JUNIOR COLLEGE DISTRICT OF
EAST CENTRAL MISSOURI

UNION, MISSOURI

FINANCIAL STATEMENTS

Years Ended June 30, 2015 and 2014

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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, 2015 and 2014, and the discretely presented component unit as of and for the years ended December 31, 2014 and 2013, 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, 2015 and 2014, 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, 2014 and 2013, 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 pension information 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.

As discussed in Note A to the basic financial statements, the College adopted the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* during the year ended June 30, 2015.

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 3, 2015, 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 3, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

Introduction

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

The College prepared the financial statements in accordance with Government Accounting Standards Board ("GASB") principles. The College has implemented GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 established standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a consolidated basis to focus on the College as a whole. The College has also adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, by including the East Central College Foundation as a discretely presented component unit of the College. 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.

Please note that the 2013 financial statement information has not been retroactively restated as the information was not available from the retirement system.

Statements of Net Position

The Statements of Net Position present the assets, deferred outflows, liabilities, deferred inflows, and net position of the College at the end of the fiscal years, June 30, 2015 and 2014. 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 deferred outflows and total liabilities and deferred inflows, 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, 2015, 2014 and 2013, shows the unrestricted portion at $(5.1) million, $(5.7) million and $6.4 million, respectively.

	2015	2014	2013
Current assets	$ 12,916,025	$ 13,597,312	$ 13,221,062
Capital assets	40,097,046	40,389,764	41,559,933
Deferred pension outflow	1,898,127	1,459,014	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	54,911,198	55,446,090	54,780,995
Current liabilities	5,489,916	5,960,711	5,532,363
Long-term liabilities	23,290,819	29,248,368	16,693,499
Deferred pension inflow	4,393,002	-	-
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	33,173,737	35,209,079	22,225,862
Net investment in capital assets	25,453,406	24,514,539	24,728,901
Restricted for debt service	1,367,265	1,456,914	1,450,085
Unrestricted	(5,083,210)	(5,734,442)	6,376,147
TOTAL NET POSITION	$ 21,737,461	$ 20,237,011	$ 32,555,133

Significant capital expenditures in fiscal year 2015 included the following:

Gala Center Land Acquisition	$ 172,727
Gala Center Building Acquisition	1,023,994
HAAS Bar Feeder	14,905
Switches and Services - IT	58,257
Servers and Equipment - IT Instruction	152,574
HVAC Rooftop Unit - ECTC	36,271
100 KW Kohler Generator and ATS	55,325
120 Gallon Electric Water Heater	5,167
Exterior Sign, J.E. Anglin Performing Arts Center	8,278
TOTAL	$ 1,527,498

Net capital assets decreased by $292,718. Capital expenditures, detailed above, totaled $1,527,498. Depreciation of $1,804,266 was recorded.

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, 2015, 2014 and 2013.

	2015	2014	2013
Operating revenue	$ 20,303,444	$ 22,205,476	$ 23,873,085
Operating expenses	31,279,348	32,883,547	36,272,592
OPERATING (LOSS)	(10,975,904)	(10,678,071)	(12,399,507)
Non-operating revenues (expenses)	12,476,354	12,081,354	12,163,745
Increase (decrease) in net position	1,500,450	1,403,283	(235,762)
Net Position, Beginning of year, as restated	20,237,011	18,833,728	32,790,895
Net Position, End of year	$ 21,737,461	$ 20,237,011	$ 32,555,133

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 2015, 2014 and 2013, revenues, both operating and non-operating.

	2015	2014	2013
OPERATING REVENUES			
Student tuition and fees	$ 4,356,526	$ 4,465,538	$ 4,709,197
Federal aid	12,925,664	14,260,041	15,192,458
State aid	453,680	396,485	356,406
Local grants and contracts	31,666	29,653	585,416
Other auxiliary services	2,535,908	3,053,759	3,029,608
TOTAL OPERATING REVENUE	$ 20,303,444	$ 22,205,476	$ 23,873,085

	2015	2014	2013
NONOPERATING REVENUES (EXPENSES)			
State appropriations	$ 5,168,843	$ 4,877,643	$ 4,884,286
Tax revenues	7,758,912	7,540,633	7,611,911
Contributions	42,294	62,301	59,709
Interest income	94,350	94,872	126,792
Land donation	-	(36,400)	-
Interest on debt	(571,528)	(493,525)	(518,953)
Gain (loss) on disposal of asset	(16,517)	35,830	-
TOTAL NONOPERATING REVENUES (EXPENSES)	$ 12,476,354	$ 12,081,354	$ 12,163,745

Operating revenue for fiscal year 2015 decreased by $1,902,032.

Following are the components of operating expenses for the College during fiscal years 2015, 2014 and 2013.

	2015	2014	2013
OPERATING EXPENSES			
Salaries and benefits	$ 14,123,894	$ 14,093,563	$ 15,738,487
Scholarships	8,567,308	9,817,959	11,716,883
Supplies, other services, and utilities	6,783,880	7,074,968	6,892,523
Depreciation	1,804,266	1,897,057	1,924,699
TOTAL OPERATING EXPENSES	$ 31,279,348	$ 32,883,547	$ 36,272,592

Operating expenses decreased by $1,604,199 in FY15. Scholarships account for the largest change in operating expenses. In fiscal year 2015, these expenditures decreased from $9,817,959 to $8,567,308.

In addition, the following chart presents the fiscal years 2015, 2014 and 2013, operating expenses of the College by function.

	2015	2014	2013
OPERATING EXPENSES BY FUNCTION			
Instruction	$ 8,863,061	$ 7,683,824	$ 9,001,793
Academic support	2,353,562	2,293,189	2,604,644
Student services	1,457,022	1,461,216	1,412,850
Institutional support	3,548,957	4,676,421	4,751,406
Operations and maintenance	2,469,883	2,295,011	2,124,041
Student financial aid	8,519,604	9,752,696	11,660,339
Public service	31,114	29,653	44,843
Depreciation	1,804,266	1,897,057	1,924,699
Auxiliary enterprise	2,231,879	2,794,480	2,747,977
TOTAL OPERATING EXPENSES BY FUNCTION	$ 31,279,348	$ 32,883,547	$ 36,272,592

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, 2015, 2014 and 2013.

