Junior College District of East Central Missouri

Union, Missouri

FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

KPM

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TABLE OF CONTENTS

TABLE OF CONTENTS

OTHER REPORTING REQUIREMENTS

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, 2018 and 2017, and the discretely presented component unit as of and for the years ended December 31, 2017 and 2016, 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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Union, Missouri

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, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. 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, 2017 and 2016, 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, pension information, and post-employment healthcare plan 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 Title 2 U.S. *Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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Junior College District of East Central Missouri
Union, Missouri

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

Disclaimer of Opinion on Statistical Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Junior College District of East Central Missouri's basic financial statements. Enrollment Data and Schedule of Bond and Interest Requirements, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018, 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
November 19, 2018

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.

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, 2018 and 2017. 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) Net investment in 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, 2018, 2017 and 2016, shows the unrestricted portion at \$(6.2) million, \$(6.5) million and \$(3.9) million, respectively.

	2018	2017	2016
Current assets	$ 10,403,205	$ 10,549,520	$ 12,315,117
Restricted assets	192,414	709,940	4,270,481
Capital assets	43,380,389	44,581,150	40,883,928
Deferred pension outflows	8,859,724	7,971,713	4,901,303
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	62,835,732	63,812,323	62,370,829
Current liabilities	5,340,408	5,915,041	10,139,369
Long-term liabilities	29,373,076	30,551,560	25,416,769
Deferred pension inflows	4,916,011	3,726,851	3,463,193
Deferred OPEB inflows	83,815	67,755	-
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	39,713,310	40,261,207	39,019,331
Net investment in capital assets	29,337,486	29,570,942	23,273,172
Restricted for debt service	-	504,953	4,005,555
Unrestricted	(6,215,064)	(6,524,779)	(3,927,229)
TOTAL NET POSITION	$ 23,122,422	$ 23,551,116	$ 23,351,498

Significant capital expenditures in fiscal year 2018 included the following:

Nobles Speed Floor Scrubber	$ 6,351
Fiber Optics Converter for BIC Fire Alarm	7,815
4 Utility Vehicles	9,000
BH Hot Water Heater	9,278
2001 Mitsubishi Fuso FE145 w/ Dump Bed	12,000
Parking Lot Resurfacing, Sealing and Striping	16,340
DSSC 1st Floor West Side Door Replacement	20,854
DSSC HVAC Unit Replacement	50,123
IT Equip Replacement & Upgrades	61,119
Instructional Equipment (Grant Match)	63,257
HH Roof/Flashing Repairs	95,202
FY18 Tyco Security Cameras	246,406
Perf Contract Building Upgrades for Utility Savings	1,253,583
TOTAL	$ 1,851,328

Net capital assets decreased by $1,200,761. Capital expenditures, detailed above, totaled $1,851,328. Depreciation of $2,146,787 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, 2018, 2017 and 2016.

	2018	2017	2016
Operating revenue	$ 14,022,015	$ 18,121,119	$ 18,806,060
Operating expenses	27,439,045	29,972,488	29,436,299
OPERATING (LOSS)	(13,417,030)	(11,851,369)	(10,630,239)
Non-operating revenues (expenses)	12,988,336	12,685,263	12,244,276
Increase (decrease) in net position	(428,694)	833,894	1,614,037
Net Position, Beginning of year	23,551,116	23,351,498	21,737,461
Change in accounting principle	-	(634,276)	-
Net Position, End of year	$ 23,122,422	$ 23,551,116	$ 23,351,498

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 2018, 2017 and 2016, revenues, both operating and non-operating.

	2018	2017	2016
OPERATING REVENUES			
Student tuition and fees, net	$ 4,030,667	$ 4,215,520	$ 4,184,367
Federal grants and contracts	7,841,933	9,030,845	11,249,689
State grants and contracts	446,593	2,486,546	713,590
Local grants and contracts	22,668	68,389	46,910
Other auxiliary services	1,680,154	2,319,819	2,611,504
TOTAL OPERATING REVENUE	$ 14,022,015	$ 18,121,119	$ 18,806,060

	2018	2017	2016
NONOPERATING REVENUES (EXPENSES)			
State appropriations	$ 5,282,163	$ 5,385,014	$ 5,432,954
Tax revenues	8,035,814	7,828,261	7,583,315
Contributions	59,347	40,000	50,705
Interest income	94,032	101,664	105,343
Interest and fees on debt	(486,687)	(666,197)	(921,407)
Gain (loss) on disposal of asset	3,667	(3,479)	(6,634)
TOTAL NONOPERATING REVENUES (EXPENSES)	$ 12,988,336	$ 12,685,263	$ 12,244,276

Operating revenue for fiscal year 2018 decreased by $4,099,104.

