:

	2013	2012
Less than one year	\$ 1,800	\$ 10,012
One to five years	9,124	8,499
	\$ 10,924	\$ 18,511

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.

4. *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:

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

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

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, 2013 and 2012, using quoted prices in active markets.

Investments at December 31, 2013 and 2012, consist of the following:

	Level I	
	Quoted Prices in Active Markets For Identical Assets	
	2013	2012
Equity securities and mutual funds	\$ 3,344,485	\$ 2,543,613
Government and corporate obligations	-	126,368
Certificates of deposit	1,343,391	1,274,524
Cash surrender value of life insurance policy	15,204	15,808
	<u>\$ 4,703,080</u>	<u>\$ 3,960,313</u>

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

	2013	2012
Unrestricted and temporarily restricted investments	\$ 1,930,827	\$ 1,283,380
Investments restricted for permanent investment	<u>2,772,253</u>	<u>2,676,933</u>
	<u>\$ 4,703,080</u>	<u>\$ 3,960,313</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 totaling \$610,780 and \$274,229 were recorded in 2013 and 2012, respectively.

5. *INVESTMENT RETURN*

Investment return during 2013 and 2012 consisted of the following:

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE N – COMPONENT UNIT DISCLOSURES (continued)

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 108,496	\$ 99,304
Realized and unrealized gains on investments, net	<u>610,780</u>	<u>274,229</u>
	<u>\$ 719,276</u>	<u>\$ 373,533</u>

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

	<u>2013</u>	<u>2012</u>
Unrestricted	\$ 539,292	\$ 288,413
Temporarily restricted	176,569	82,290
Permanently restricted	<u>3,415</u>	<u>2,830</u>
	<u>\$ 719,276</u>	<u>\$ 373,533</u>

6. *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, 2013 and 2012, 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.

7. *NET ASSETS*

Temporarily restricted net assets of \$685,723 and \$603,432 at December 31, 2013 and 2012, respectively, are available for scholarships and other uses based on donor-imposed restrictions.

Net assets were released from donor restrictions during 2013 and 2012, by incurring expenses satisfying the restricted purposes or time restrictions specified by donors as follows:

	<u>2013</u>	<u>2012</u>
In-kind contributions	\$ 145,421	\$ 156,070
Scholarships	93,530	99,729
Miscellaneous activities	9,814	9,227
Special projects	<u>-</u>	<u>54,277</u>
	<u>\$ 248,765</u>	<u>\$ 319,303</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE N – COMPONENT UNIT DISCLOSURES (continued)

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.

8. *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 \$145,421 and \$156,070 for the years ended December 31, 2013 and 2012, respectively.

9. *RECLASSIFICATION OF NET ASSETS*

Net assets were reclassified from unrestricted to temporarily restricted and permanently restricted in the amount of \$12,680 and \$4,450, 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, 2014 AND 2013

**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
2010	1,574	7,853	3,591	33,328	4,346	41,433
2011	1,445	6,998	4,203	40,444	4,444	41,372
2012	1,308	6,357	4,127	40,290	4,251	38,700
2013	1,251	5,980	4,043	39,383	4,188	38,572
2014	1,167	5,652	3,901	37,670	3,555	33,647

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
2015	2.00%	\$ 735,000	\$ 14,700	\$ 749,700

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
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>\$ 2,488,213</u>	<u>\$ 8,683,213</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
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
		\$ 10,040,000	\$ 3,120,322	\$ 13,160,322

## **OTHER FINANCIAL INFORMATION**



**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 the financial reporting entity of the Junior College District of East Central Missouri, as of and for the year ended June 30, 2014 and 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 December 1, 2014.

**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*.

### **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.

KPM CPAs, PC

KPM CPAs, PC  
Springfield, Missouri  
December 1, 2014



**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 programs for the year ended June 30, 2014. The Junior College District of East Central Missouri's major federal programs are 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 programs. However, our audit does not provide a legal determination on the Junior College District of East Central Missouri's compliance.

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### **Opinion on the Major Federal Programs**

In our opinion, the Junior College District of East Central Missouri complied in all material respects with the types of compliance referred to above that could have a direct and material effect on the major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

### **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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

The Junior college District of East Central Missouri's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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.