	2015	2014	2013
Cash Provided (Used) By:			
Operating activities	$ (10,386,310)	$ (10,207,886)	$ (10,001,006)
Capital and related financing activities	(3,089,577)	(2,301,288)	(1,951,935)
Noncapital financing activities	12,970,049	12,480,577	12,555,906
Investing activities	86,036	76,994	107,484
Net Change in Cash and Cash Equivalents	(419,802)	48,397	710,449
Cash and Cash Equivalents, Beginning of year	6,665,650	6,617,253	5,906,804
Cash and Cash Equivalents, End of year	$ 6,245,848	$ 6,665,650	$ 6,617,253

Debt Administration

Total debt of the College as of June 30, 2015, was $14,643,640, which is down $1,231,585 from the prior year. See Note F, long-term liabilities, to the financial statements for details of this decrease.

Economic Outlook

Mixed signals comprise the economic outlook for East Central College heading into 2016. Enrollment is showing sharp declines and is not expected to see any 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 down overall 2.3% for 2015, this due to Ameren shifting property from local assessments to the state as various construction projects are completed. Indicators may seem as if the college is coming out of the "bottoming out" of the past economic downturn, but there is little 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 2015 census date, the College had 3,222 students enrolled for 30,982 credit hours, compared to 3,606 students enrolled for 35,125 credit hours for the Fall 2014 census date. Student head count decreased by 10.6% (compared to a 7.5% decline the previous Fall) while credit hours declined by 11.8% (compared to a 6.7% drop the previous Fall). Enrollment has fallen below the 2008 benchmark. At the same time, state aid to community colleges has begun to steady and looks to slightly increase. The FY15 appropriation of state aid to community colleges increased slightly over FY14, 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 fell 1.2% between 2014 and 2015, $1,632,920,966 in 2014 to $1,613,174,234 in 2015. This follows a year in which the assessed valuation rose by 3.1%.

In order to operate in the current climate, the college has addressed both revenue and expenses that fall under its control. The college adopted a differential tuition model effective for the fall 2015 semester for Precision Machining, Industrial Engineering Technology, Nursing, and Culinary Arts classes. For those classes the in-district rate is $95 per credit hour, $139 for out-of-district, $210 for out-of-state, and $226 for international. All other classes remain the same as the previous year's rate, in-district rate is $76 per credit hour, $111 for out-of-district, $168 for out-of-state, and $181 for international. Despite the two tier model, 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. FY15 saw an across-the-board salary increase of a $1,000 per employee providing a greater percentage increase for lower wage earners. For FY16 the Board authorized a 2.75% salary increase for all employees.

Development of the FY17 budget will require careful analysis of state revenue, actual collection of local tax revenue, the level of new construction at the College, local employment levels, enrollment trends, and continued expansion of operational efficiencies.

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, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 6,245,848	$ 6,665,650
Investments	2,090,000	2,095,000
Receivables:		
Students, net	3,245,703	3,310,457
Federal and state agencies	446,506	661,875
Other	76,328	123,928
Inventory	272,084	258,810
Prepaid expenses	539,556	481,592
TOTAL CURRENT ASSETS	12,916,025	13,597,312
Noncurrent Assets		
Capital assets:		
Nondepreciable	554,854	382,127
Depreciable, net	39,542,192	40,007,637
TOTAL NONCURRENT ASSETS	40,097,046	40,389,764
TOTAL ASSETS	53,013,071	53,987,076
DEFERRED OUTFLOW OF RESOURCES		
Deferred pension outflows	1,898,127	1,459,014
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 54,911,198	$ 55,446,090
LIABILITIES		
Current Liabilities		
Accounts payable	$ 208,408	$ 615,203
Due to agency groups	104,440	104,294
Accrued wages and benefits	617,808	356,639
Accrued interest	274,403	185,348
Unearned revenue	3,264,857	3,480,956
Current portion of long-term liabilities	1,020,000	1,218,271
TOTAL CURRENT LIABILITIES	5,489,916	5,960,711
Long-Term Liabilities		
Bonds payable, net	13,623,640	14,656,954
Net pension liability	8,702,820	13,721,405
Post-employment benefit liability	446,300	354,000
Compensated absences	518,059	516,009
TOTAL LONG-TERM LIABILITIES	23,290,819	29,248,368
TOTAL LIABILITIES	28,780,735	35,209,079
DEFERRED INFLOW OF RESOURCES		
Deferred pension inflows	4,393,002	-
NET POSITION		
Net investment in capital assets	25,453,406	24,514,539
Restricted for debt service	1,367,265	1,456,914
Unrestricted	(5,083,210)	(5,734,442)
TOTAL NET POSITION	21,737,461	20,237,011
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	$ 54,911,198	$ 55,446,090

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
EAST CENTRAL COLLEGE FOUNDATION, INC. – COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets		
Cash	$ 53,979	$ 96,750
Investments	2,227,007	1,930,827
Accounts receivable	1,250	1,750
Accrued interest receivable	3,906	4,067
Prepaid expenses	1,160	747
TOTAL CURRENT ASSETS	2,287,302	2,034,141
Assets Restricted for Permanent Investment		
Cash	2,290	2,290
Investments	2,804,586	2,772,253
Pledges receivable, net	8,702	10,924
Land	89,000	89,000
TOTAL ASSETS RESTRICTED FOR PERMANENT INVESTMENT	2,904,578	2,874,467
TOTAL ASSETS	$ 5,191,880	$ 4,908,608
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 11,051	$ 12,635
Scholarships and agency funds payable	79,109	72,385
TOTAL CURRENT LIABILITIES	90,160	85,020
NET ASSETS		
Unrestricted	1,472,091	1,263,397
Temporarily restricted	725,051	685,723
Permanently restricted	2,904,578	2,874,468
TOTAL NET ASSETS	5,101,720	4,823,588
TOTAL LIABILITIES AND NET ASSETS	$ 5,191,880	$ 4,908,608