Following are the components of operating expenses for the College during fiscal years 2018, 2017 and 2016.

	2018	2017	2016
OPERATING EXPENSES			
Salaries and benefits	$ 15,114,179	$ 16,271,326	$ 14,069,248
Scholarships	4,506,829	5,283,980	6,745,581
Supplies, other services, and utilities	5,671,250	6,477,128	6,841,660
Depreciation	2,146,787	1,940,054	1,779,810
TOTAL OPERATING EXPENSES	$ 27,439,045	$ 29,972,488	$ 29,436,299

Operating expenses decreased by $2,533,443 in FY18. Salaries and benefits account for the largest decrease in operating expenses. In fiscal year 2017, total operating expenditures increased from $29,436,299 to $29,972,488.

In addition, the following chart presents the fiscal years 2018, 2017 and 2016, operating expenses of the College by function.

	2018	2017	2016
OPERATING EXPENSES BY FUNCTION			
Instruction	$ 7,669,700	$ 8,739,496	$ 8,654,708
Academic support	2,596,221	2,220,690	2,223,326
Student services	1,600,856	1,538,048	1,556,390
Institutional support	5,134,110	5,916,802	3,908,887
Operations and maintenance	2,179,010	2,347,544	2,499,494
Student financial aid	4,417,009	5,231,221	6,715,663
Public service	27,254	74,277	45,688
Depreciation	2,146,787	1,940,054	1,779,810
Auxiliary enterprise	1,668,098	1,964,356	2,052,333
TOTAL OPERATING EXPENSES BY FUNCTION	$ 27,439,045	$ 29,972,488	$ 29,436,299

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, 2018, 2017 and 2016.

	2018	2017	2016
Cash Provided (Used) By:			
Operating activities	$ (11,203,241)	$ (8,727,065)	$ (10,135,381)
Capital and related financing activities	(2,490,334)	(9,182,676)	(724,000)
Noncapital financing activities	13,377,324	13,253,275	13,066,974
Investing activities	171,899	5,079,777	(3,220,109)
Net Change in Cash and Cash Equivalents	(144,352)	423,311	(1,012,516)
Cash and Cash Equivalents, Beginning of year	5,656,643	5,233,332	6,245,848
Cash and Cash Equivalents, End of year	$ 5,512,291	$ 5,656,643	$ 5,233,332

Debt Administration

Total debt of the College as of June 30, 2018, was $14,042,903, which is down $967,305 from the prior year. See Note F, long-term liabilities, to the financial statements for details of this decrease.

Economic Outlook

The economic outlook for East Central College heading into 2019 appears good but not without challenges. Enrollment is still showing declines and is not expected to see any increases in the near future. State aid has decreased .12% in 2018. Assessed valuation is up 0.2% overall for 2018. Property tax indicators seem to show that revenues have leveled out, however, there is evidence for very limited growth 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 2018 census date, the college had 2,629 students enrolled for 26,068 credit hours, compared to 2,897 students enrolled for 27,807 credit hours for the Fall 2017 census date. Student headcount decreased by 9.3% (compared to a 2.3% decline the previous Fall) while credit hours declined by 6.3% (compared to a 2.2% drop the previous Fall). Enrollment has fallen well below the 2008 benchmark. The FY18 appropriation of state aid to community colleges decreased over FY17, 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. The third primary component of the College's general revenue is local tax revenue. The College's assessed valuation rose 0.2% between 2017 and 2018, $1,727,792,84 in 2017 to $1,764,393,158 in 2018.