*KPM CPAs, PC*

KPM CPAs, PC  
Springfield, Missouri  
December 1, 2014

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014

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	\$ 7,291,173
College Work-Study	84.033	N/A	80,919
Supplemental Educational Opportunity Grants	84.007	N/A	128,603
Federal Direct Student Loans	84.268	N/A	<u>5,650,906</u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			13,151,601
Missouri Department of Elementary and Secondary Education			
Adult Education (AEL)	84.002	5436	67,975
Perkins Vocational	84.048	5427	<u>180,346</u>
TOTAL U.S. DEPARTMENT OF EDUCATION (PASS-THROUGH)			<u>248,321</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			13,399,922
<u>U.S. DEPARTMENT OF LABOR</u>			
St. Louis Community College			
Trade Adjustment Assistance Community College and Career Training Grants (TAACCCT)	17.282	N/A	505,944
Ozarks Technical College			
Trade Adjustment Assistance Community College and Career Training Grants (TAACCCT)	17.282	N/A	<u>348,174</u>
TOTAL U.S. DEPARTMENT OF LABOR			854,118
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Missouri Department of Elementary and Secondary Education			
Childcare and Development Block Grant	93.575	5421	<u>6,000</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>6,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 14,260,040</u></u>

N/A – Not Applicable

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. 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.
2. The College did not provide funds to subrecipients in the current year.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

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. A material weakness was disclosed during the audit of the major federal award programs. No significant deficiencies were noted.
5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion.
6. One finding required to be reported in accordance with Section 510(a) of OMB Circular A-133, is reported in the schedule.
7. The programs tested as a major program were:

Student Financial Assistance Cluster	84.007, 84.033, 84.063 and 84.268
Trade Adjustment Assistance Community College and Career Training Center	17.282
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

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

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

MATERIAL WEAKNESS

2014 – 001 – Return of Title IV Funds

**Criteria/Cause:** The Return of Title IV Funds regulations determines how FSA Title IV funds are handled when a recipient of those funds ceases to be enrolled prior to the end of a payment period or period of enrollment. (34 CFR 668).

A school must document a student's withdrawal date and maintain that documentation as of the date of the school's determination that the student withdrew. A school must return unearned funds for which it is responsible as soon as possible, but no later than 45 days after the date it determines that the student withdrew.

An institution that is not required to take attendance must determine the withdrawal date no later than 30 days after the end of the earlier of the payment period, the academic year or the student's educational program. If a school is required to take attendance, the date of the institution's determination of withdrawal should be no later than 14 days after the student's last date of attendance as determined by the institution from its attendance records.

**Condition:** The College determined the withdrawal date of the student as if it was not a school required to take attendance. However, the College had begun campus-wide process of taking attendance. In 2013-2014 this change in turn required the College to become an institution required to take attendance as defined given by the Department of Education. We sampled 19 students that had withdrawn and determined that the College had not made the change to an institution required to take attendance and as a result its return of unearned Title IV Funds to ED were initiated later than 45 days after the date the College should have determined the student had withdrawn.

**Effect:** The College failed to return funds within a timely manner, however, all funds were returned. At the most, questionable costs would be interest earned on returned funds, which is clearly trivial.

**Recommendation:** We recommend the College strictly comply with the requirements of 34 CFR 668 as related to withdrawals and the return of Title IV Funds.

**College Response:** We concur. The College was not aware that our status had changed to that of an attendance-taking institution as a result of the Department of Education's modification of the definition in October 2010. The College agrees with the recommendation and has reviewed and revised our work processes in ensure compliance with ED instructions related to withdrawals and returns of Title IV Funds.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2014

There were no prior year audit findings.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
CORRECTIVE ACTION PLAN  
June 30, 2014

U.S. DEPARTMENT OF EDUCATION

The Junior College District of East Central Missouri respectfully submits the following corrective action plan for the year ended June 30, 2014.

Contact information for the individual responsible for the corrective action:

Mr. Philip Peña, Vice-President for Finance  
Junior College District of East Central Missouri  
1964 Prairie Dell Road  
Union, Missouri 63084  
(636) 584-6400

Audit Period: Year ended June 30, 2014

The finding from the June 30, 2014 schedule of findings and questioned costs – Federal Program is discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDINGS – FEDERAL PROGRAMS

MATERIAL WEAKNESS

2014-001 Return of Title IV Funds

*Recommendation:* We recommend the College strictly comply with the requirements of 34 CFR 668 as related to withdrawals and the return of Title IV Funds.

*Action to be Taken:* The College will inform its personnel responsible for monitoring compliance with its policies and procedures for monitoring the student financial aid program to ensure that requirements related to withdrawals and the return of Title IV funds are followed.

*Anticipated Completion Date:* December 31, 2014