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, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowance of $3,436,623 in 2015 and $3,493,330 in 2014)	$ 4,356,526	$ 4,465,538
Federal aid	12,925,664	14,260,041
State aid	453,680	396,485
Local grants and contracts	31,666	29,653
Other auxiliary services	2,535,908	3,053,759
TOTAL OPERATING REVENUES	20,303,444	22,205,476
OPERATING EXPENSES		
Salaries	11,544,498	11,863,960
Employee benefits	2,579,396	2,229,603
Scholarships	8,567,308	9,817,959
Utilities	911,986	828,224
Supplies	5,871,894	6,246,744
Depreciation	1,804,266	1,897,057
TOTAL OPERATING EXPENSES	31,279,348	32,883,547
OPERATING (LOSS)	(10,975,904)	(10,678,071)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	5,168,843	4,877,643
Tax revenue	7,758,912	7,540,633
Contributions	42,294	62,301
Interest income	94,350	94,872
Land donation	-	(36,400)
Gain (loss) on disposal of assets	(16,517)	35,830
Interest expense on capital asset - related debt	(571,528)	(493,525)
TOTAL NONOPERATING REVENUES (EXPENSES)	12,476,354	12,081,354
INCREASE IN NET POSITION	1,500,450	1,403,283
NET POSITION, Beginning of year, as restated	20,237,011	18,833,728
NET POSITION, End of year	$ 21,737,461	$ 20,237,011

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, 2014 AND 2013

	2014	2013
UNRESTRICTED		
Revenues		
Contributions	$ 163,767	$ 51,749
Interest and dividends	6,184	5,125
Net realized and unrealized gains	197,178	534,167
Special events	109,739	65,026
Net assets released from restrictions	122,762	248,765
TOTAL REVENUES	599,630	904,832
Expenses		
Program	281,883	257,222
Management and general	24,029	19,564
Fundraising	104,318	105,457
TOTAL EXPENSES	410,230	382,243
CHANGE IN UNRESTRICTED NET ASSETS	189,400	522,589
NET ASSETS, Beginning of year	1,263,397	728,128
RECLASSIFICATION OF NET ASSETS	19,294	12,680
NET ASSETS, End of year	$ 1,472,091	$ 1,263,397
TEMPORARILY RESTRICTED		
Contributions	$ 33,253	$ 171,617
Interest and dividends	113,669	99,956
Net realized and unrealized gains	34,712	76,613
Net assets released from restrictions	(122,762)	(248,765)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	58,872	99,421
NET ASSETS, Beginning of year	685,723	603,432
RECLASSIFICATION OF NET ASSETS	(19,544)	(17,130)
NET ASSETS, End of year	$ 725,051	$ 685,723
PERMANENTLY RESTRICTED		
Contributions	$ 26,548	$ 86,281
Interest and dividends	3,312	3,415
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	29,860	89,696
NET ASSETS, Beginning of year	2,874,468	2,780,322
RECLASSIFICATION OF NET ASSETS	250	4,450
NET ASSETS, End of year	$ 2,904,578	$ 2,874,468

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 4,205,181	$ 4,341,261
Aid, grants, and contracts	13,626,379	14,301,982
Payments to suppliers	(7,261,767)	(6,608,036)
Payments to employees	(14,972,303)	(15,633,645)
Financial aid issued to students	(8,567,308)	(9,817,959)
Other receipts, net	2,583,508	3,208,511
NET CASH (USED) BY OPERATING ACTIVITIES	(10,386,310)	(10,207,886)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,528,065)	(726,888)
Principal paid on capital debt and leases	(1,079,039)	(1,073,731)
Interest paid on capital debt and leases	(482,473)	(500,669)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,089,577)	(2,301,288)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local taxes	7,758,912	7,540,633
State aid	5,168,843	4,877,643
Contributions	42,294	62,301
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	12,970,049	12,480,577
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	5,000	2,019,024
Purchase of investments	-	(2,015,594)
Interest on investments	81,036	73,564
NET CASH PROVIDED BY INVESTING ACTIVITIES	86,036	76,994
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(419,802)	48,397
CASH AND CASH EQUIVALENTS, Beginning of year	6,665,650	6,617,253
CASH AND CASH EQUIVALENTS, End of year	$ 6,245,848	$ 6,665,650
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES		
Operating (loss)	$ (10,975,904)	$ (10,678,071)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	1,804,266	1,897,057
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivables, net	327,723	(431,405)
Inventory	(13,274)	116,079
Prepaid expenses	(57,964)	(16,527)
Accrued wages and benefits	261,169	(14,783)
Accounts payable and due to agency groups	(406,649)	367,380
Unearned revenue	(216,099)	77,683
Compensated absences	2,050	24,139
Deferred outflows - contributions after measurement date	(1,064,696)	(1,459,014)
Early retirement liability	(139,232)	(139,424)
Post-employment benefit liability	92,300	49,000
NET CASH (USED) BY OPERATING ACTIVITIES	$ (10,386,310)	$ (10,207,886)

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, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 278,133	$ 711,706
Adjustments required to reconcile increase in net assets to net cash provided by operating activities:		
Contributions restricted for endowment	(26,548)	(86,281)
Net realized and unrealized (gains) on investments	(231,890)	(610,780)
Change in operating assets and liabilities:		
Accounts receivable	500	(1,250)
Accrued interest receivable	161	842
Prepaid expenses	(413)	(1)
Accounts payable and scholarships payable	5,139	(6,647)
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,082	7,589
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(500,447)	(400,198)
Reinvested dividends	(97,959)	(73,443)
Proceeds from sale of investments	501,783	341,654
NET CASH (USED) BY INVESTING ACTIVITIES	(96,623)	(131,987)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	28,770	93,868
NET CASH PROVIDED BY FINANCING ACTIVITIES	28,770	93,868
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(42,771)	(30,530)
CASH AND CASH EQUIVALENTS, Beginning of year	99,040	129,570
CASH AND CASH EQUIVALENTS, End of year	$ 56,269	$ 99,040
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Non-cash Transactions		
Donation of services	$ 155,408	$ 145,421

See accompanying notes.

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

Discretely Presented 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.

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, 2015 and 2014, the Foundation distributed $119,020 and $113,664 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.

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.

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:

Assets	Years
Buildings	40
Land improvements	20-25
Equipment	5-7
Vehicles	6

Unearned Revenue

These balances consist of one half of summer student fees of $352,620, all fall session student fees of $2,884,120, and various other unearned amounts totaling $28,117, totaling $3,264,857 for 2015 and totaling $3,480,956 for 2014.

Classification of Revenues

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

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

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting,* and GASB No. 34, such as state appropriations and investment income.

Scholarship Allowance

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 58 former employees receiving retiree or COBRA benefits as of June 30, 2015, and 54 as of June 30, 2014.

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.