In order to operate in the current climate, the College has addressed both revenue and expenses that fall under its control. The College has a differential tuition model for Precision Machining, Industrial Engineering Technology, Nursing, and Culinary Arts classes (Tier 2). For those classes, the in-district rate is $104 per credit hour, $150 for out-of-district, $223 for out-of-state, and $239 for international. All other classes are paid at the Tier 1 tuition rates: in-district rate is $85 per credit hour, $122 for out-of-district, $181 for out-of- state, and $186 for international. Even with 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. No pay increase was adopted for FY19.

Development of the FY20 budget will require careful analysis of state revenue, actual collection of local tax revenue, local employment levels, enrollment trends, and continued expansion of operational efficiencies. A budget committee comprising faculty, staff, administration, and a trustee liaison was appointed in FY19 and will develop recommendations for the FY20 budget.

Contacting the College's Financial Management

This financial report is designed to provide our citizens, taxpayers, students and investors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional information, contact Dr. 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, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 5,319,877	$ 5,098,522
Investments	843,025	687,866
Receivables:		
Students, net	2,575,832	2,968,402
Federal and state agencies	807,022	974,210
Other	74,820	60,575
Inventory	212,876	222,778
Prepaid expenses	569,753	537,167
	10,403,205	10,549,520
Restricted Assets		
Cash and cash equivalents	192,414	558,121
Investments	-	151,819
	192,414	709,940
Noncurrent Assets		
Capital assets:		
Nondepreciable	554,854	1,533,434
Depreciable, net	42,825,535	43,047,716
	43,380,389	44,581,150
TOTAL ASSETS	53,976,008	55,840,610
DEFERRED OUTFLOW OF RESOURCES		
Deferred Pension Outflows	8,859,724	7,971,713
LIABILITIES		
Current Liabilities		
Accounts payable	253,086	554,471
Due to agency groups	92,478	86,052
Accrued wages and benefits	663,903	948,341
Accrued interest	192,414	205,190
Unearned revenue	2,746,018	2,930,093
Current portion of long-term liabilities	1,392,509	1,190,894
	5,340,408	5,915,041
Long-Term Liabilities		
Bonds payable, net	10,731,165	11,779,958
Leases and loans	1,919,229	2,039,356
Net pension liability	15,015,393	15,053,065
Post-employment benefit liability	1,207,741	1,167,621
Compensated absences	499,548	511,560
	29,373,076	30,551,560
TOTAL LIABILITIES	34,713,484	36,466,601
DEFERRED INFLOW OF RESOURCES		
Deferred Pension Inflows	4,916,011	3,726,851
Deferred OPEB Inflows	83,815	67,755
TOTAL DEFERRED INFLOWS OF RESOURCES	4,999,826	3,794,606
NET POSITION		
Net Investment in Capital Assets	29,337,486	29,570,942
Restricted	-	504,953
Unrestricted	(6,215,064)	(6,524,779)
TOTAL NET POSITION	$ 23,122,422	$ 23,551,116

See accompanying notes

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
EAST CENTRAL COLLEGE FOUNDATION, INC. – COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 219,228	$ 119,686
Investments	3,178,625	2,433,752
Pledges receivable, net	304,836	274,676
Accrued interest receivable	5,232	2,953
Prepaid expenses	1,291	758
TOTAL CURRENT ASSETS	3,709,212	2,831,825
Assets Restricted for Permanent Investment		
Investments	3,154,189	2,995,888
Pledges receivable, net	17,007	30,776
Land	89,000	89,000
TOTAL ASSETS RESTRICTED FOR PERMANENT INVESTMENT	3,260,196	3,115,664
TOTAL ASSETS	$ 6,969,408	$ 5,947,489
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 3,022	$ 4,688
TOTAL CURRENT LIABILITIES	3,022	4,688
NET ASSETS		
Unrestricted	2,168,900	1,559,127
Temporarily restricted	1,537,290	1,268,009
Permanently restricted	3,260,196	3,115,665
TOTAL NET ASSETS	6,966,386	5,942,801
TOTAL LIABILITIES AND NET ASSETS	$ 6,969,408	$ 5,947,489

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, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowance of $2,655,285 in 2018 and $2,776,273 in 2017)	$ 4,030,667	$ 4,215,520
Federal grants and contracts	7,841,933	9,030,845
State grants and contracts	446,593	2,486,546
Local grants and contracts	22,668	68,389
Other auxiliary services	1,680,154	2,319,819
TOTAL OPERATING REVENUES	14,022,015	18,121,119
OPERATING EXPENSES		
Salaries	11,245,502	12,113,250
Employee benefits	3,868,677	4,158,076
Scholarships	4,506,829	5,283,980
Utilities	833,060	980,340
Supplies and other services	4,838,190	5,496,788
Depreciation	2,146,787	1,940,054
TOTAL OPERATING EXPENSES	27,439,045	29,972,488
OPERATING (LOSS)	(13,417,030)	(11,851,369)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	5,282,163	5,385,014
Tax revenue	8,035,814	7,828,261
Contributions	59,347	40,000
Interest income	94,032	101,664
Gain (loss) on disposal of assets	3,667	(3,479)
Interest and fees on capital asset - related debt	(486,687)	(666,197)
TOTAL NONOPERATING REVENUES (EXPENSES)	12,988,336	12,685,263
INCREASE (DECREASE) IN NET POSITION	(428,694)	833,894
NET POSITION, Beginning of year	23,551,116	23,351,498
CHANGE IN ACCOUNTING PRINCIPLE	-	(634,276)
NET POSITION, End of year	$ 23,122,422	$ 23,551,116

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, 2017 AND 2016

	2017	2016
UNRESTRICTED		
Revenues, Gains, Losses, and Other Support		
Contributions	$ 181,696	$ 167,333
Interest and dividends	8,433	7,312
Net realized and unrealized gains	678,665	278,369
Special events	167,185	108,019
Net assets released from restrictions	55,625	91,365
TOTAL REVENUES, GAINS, LOSSES, AND OTHER SUPPORT	1,091,604	652,398
Expenses		
Program	325,566	250,142
Management and general	30,061	30,089
Fundraising	111,958	105,197
TOTAL EXPENSES	467,585	385,428
CHANGE IN UNRESTRICTED NET ASSETS	624,019	266,970
NET ASSETS, Beginning of year	1,559,127	1,360,463
RECLASSIFICATION OF NET ASSETS	(14,246)	(68,306)
NET ASSETS, End of year	$ 2,168,900	$ 1,559,127
TEMPORARILY RESTRICTED		
Revenues, Gains, Losses, and Other Support		
Contributions	$ 163,314	$ 332,230
Interest and dividends	134,973	110,359
Net realized and unrealized gains	93,270	38,964
Net assets released from restrictions	(55,625)	(91,365)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	335,932	390,188
NET ASSETS, Beginning of year	1,268,009	785,500
RECLASSIFICATION OF NET ASSETS	(66,651)	92,321
NET ASSETS, End of year	$ 1,537,290	$ 1,268,009
PERMANENTLY RESTRICTED		
Revenues and Other Support		
Contributions	$ 63,523	$ 16,695
Interest and dividends	111	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	63,634	16,695
NET ASSETS, Beginning of year	3,115,665	3,122,985
RECLASSIFICATION OF NET ASSETS	80,897	(24,015)
NET ASSETS, End of year	$ 3,260,196	$ 3,115,665