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources relate to the pension plan as described in Note G.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncement

The Government Accounting Standards Board (GASB) issued Statement No. 68 – *Accounting and Financial Reporting for Pensions* for reporting periods beginning after June 15, 2014. The statement establishes standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses relating to pensions, note disclosures, and required supplementary information. The College adopted GASB Statement No. 68 for the year ended June 30, 2015.

Reclassification

Certain June 30, 2014, amounts have been reclassified to the June 30, 2015, presentation.

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS

Investments of the College as of June 30, 2015, are as follows:

Investment Type	Maturity	Amount
Certificates of Deposit	8/2/15 to 4/4/16	$ 2,090,000

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

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

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.

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

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, 2015 and 2014, the College's deposits bank balance was insured or collateralized as follows:

	2015	2014
FDIC Insurance	$ 342,464	$ 353,967
Collateralized	11,503,087	12,054,718
TOTAL	$ 11,845,551	$ 12,408,685

At June 30, 2015 and 2014, all of the College's deposits, were insured or collateralized with securities held by the College's agent in the College's name.

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. More than 5% of the College's total cash and investments are in the following issuer as of June 30, 2015 and 2014:

	2015	2014
United Bank of Union	$ 9,330,530	$ 9,152,143

NOTE C – RESTRICTED NET POSITION

Net position is 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, 2015 and 2014, restricted net position consisted of $1,367,265 and $1,456,914, respectively, for fulfillment of debt reserve requirements.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable is presented net of allowance for doubtful accounts as of June 30, 2015 and 2014, as follows:

	2015		
	Gross Receivable	Allowance	Net Receivable
Student receivables	$ 3,293,727	$ 48,024	$ 3,245,703

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

NOTE E – CAPITAL ASSETS

Activity for capital assets for the years ended June 30, 2015 and 2014, is summarized below:

	Balance June 30, 2014	Additions and Completions	Dispositions	Balance June 30, 2015
Nondepreciable:				
Land	$ 382,127	$ 172,727	$ -	$ 554,854
Depreciable:				
Buildings	48,517,191	$ 1,023,994	$ -	49,541,185
Campus improvements	560,209	-	-	560,209
Furniture and equipment	8,667,267	331,344	(614,645)	8,383,966
Infrastructure	2,326,052	-	-	2,326,052
Total Depreciable Capital Assets	60,070,719	$ 1,355,338	$ (614,645)	60,811,412
Accumulated depreciation	(20,063,082)	$ (1,804,266)	$ 598,128	(21,269,220)
Total Depreciable Capital Assets, Net	40,007,637			39,542,192
Total Capital Assets, Net	$ 40,389,764			$ 40,097,046

	Balance June 30, 2013	Additions and Completions	Dispositions	Balance June 30, 2014
Nondepreciable:				
Land	$ 382,697	$ -	$ (570)	$ 382,127
Construction in progress	218,686	-	(218,686)	-
Total Nondepreciable Capital Assets	601,383	$ -	$ (219,256)	382,127
Depreciable:				
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
Total Depreciable Capital Assets	59,124,575	$ 946,144	$ -	60,070,719
Accumulated depreciation	(18,166,025)	$ (1,897,057)	$ -	(20,063,082)
Total Depreciable Capital Assets, Net	40,958,550			40,007,637
Total Capital Assets, Net	$ 41,559,933			$ 40,389,764

NOTE F – LONG-TERM LIABILITES

Long-term liability activity for the years ended June 30, 2015 and 2014, is as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Bonds payable	$ 16,970,000	$ -	$ (980,000)	$ 15,990,000	$ 1,020,000
Add: Bond premium	13,314	-	(13,314)	-	-
Less: Bond discount	(1,346,360)	-	-	(1,346,360)	-
	15,636,954	-	(993,314)	14,643,640	1,020,000
Performance lease	99,039	-	(99,039)	-	-
Net pension liability	13,721,405	-	(5,018,585)	8,702,820	-
Early retirement liability	139,232	-	(139,232)	-	-
Post-employment benefit liability	354,000	92,300	-	446,300	-
Compensated absences	516,009	2,050	-	518,059	-
	$ 30,466,639	$ 94,350	$ (6,250,170)	$ 24,310,819	$ 1,020,000

	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
Net pension liability	13,721,405	-	-	13,721,405	-
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	-
	$ 31,627,963	$ 73,139	$ (1,234,463)	$ 30,466,639	$ 1,218,271

NOTE F – LONG-TERM LIABILITIES (continued)

Bonds payable at June 30, 2015 and 2014, consists of:

	2015	2014
$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%.	9,795,000	10,040,000
$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
TOTAL BONDS PAYABLE	$ 15,990,000	$ 16,970,000

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

Year Ended June 30,	Principal	Interest	Total
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
	$ 15,990,000	$ 5,128,973	$ 21,118,973

NOTE F – LONG-TERM LIABILITIES (continued)

The College has recognized the face value of capital appreciation bonds issued in the 2006 and 2008 bond issues. The bonds were received at a discount from the face value. As of June 30, 2015, 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, 2015 and 2014, is $351,683 and $353,301, 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, 2015, and 2014, 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, 2015 and 2014, the College's liability to participants electing this program is $-0- and $139,232, respectively.

Net Pension Liability – see Note G

Post-employment Benefit Liability – see Note M

Compensated Absences – see Note A

NOTE G – RETIREMENT PLAN

Summary of Significant Accounting Policies

Financial reporting information pertaining to our participation in the Public School Retirement System of Missouri ("PSRS") and the Public Education Employee Retirement System of Missouri ("PEERS") is prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

NOTE G – RETIREMENT PLAN (continued)

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

PUBLIC SCHOOL RETIREMENT SYSTEM (PSRS)

General Information about the Pension Plan

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

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump

NOTE G – RETIREMENT PLAN (continued)

sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psrs-peers.org. Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.

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

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal year 2015. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

The College's contributions to PSRS were $1,209,650 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District had a liability of $7,905,663 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions of $1,240,618 paid to PSRS for the year ended June 30, 2014, relative to the actual contributions of $643,964,894 from all participating employers. At June 30, 2014, the District's proportionate share was 0.1927%.

For the year ended June 30, 2015, the District recognized a pension expense of $299,454, its proportionate share of the total pension expense.