See accompanying notes

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 4,239,162	$ 4,272,452
Aid, grants, and contracts	8,478,382	12,353,968
Payments to suppliers	(5,988,893)	(6,931,042)
Payments to employees	(15,090,972)	(15,443,823)
Financial aid issued to students	(4,506,829)	(5,283,980)
Other receipts, net	1,665,909	2,305,360
NET CASH (USED) BY OPERATING ACTIVITIES	(11,203,241)	(8,727,065)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(942,359)	(5,640,755)
Principal paid on capital debt and leases	(1,297,676)	(5,073,333)
Bond, lease, and loan proceeds	249,164	2,258,583
Interest paid on capital debt and leases	(499,463)	(727,171)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,490,334)	(9,182,676)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local taxes	8,035,814	7,828,261
State aid	5,282,163	5,385,014
Contributions	59,347	40,000
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	13,377,324	13,253,275
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (purchases) of investments	(3,340)	4,763,911
Interest on investments	175,239	315,866
NET CASH PROVIDED BY INVESTING ACTIVITIES	171,899	5,079,777
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(144,352)	423,311
CASH AND CASH EQUIVALENTS, Beginning of year	5,656,643	5,233,332
CASH AND CASH EQUIVALENTS, End of year	5,512,291	5,656,643
LESS RESTRICTED CASH AND CASH EQUIVALENTS	192,414	558,121
UNRESTRICTED CASH AND CASH EQUIVALENTS	$ 5,319,877	$ 5,098,522
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES		
Operating (loss)	$ (13,417,030)	$ (11,851,369)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	2,146,787	1,940,054
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivables, net	545,513	910,038
Inventory	9,902	51,672
Prepaid expenses	(32,586)	23,828
Accrued wages and benefits	(284,438)	289,543
Accounts payable and due to agency groups	(294,959)	(529,414)
Unearned revenue	(184,075)	(99,377)
Compensated absences	(12,012)	(17,021)
Deferred outflows - contributions after measurement date	279,537	492,481
Post-employment benefit liability	40,120	62,500
NET CASH (USED) BY OPERATING ACTIVITIES	$ (11,203,241)	$ (8,727,065)

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, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 1,023,585	$ 673,853
Adjustments required to reconcile increase in net assets to net cash provided by operating activities:		
Contributions restricted for endowment	(63,523)	(16,695)
Net realized and unrealized (gains) on investments	(771,935)	(317,333)
Change in operating assets and liabilities:		
Pledges receivable	(30,160)	(274,676)
Accrued interest receivable	(2,279)	1,383
Prepaid expenses	(532)	234
Accounts payable and accrued expenses	(1,666)	1,659
NET CASH PROVIDED BY OPERATING ACTIVITIES	153,490	68,425
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(125,006)	(233,108)
Reinvested dividends	(121,153)	(97,898)
Proceeds from sale of investments	114,919	234,325
NET CASH (USED) BY INVESTING ACTIVITIES	(131,240)	(96,681)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	77,292	54,043
NET CASH PROVIDED BY FINANCING ACTIVITIES	77,292	54,043
NET INCREASE IN CASH AND CASH EQUIVALENTS	99,542	25,787
CASH AND CASH EQUIVALENTS, Beginning of year	119,686	93,899
CASH AND CASH EQUIVALENTS, End of year	$ 219,228	$ 119,686
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Non-cash Transactions		
Donation of services	$ 165,667	$ 157,897

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the years ended June 30, 2018 and 2017, the Foundation distributed $114,625 and $115,154 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 basic financial statements are presented using the current financial resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 stated at fair market value. Fair market value is estimated based on published market prices at year-end. The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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	50
Land improvements	20 – 25
Equipment	5 – 7
Vehicles	6

Unearned Revenue

These balances consist of one half of summer student fees, all fall session student fees, and various other unearned amounts totaling $2,746,018 for 2018 and totaling $2,930,093 for 2017.

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 69 former employees receiving retiree or COBRA benefits as of June 30, 2018, and 69 as of June 30, 2017.

Compensated Absences

Vacation time, personal business days, and sick leave are recorded as expenses and liabilities in the fiscal year earned. Only accrued vacation is paid out at current hourly rates upon termination.

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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the College has one item that qualifies for reporting in this category, deferred amounts relating to employer contributions to the retirement plan.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has two items that qualify for reporting in this category, deferred pension inflows relating to the retirement plan, and deferred post-employment benefit inflows relating to the post-employment benefit plan. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), issued June 2015 for the year ending June 30, 2018. The statement establishes standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses relating to other postemployment benefits, note disclosures, and required supplementary information. The College adopted GASB Statement No. 75 for the year ended June 30, 2018, and retroactively restated balances at June 30, 2017.

New Pronouncement

The College implemented GASB Statement No. 77 – *Tax Abatement Disclosures*, for the year ended June 30, 2017. The primary objective of this statement is to improve financial reporting by giving users of the financial statements essential information that is not consistently or comprehensively reported to the public.

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments of the College as of June 30, 2018, are as follows:

Investment Type	Maturity	Not Subject to Fair Value
Certificates of Deposit	11/10/18 to 8/13/19	$ 843,025

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

Investments of the College as of June 30, 2017, are as follows:

Investment Type	Maturity	Not Subject to Fair Value
Certificates of Deposit	8/9/17 to 4/4/18	$ 839,685

Interest Rate Risk and Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the College will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State law requires depository financial institutions to pledge as collateral for public funds on deposit by governmental unit securities which, when combined with the Federal Deposit Insurance Corporation (FDIC) insurance, are at least equal to the amount on deposit at all times. The College's policy is to have collateral and insurance equal to at least 100% of the amount on deposit. At June 30, 2018 and 2017, the College's deposits bank balance was insured or collateralized as follows:

	2018	2017
FDIC Insurance	$ 590,769	$ 342,499
Collateralized	6,707,138	6,972,619
TOTAL	$ 7,297,907	$ 7,315,118

At June 30, 2018 and 2017, all of the College's deposits, were insured or collateralized with securities held by the College's agent in the College's name.

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

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. More than 5% of the College's total cash and investments are in the following issuer as of June 30, 2018 and 2017:

	2018	2017
United Bank of Union	$ 5,986,490	$ 6,443,702
Citizens Bank	760,743	-
	$ 6,747,233	$ 6,443,702

NOTE C – RESTRICTED ASSETS AND NET POSITION

Cash and investments and net position are reported as restricted when there are limitations imposed on their use either through enabling action adopted by the College or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2018 and 2017, restricted cash and investments consisted of $192,414 for debt service requirements and $709,940, for restricted lease funds and debt service requirements, respectively. At June 30, 2017, restricted net position consisted of $504,953 for fulfillment of debt reserve requirements and lease project.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable is presented net of allowance for doubtful accounts as of June 30, 2018 and 2017, as follows:

	2018		
	Gross Receivable	Allowance	Net Receivable
Student receivables	$ 3,118,832	$ 543,000	$ 2,575,832

	2017		
	Gross Receivable	Allowance	Net Receivable
Student receivables	$ 3,368,402	$ 400,000	$ 2,968,402

NOTE E – CAPITAL ASSETS

Activity for capital assets for the years ended June 30, 2018 and 2017, is summarized below:

	Balance June 30, 2017	Additions and Completions	Dispositions	Balance June 30, 2018
Nondepreciable:				
Land	$ 554,854	$ -	$ -	$ 554,854
Construction in progress	978,580	275,003	(1,253,583)	-
	1,533,434	$ 275,003	$ (1,253,583)	554,854
Depreciable:				
Buildings	55,165,768	$ 1,369,639	$ -	56,535,407
Campus improvements	569,536	-	-	569,536
Furniture and equipment	9,847,350	551,982	(1,183,522)	9,215,810
Infrastructure	2,326,052	16,340	-	2,342,392
Total Depreciable Capital Assets	67,908,706	$ 1,937,961	$ (1,183,522)	68,663,145
Accumulated depreciation	(24,860,990)	$ (2,146,787)	$ 1,170,167	(25,837,610)
Total Depreciable Capital Assets, Net	43,047,716			42,825,535
Total Capital Assets, Net	$ 44,581,150			$ 43,380,389

NOTE E – CAPITAL ASSETS (continued)

	Balance June 30, 2016	Additions and Completions	Dispositions	Balance June 30, 2017
Nondepreciable:				
Land	$ 554,854	$ -	$ -	$ 554,854
Construction in progress	2,040,416	4,424,426	(5,486,262)	978,580
Total Nondepreciable Capital Assets	2,595,270	$ 4,424,426	$ (5,486,262)	1,533,434
Depreciable:				
Buildings	49,731,449	$ 5,441,034	$ (6,715)	55,165,768
Campus improvements	560,209	9,327	-	569,536
Furniture and equipment	8,638,057	1,252,230	(42,937)	9,847,350
Infrastructure	2,326,052	-	-	2,326,052
Total Depreciable Capital Assets	61,255,767	$ 6,702,591	$ (49,652)	67,908,706
Accumulated depreciation	(22,967,109)	$ (1,940,054)	$ 46,173	(24,860,990)
Total Depreciable Capital Assets, Net	38,288,658			43,047,716
Total Capital Assets, Net	$ 40,883,928			$ 44,581,150