NOTE G – RETIREMENT PLAN (continued)

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS pension benefits:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:		
Differences between expected and actual experience	$ 368,310	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	3,802,061
Changes in proportion and differences between Employer contributions and proportionate share of contributions	102,294	-
Employer contributions subsequent to the measurement date	1,209,650	-
TOTAL	$ 1,680,254	$ 3,802,061

At June 30, 2014, the District reported deferred outflows of resources related to PSRS pension benefits in the amount of $1,240,618.

$1,209,650 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014, will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows) / outflows of resources to be recognized in pension expense:

Year Ending June 30,	
2016	$ (863,205)
2017	(863,205)
2018	(863,205)
2019	(863,205)
2020	87,311
Thereafter	34,051
TOTAL	$ (3,331,457)

NOTE G – RETIREMENT PLAN (continued)

Payable to the Pension Plan

At June 30, 2015, the College reported a payable of $230,358 for the outstanding amount of PSRS contributions to the pension plan required for the year ended June 30, 2015.

Actuarial Assumptions

Actuarial valuations of PSRS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016.

Significant actuarial assumptions and other inputs used to measure the total pension liability:

- Measurement Date – June 30, 2014
- Valuation Date – June 30, 2014
- Expected Return on Investments – 8.00%, net of investment expenses and including 2.5% inflation
- Inflation – 2.50%
- Total Payroll Growth – 3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
- Future Salary Increases – 4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%.
- Cost-Of-Living Increases – 2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.
- Mortality Assumption:
    - Actives – RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
    - Non-Disabled Retirees, Beneficiaries and Survivors – RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
    - Disabled Retirees – RP 2000 Disabled Mortality Table

NOTE G – RETIREMENT PLAN (continued)

- Changes in Actuarial Assumptions and Methods – There were no changes in actuarial assumptions or methods for the June 30, 2014, valuation.
- Fiduciary Net Position – PSRS issues a publicly available financial report that can be obtained at www.psrs-peers.org.
- Expected Rate of Return – The long-term expected rate of return on PSRS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PSRS' target allocation as of June 30, 2014, is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

Asset Class	Target Asset Allocation	Long-Term Expected Real Return Arithmetic Basis	Weighted Long-Term Expected Real Return Arithmetic Basis
U.S. Public Equity	27.0%	5.85%	1.58%
Public Credit	12.0%	2.44%	0.29%
Hedged Assets	6.0%	5.22%	0.31%
Non-U.S. Public Equity	15.0%	6.64%	1.00%
U.S. Treasuries	16.0%	1.01%	0.16%
U.S. TIPS	4.0%	1.12%	0.04%
Private Credit	2.0%	7.61%	0.15%
Private Equity	10.5%	8.61%	0.90%
Private Real Estate	7.5%	4.60%	0.35%
Total	100.0%		4.78%
		Inflation	2.50%
		Long-term arithmetical nominal return	7.28%
		Effect of covariance matrix	0.81%
		Long-term expected geometric return	8.09%

NOTE G – RETIREMENT PLAN (continued)

- Discount Rate – The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014, and is consistent with the long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

- Discount Rate Sensitivity – The sensitivity of the District's net pension liability to changes in the discount rate is presented below. The District's net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

Discount Rate	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Proportionate share of the Net Pension Liability / (Asset)	$ 16,740,320	$ 7,905,663	$ 495,374

PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM (PEERS)

General Information about the Pension Plan

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

NOTE G – RETIREMENT PLAN (continued)

Benefits Provided. PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psrs-peers.org.

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

Contributions. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal year 2015. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The College's contributions to PEERS were $217,873 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District had a liability of $797,157 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions of $218,396 paid to PEERS for the year ended June 30, 2014, relative to the actual contributions of $100,035,580 from all participating employers. At June 30, 2014, the District's proportionate share was 0.2183%.

NOTE G – RETIREMENT PLAN (continued)

For the year ended June 30, 2015, the District recognized a pension expense of $63,373, its proportionate share of the total pension expense.

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources from the following sources related to PEERS pension benefits:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:		
Differences between expected and actual experience	$ -	$ 23,709
Changes of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	474,814
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	92,418
Employer contributions subsequent to the measurement date	217,873	-
TOTAL	$ 217,873	$ 590,941

At June 30, 2014, the District reported deferred outflows of resources related to PEERS pension benefits in the amount of $218,396.

$217,873 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014, will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows) / outflows of resources to be recognized in pension expense:

Year Ending June 30,	
2016	$ (155,569)
2017	(155,569)
2018	(155,569)
2019	(124,233)
2020	-
Thereafter	-
TOTAL	$ (590,941)

NOTE G – RETIREMENT PLAN (continued)

Payable to the Pension Plan

At June 30, 2015, the College reported a payable of $36,077 for the outstanding amount of PEERS contributions to the pension plan required for the year ended June 30, 2015.

Actuarial Assumptions

Actuarial valuations of PEERS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016.

Significant actuarial assumptions and other inputs used to measure the total pension liability:

- Measurement Date – June 30, 2014
- Valuation Date – June 30, 2014
- Expected Return on Investments – 8.00%, net of investment expenses and including 2.5% inflation
- Inflation – 2.50%
- Total Payroll Growth – 3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
- Future Salary Increases – 5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.
- Cost-Of-Living Increases – 2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.
- Mortality Assumption:
  - Actives – RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
  - Non-Disabled Retirees, Beneficiaries and Survivors – RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
  - Disabled Retirees – RP 2000 Disabled Mortality Table

NOTE G – RETIREMENT PLAN (continued)

- Changes in Actuarial Assumptions and Methods – There were no changes in actuarial assumptions or methods for the June 30, 2014, valuation.
- Fiduciary Net Position – PEERS issues a publicly available financial report that can be obtained at www.psrs-peers.org.
- Expected Rate of Return – The long-term expected rate of return on PEERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PEERS' target allocation as of June 30, 2014, is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

Asset Class	**Target Asset Allocation**	**Long-Term Expected Real Return Arithmetic Basis**	**Weighted Long-Term Expected Real Return Arithmetic Basis**
U.S. Public Equity	27.0%	5.85%	1.58%
Public Credit	12.0%	2.44%	0.29%
Hedged Assets	6.0%	5.22%	0.31%
Non-U.S. Public Equity	15.0%	6.64%	1.00%
U.S. Treasuries	16.0%	1.01%	0.16%
U.S. TIPS	4.0%	1.12%	0.04%
Private Credit	2.0%	7.61%	0.15%
Private Equity	10.5%	8.61%	0.90%
Private Real Estate	7.5%	4.60%	0.35%
Total	100.0%		4.78%
		Inflation	2.50%
		Long-term arithmetical nominal return	7.28%
		Effect of covariance matrix	0.81%
		Long-term expected geometric return	8.09%

NOTE G – RETIREMENT PLAN (continued)

- Discount Rate – The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014, and is consistent with the long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

- Discount Rate Sensitivity – The sensitivity of the District's net pension liability to changes in the discount rate is presented below. The District's net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

Discount Rate	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Proportionate share of the Net Pension Liability / (Asset)	$ 1,912,870	$ 797,157	$ (145,388)

NOTE H – 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, 2015 and 2014, upon which the levies for fiscal years 2015 and 2014 were based, were $1,632,920,966 and $1,613,174,234, respectively. The tax levy per $100 of assessed valuation was as follows:

	2015	2014
General operations	$ .3700	$ .3700
Debt service	.0841	.0841
TOTAL LEVY	$ .4541	$ .4541

NOTE I – OPERATING LEASES

The College was committed under the following operating leases, all which were entered into on July 1, 2015, and will expire on June 30, 2016, with the exception of the Columbia College lease, which was entered into on November 1, 2013, and will expire on October 31, 2018.

	2015	2014
Southwest Area Center	$ 21,876	$ 21,876
R-Tech (Washington)	80,769	75,000
R-Tech (Rolla)	142,730	145,530
Columbia College	233,044	327,844
TOTAL REMAINING LEASE OBLIGATIONS	$ 478,419	$ 570,250

NOTE J – 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 2015 and 2014 calendar year were $240,305 and $213,127, respectively. Management is aware of no events or circumstances which would generate a significant increase in future insurance premiums.

NOTE K – 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, 2015, significant amounts of expenditures have not been audited by grantor governments, but the College believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the College.

NOTE L – CONTINGENCIES, COMMITMENTS 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 August 2015, the College issued $7,495,000 in General Obligation Refunding Bonds to refund the Series 2008 General Obligation Bonds.

NOTE M – 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 Statement No. 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, 2015:

Annual required contribution (ARC)	$ 157,800
Interest on net OPEB obligation	13,300
Adjustment to ARC	(13,100)
Annual OPEB cost (expense)	$ 158,000

NOTE M – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

The change in net OPEB obligation was as follows:

Balance June 30, 2014 Net OPEB Obligation	Annual OPEB Cost	Employer Contributions	Balance June 30, 2015 Net OPEB Obligation
$ 354,000	$ 158,000	$ 65,700	$ 446,300

Schedule of Funding Progress – As a pay-as-you-go plan, the plan was 0% funded at June 30, 2015.

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)
6/30/2013	$ -	$ 829,000	$ 829,000	0%	Not Available	Not Available
6/30/2015	-	1,285,000	1,285,000	0%	7,540,000	17.00%

Schedule of Employer Contributions

Fiscal Year Ending June 30,	Annual Required Contribution	Interest on Net OPEB Obligation	Adjustment to the ARC	Net OPEB Cost	Actual Contribution	Net OPEB Obligation
2009	$ 113,000	$ -	$ -	$ 113,000	$ -	$ 113,000
2010	113,000	-	-	113,000	-	226,000
2011	86,000	10,000	9,000	87,000	72,000	241,000
2012	86,000	10,000	9,000	87,000	72,000	256,000
2013	104,000	12,000	10,000	106,000	57,000	305,000
2014	104,000	12,000	10,000	106,000	57,000	354,000
2015	157,800	13,300	13,100	158,000	65,700	446,300

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. The most recent OPEB liability actuarial valuation was completed for the year ended June 30, 2015. In the 2015 actuarial valuation, the projected unit credit cost method was used, and

NOTE M – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

the interest rate used for discounting liabilities was 3.75%. The actuarial valuation assumed a medical premium inflation rate based on long term health care trends generated by the Getzen Model. The medical premium inflation rate was 6.6% for 2015, with annual rate reductions to an ultimate rate of 4.5% in 2100. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of 30 years, and the valuation assumed that 50% of all future retirees will elect medical coverage.

NOTE N – RESTATEMENT

During the year ended June 30, 2015, the College adopted the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. Net position has been restated as follows:

	2015
NET POSITION, June 30, 2014, as previously stated	$ 32,499,402
Deferred Outflows of Resources	1,459,014
Net Pension Liability	(13,721,405)
NET POSITION, July 1, 2014, as restated	$ 20,237,011

	2014
NET POSITION, June 30, 2013, as previously stated	$ 32,555,133
Net Pension Liability	(13,721,405)
NET POSITION, July 1, 2013, as restated	$ 18,833,728

NOTE O – COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the audited financial statements of the Foundation for the years ended December 31, 2014 and 2013.

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 of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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

***Use of Estimates* –** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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

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

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

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

***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.

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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

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

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

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

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

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

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

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

Advertising – Costs for advertising are expensed as incurred.

Income Tax Status – 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 June 30, 2015, the date the financial statements were available to be issued.

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

Income Taxes – The Foundation adopted the provisions of FASB ASC 740-10-25 on January 1, 2009. Under this standard, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the assets will be sustained. The implementation of this standard had no impact on the Foundation's financial statements. The Foundation does not believe there are any material uncertain tax assets and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended December 31, 2014, 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 2011, 2012 and 2013, 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.

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

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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

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

Endowment Net Assets Composition by Type of Fund as of December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 114,866	$ 2,904,577	$ 3,019,443
Board-designated endowment funds	305,300	-	-	305,300
TOTAL FUNDS	$ 305,300	$ 114,866	$ 2,904,577	$ 3,324,743

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 284,514	$ 107,547	$ 2,874,467	$ 3,266,528
Net asset reclassification	45,651	-	250	45,901
Investment return:				
Investment income	-	87,945	3,313	91,258
Net gain (realized and unrealized)	29,144	-	-	29,144
Total investment return	29,144	87,945	3,313	120,402
Contributions	-	-	26,547	26,547
Appropriation of endowment assets for expenditures	(54,009)	(80,626)	-	(134,635)
Endowment net assets, end of year	$ 305,300	$ 114,866	$ 2,904,577	$ 3,324,743

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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	$ 284,514	$ 107,547	$ 2,874,467	$ 3,266,528

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 196,081	$ 103,853	$ 2,780,322	$ 3,080,256
Net assets 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	$ 284,514	$ 107,547	$ 2,874,467	$ 3,266,528

3. *PLEDGES RECEIVABLE*

Unconditional promises to give consist of the following:

	2014	2013
Permanently restricted promises to give	$ 9,050	$ 11,350
Less: Allowance for uncollectible amounts	(232)	(284)
Discount for promises to give	(116)	(142)
Promises to give, net	$ 8,702	$ 10,924

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

The promises are collectible in future years as shown below:

	2014	2013
Less than one year	$ 1,750	$ 1,800
One to five years	6,952	9,124
	$ 8,702	$ 10,924

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.