NOTE F – LONG-TERM LIABILITES

Long-term liability activity for the years ended June 30, 2018 and 2017, is as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Bonds payable	$ 12,730,000	$ -	$ (1,030,000)	$ 11,700,000	$ 1,130,000
Add: Bond premium	848,965	-	(102,397)	746,568	-
Less: Bond discount	(769,007)	-	183,604	(585,403)	-
	12,809,958	-	(948,793)	11,861,165	1,130,000
Tyco Integrated Security Lease	-	239,400	(99,974)	139,426	119,700
USDA Loan	941,667	-	(100,000)	841,667	99,996
Guaranteed Energy Savings Lease	1,258,583	9,764	(67,702)	1,200,645	42,813
Net pension liability	15,053,065	-	(37,672)	15,015,393	-
Post-employment benefit liability	1,167,621	40,120	-	1,207,741	-
Compensated absences	511,560	-	(12,012)	499,548	-
	$ 31,742,454	$ 289,284	$ (1,266,153)	$ 30,765,585	$ 1,392,509

NOTE F – LONG-TERM LIABILITIES (continued)

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Bonds payable	$ 17,745,000	$ -	$ (5,015,000)	$ 12,730,000	$ 1,030,000
Add: Bond premium	951,362	-	(102,397)	848,965	-
Less: Bond discount	(1,085,606)	-	316,599	(769,007)	-
	17,610,756	-	(4,800,798)	12,809,958	1,030,000
USDA Loan	-	1,000,000	(58,333)	941,667	99,996
Guaranteed Energy Savings Lease	-	1,258,583	-	1,258,583	60,898
Net pension liability	11,753,832	3,299,233	-	15,053,065	-
Post-employment benefit liability	538,600	629,021	-	1,167,621	-
Compensated absences	528,581	-	(17,021)	511,560	-
	$ 30,431,769	$ 6,186,837	$ (4,876,152)	$ 31,742,454	$ 1,190,894

Bonds payable at June 30, 2018 and 2017, consists of:

	2018	2017
$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%.	$ 1,395,000	$ 1,740,000
$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%.	-	185,000
$7,495,000 general obligation refunding bonds due in principal installments of $495,000 to $925,000 through February 15, 2026; interest at varying rates from 2.00% to 4.00%.	6,500,000	7,000,000
$3,805,000 general obligation crossover refunding bonds due in principal installments of $580,000 to $950,000 through February 15, 2026; interest at varying rates from 2.50% to 3.00%.	3,805,000	3,805,000
TOTAL BONDS PAYABLE	$ 11,700,000	$ 12,730,000

NOTE F – LONG-TERM LIABILITIES (continued)

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

Year Ended June 30,	Principal	Interest	Total
2019	$ 1,130,000	$ 355,150	$ 1,485,150
2020	1,215,000	326,150	1,541,150
2021	1,275,000	303,650	1,578,650
2022	1,355,000	273,650	1,628,650
2023	1,500,000	233,000	1,733,000
2024	1,600,000	179,750	1,779,750
2025	1,750,000	127,000	1,877,000
2026	1,875,000	65,500	1,940,500
	$ 11,700,000	$ 1,863,850	$ 13,563,850

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, 2018, the discount balance is $585,403 for the 2006 Series. As of June 30, 2017, the discount balance is $709,775 for the 2006 series and $59,231 for the 2008 series, for a total of $769,006.

USDA Loan – On October 3, 2016, the College entered into a loan agreement with Crawford Electric Cooperative for $1,000,000 in Rural Economic Development Loan funds to construct the Regional Center for Advanced Manufacturing and Workforce Training facility. The loan requires monthly payments of $8,333 with a 0% interest rate.

Principal and interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 99,996	$ -	$ 99,996
2020	99,996	-	99,996
2021	99,996	-	99,996
2022	99,996	-	99,996
2023	99,996	-	99,996
2024	99,996	-	99,996
2025	99,996	-	99,996
2026	99,996	-	99,996
2027	41,699	-	41,699
	$ 841,667	$ -	$ 841,667

NOTE F – LONG-TERM LIABILITIES (continued)

Guaranteed Energy Savings Lease – On February 8, 2017, the College entered into a performance lease for energy efficient systems in the amount of $1,258,583 with Bank of America. The lease requires varying monthly payments with an annual interest rate of 2.7%.