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, 2014 and 2013, using quoted prices in active markets.

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

Investments at December 31, 2014 and 2013, consist of the following:

	Level I Quoted Prices in Active Markets For Identical Assets 2014	Level I Quoted Prices in Active Markets For Identical Assets 2013
Equity securities and mutual funds	$ 3,672,409	$ 3,344,485
Certificates of deposit	1,344,799	1,343,391
Cash surrender value of life insurance policy	14,385	15,204
	$ 5,031,593	$ 4,703,080

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

	2014	2013
Unrestricted and temporarily restricted investments	$ 2,227,007	$ 1,930,827
Investments restricted for permanent investment	2,804,586	2,772,253
	$ 5,031,593	$ 4,703,080

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 $231,890 and $610,780 were recorded in 2014 and 2013, respectively.

5. *INVESTMENT RETURN*

Investment return during 2014 and 2013 consisted of the following:

	2014	2013
Interest and dividends	$ 123,165	$ 108,496
Realized and unrealized gains on investments, net	231,890	610,780
	$ 355,055	$ 719,276

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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

	2014	2013
Unrestricted	$ 203,362	$ 539,292
Temporarily restricted	148,381	176,569
Permanently restricted	3,312	3,415
	$ 355,055	$ 719,276

6. *SCHOLARSHIPS AND AGENCY FUNDS*

Scholarships payable consist of amounts awarded to students for the Spring 2015 and Spring 2014 semesters but not paid as of December 31, 2014 and 2013, 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 $725,051 and $685,723 at December 31, 2014 and 2013, respectively, are available for scholarships and other uses based on donor-imposed restrictions.

Net assets were released from donor restrictions during 2014 and 2013, by incurring expenses satisfying the restricted purposes or time restrictions specified by donors as follows:

	2014	2013
In-kind contributions	$ -	$ 145,421
Scholarships	112,700	93,530
Miscellaneous activities	569	9,814
Special projects	9,493	-
	$ 122,762	$ 248,765

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.

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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, is included in unrestricted contribution revenue, amounted to $155,408 for the year ended December 31, 2014, and temporarily restricted contribution revenue in the amount of $145,421 for the year ended December 31, 2013.

9. *RECLASSIFICATION OF NET ASSETS*

Net assets were reclassified from temporarily restricted to unrestricted and permanently restricted in the amount of $19,294 and $250, 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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS – PSRS
Year Ended June 30, 2015

Public School Retirement System (PSRS)

Year Ended	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2015	0.1927%	$ 7,905,663	$ 8,597,783	91.95%	89.30%

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

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

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PSRS
Year Ended June 30, 2015

Public School Retirement System (PSRS)

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess / (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	$ 1,199,011	$ 1,199,011	$ -	$ 8,297,617	14.45%
6/30/2014	1,240,618	1,240,618	-	8,597,783	14.43%
6/30/2015	1,209,650	1,209,650	-	8,261,575	14.64%

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

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS – PEERS
Year Ended June 30, 2015

Public Education Employee Retirement System (PEERS)

Year Ended	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2015	0.2183%	$ 797,157	$ 3,183,612	25.0%	91.3%

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

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

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PEERS
Year Ended June 30, 2015

Public Education Employee Retirement System (PEERS)

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess / (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	$ 228,492	$ 228,492	$ -	$ 3,330,775	6.86%
6/30/2014	218,396	218,396	-	3,183,612	6.86%
6/30/2015	217,873	217,873	-	3,175,988	6.86%

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

STATISTICAL INFORMATION (UNAUDITED)

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

Year Ending	Summer		Fall		Spring	
June 30,	Enrollment	Hours	Enrollment	Hours	Enrollment	Hours
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
2015	1,109	5,350	3,606	35,125	3,231	29,978

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
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
		$ 6,195,000	$ 2,330,613	$ 8,525,613

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
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
		$ 9,795,000	$ 2,798,360	$ 12,593,360

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, 2015 and 2014, 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 3, 2015.

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 that 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 3, 2015

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

Report on Compliance for the Major Federal Program

We have audited the Junior College District of East Central Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2015. The Junior College District of East Central Missouri's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the Junior College District of East Central Missouri's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Junior College District of East Central Missouri's compliance.

Basis for Qualified Opinion on the Student Financial Assistance Cluster

As described in the accompanying schedule of findings and questioned costs, the Junior College District of East Central Missouri did not comply with the requirements of the Student Financial Assistance Cluster as described in finding 2015-001 for the accurate reporting of student enrollment statuses. Compliance with such requirements is necessary in our opinion for the Junior College District of East Central Missouri to comply with the requirements applicable to these programs.

Qualified Opinion on the Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Junior College District of East Central Missouri complied in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended June 30, 2015.

Other Matters

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, identified as items 2015-002 and 2015-003, to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 3, 2015

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	N/A	$ 6,757,768
Federal Work-Study Program	84.033	N/A	72,967
Federal Supplemental Educational Opportunity Grants	84.007	N/A	107,884
Federal Direct Student Loans	84.268	N/A	4,949,444
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			11,888,063
Missouri Department of Elementary and Secondary Education			
Adult Education - Basic Grants to States	84.002	130-130	102,237
Career and Technical Education - Basic Grants to States	84.048	130-130	193,026
TOTAL U.S. DEPARTMENT OF EDUCATION			12,183,326
U.S. DEPARTMENT OF LABOR			
St. Louis Community College			
Trade Adjustment Assistance Community College and Career Training Grants (TAACCCT)	17.282	TC-23785-12-60-A-29	541,093
Metropolitan Community College			
Trade Adjustment Assistance Community College and Career Training Grants (TAACCCT)	17.282	TC-26470-14-60-A-29	35,257
Ozarks Technical Community College			
Trade Adjustment Assistance Community College and Career Training Grants (TAACCCT)	17.282	TC-22499-11-60-A-29	163,791
TOTAL U.S. DEPARTMENT OF LABOR			740,141
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Missouri Department of Elementary and Secondary Education			
Childcare and Development Block Grant	93.575	130-130	4,885
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			4,885
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 12,928,352

N/A – Not Applicable

See accompaning notes to the Schedule of Expenditures of Federal Awards.

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Junior College District of East Central Missouri under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Junior College District of East Central Missouri, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Junior College District of East Central Missouri.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported in the Schedule are reported on the accrual basis of accounting, which is described in Note A to the College's basic financial statements.

2. Pass-through entity identifying numbers are presented where available.

NOTE C – SUBRECIPIENTS

The College did not provide funds to subrecipients during the current year.

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. Material weaknesses were disclosed during the audit of the major federal award program. No significant deficiencies were noted.

5. The auditor's report on compliance for the major federal award program expresses a qualified opinion on the Student Financial Assistance Cluster

6. Audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133, are reported in Section C of the schedule.

7. The program tested as a major program was:

Student Financial Assistance Cluster	84.007, 84.033, 84.063 and 84.268

8. The threshold to determine a Type A program was $300,000.

9. The Junior College District of East Central Missouri was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

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

COMPLIANCE

U.S. Department of Education
Student Financial Assistance Cluster
CFDA Nos. 84.007, 84.033, 84.063 and 84.268
Award year: 2014-2015

2015-001 Special Tests and Provisions - Enrollment Reporting

Criteria: The College is required to update changes in student enrollment status, report the date the enrollment status was effective, enter anticipated completion date, and submit changes electronically with the National Student Loan Data System (NSLDS) website in accordance with 34 CFR 682.610 and 34 CFR 685.309. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

Condition: The College did not have procedures in place to correctly report changes in student enrollment status within the required timeframe.

Effect: A sample of students revealed that enrollment statuses were not updated within the required timeframe and in several instances the student statuses in the NSLDS did not match the student statuses in the College's system.

Cause: The College did not have specific procedures in place to properly report or review reports provided by a third-party servicer to the NSLDS.

Questioned Costs: At the most, questionable costs would be interest accrued on the outstanding amounts of direct student loans which are insignificant, therefore there are no questioned costs.

Recommendation: We recommend the College implement procedures in order to strictly comply with the requirements of 34 CFR 682.610 and 685.309 as it relates to reporting required to the NSLDS. We further recommend that the College follow the guidance provided in the NSLDS Enrollment Reporting Guide and stay abreast of new guidance as published by the Department of Education.

College Response: We concur. The College was unaware that the current software did not report this enrollment status correctly to the third-party provider. The Office of the Registrar has also updated the existing reporting procedures to ensure accurate reporting.

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

MATERIAL WEAKNESSES

2015-002 Review of Student Enrollment Data

Criteria: The U.S. Department of Education requires a College to report certain information when students who receive Title IV financial aid change status.

Condition: The College did not have procedures in place to ensure enrollment data was accurately being reported through a third-party provider to the Department of Education.

Effect: The College was not in compliance with enrollment reporting to the National Student Loan Data System (NSLDS) for student status changes.

Cause: The College relied on the information being generated from its software and transmitted from its third-party provider to the NSLDS.

Recommendation: We recommend the College implement procedures to strictly comply with the requirements of 34 CFR 682.610 and 34 CFR 685.309 as it relates to enrollment reporting.

College Response: The College will review and update its procedures in place to review information transmitted to the NSLDS. The Office of the Registrar will also review and update the existing procedures to ensure accurate processing and data entry of students.

2015-003 Return of Title IV Funds

Criteria: The Return of Title IV Funds regulations determine how 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.

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

Condition: The College determined the withdrawal date of the student as if it was not a school required to take attendance. However, the College became an attendance taking school in 2014-2015 as defined by the Department of Education. We sampled 15 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, in some instances, its return of unearned Title IV Funds to the Department of Education 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.

Cause: The College was operating as a nonattendance taking school.

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 to ensure compliance with the Department of Education instructions related to withdrawals and returns of Title IV Funds.

This section represents the summary schedule of prior audit findings:

MATERIAL WEAKNESS

2014-001 – Return of Title IV Funds

U.S. Department of Education
Student Financial Assistance Cluster
CFDA Nos. 84.007, 84.033, 84.063 and 84.268

***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 began 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 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.

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.

***Current Status*:** The College is continuing to review and revise its work processes to ensure compliance with the Department of Education instructions related to withdrawals and returns of Title IV Funds.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
CORRECTIVE ACTION PLAN
June 30, 2015

U.S. DEPARTMENT OF EDUCATION

East Central College respectfully submits the following corrective action plan for the year ended June 30, 2015.

Contact information for the individual responsible for the corrective action:

Mr. Philip Pena, Vice President for Finance
East Central College
1964 Prairie Dell Road
Union, MO 63084

Independent public accounting firm: KPM CPAs, PC, 1445 E. Republic Road, Springfield, MO 65804

Audit Period: Year ended June 30, 2015

The findings from the June 30, 2015, Schedule of Findings and Questioned Costs - Major Federal Award Program are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT

COMPLIANCE

2015-001 Special Tests and Provisions - Enrollment Reporting

Recommendation: We recommend the College implement procedures in order to strictly comply with the requirements of 34 CFR 682.610 and 685.309 as it relates reporting required to the NSLDS. We further recommend that the College follow the guidance provided in the NSLDS Enrollment Reporting Guide and stay abreast of new guidance as published by the Department of Education.

Corrective Action Plan Taken: The College was unaware that the current software did not report this enrollment status correctly to the third-party provider. The Office of the Registrar has updated the existing reporting procedures to ensure accurate reporting.

Anticipated Completion Date: December 31, 2015

MATERIAL WEAKNESSES

2015-002 Review of Student Enrollment Data

Recommendation: We recommend the College implement procedures to strictly comply with the requirements of 34 CFR 682.610 and 34 CFR 685.309 as it relates to enrollment reporting.

Corrective Action Plan Taken: The College will work to address this by making procedural adjustments in order to provide more accurate information to the National Student Loan Data System.

Anticipated Completion Date: December 31, 2015

2015-003 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, 2015