Principal and interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 42,813	$ 32,152	$ 74,965
2020	42,501	31,037	73,538
2021	60,152	29,674	89,826
2022	66,121	27,945	94,067
2023	71,109	26,081	97,190
2024	76,339	24,078	100,416
2025	81,822	21,929	103,750
2026	87,568	19,627	107,195
2027	93,589	17,165	110,754
2028	99,895	14,535	114,431
2029	106,499	11,730	118,230
2030	113,414	8,741	122,155
2031	120,651	5,560	126,210
2032	128,224	2,177	130,401
2033	9,949	23	9,972
	$ 1,200,645	$ 272,453	$ 1,473,097

Tyco Integrated Security Lease – On August 2, 2017, the College entered into a lease agreement for security equipment in the amount of $239,400 with Tyco Integrated Security LLC. The lease requires monthly payments of $9,997 with a 0% interest rate.

Principal and interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 119,700	$ -	$ 119,700
2020	19,726	-	19,726
	$ 139,426	$ -	$ 139,426

Net Pension Liability – see Note G

Post-employment Benefit Liability – see Note M

Compensated Absences – see Note A

NOTE G – RETIREMENT PLAN

Public School Retirement System of Missouri and Public Education Employee Retirement System of Missouri

Summary of Significant Accounting Policies

Financial reporting information included in the notes to the financial statements pertaining to the College's participation in the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (PSRS and PEERS, also referred to as the Systems) are 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,* by GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, and by GASB Statement No. 82, *Pension Issues*, as applicable to the College's accrual basis of accounting.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PSRS and PEERS have been determined on the same basis as they are reported by the Systems. 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 the Systems. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the College's net pension liability, deferred outflows and inflows of resources related to pensions and pension expense.

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 Colleges in Missouri (except the school Colleges 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.

NOTE G – RETIREMENT PLAN (continued)

Plan Description. PEERS is a mandatory cost-sharing multiple employer retirement system for all non-certificated 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/colleges who work 20 or more hours per week on a regular basis and who are not contributing members of 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 PSRS.

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 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 5 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 sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

Benefits Provided. PEERS is a defined benefit plan providing retirement, disability, and death 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 benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available with 5 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 sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

Summary Plan descriptions detailing the provisions of the plans can be found on the Systems’ website at www.psrs-peers.org.

NOTE G – RETIREMENT PLAN (continued)

Cost-of-Living Adjustments ("COLA"). The Board of Trustees has established a policy of providing a 0% COLA for years in which the CPI increases between 0.00% and 2.00%, a 2.00% COLA for years in which the CPI increases between 2.00% and 5.00%, and a COLA of 5.00% if the CPI increase is greater than 5.00%. If the CPI decreases, no COLA is provided. For any PSRS member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. For PEERS members, 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. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2017 and 2018. 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. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2017 and 2018. 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 PSRS and PEERS were $1,225,946 and $200,936, respectively, for the year ended June 30, 2018. The College's contributions to PSRS and PEERS were $1,285,971 and $207,907, respectively, for the year ended June 30, 2017.

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

At June 30, 2018, the College had a liability of $13,576,467 for its proportionate share of PSRS' net pension liability and $1,438,925 for its proportionate share of PEERS' net pension liability. In total the College had a net pension liability of $15,015,393. The net pension liability for the plans in total was measured as of June 30, 2017, and determined by an actuarial valuation as of that date. The College's proportionate share of the total net pension liability was based on the ratio of its actual contributions paid to PSRS and PEERS of $1,285,971 and $207,907, respectively, for the year ended June 30, 2017, relative to the actual contributions of $684,085,861 for PSRS and $110,244,418 for PEERS from all participating employers. At June 30, 2018, the College's proportionate share was 0.1880% for PSRS and 0.1886% for PEERS.

For the year ended June 30, 2018, the College recognized pension expense of $(991,326) for PSRS and $(69,300) for PEERS, its proportionate share of the total pension expense. For the year ended June 30, 2017, the College recognized pension expense of $1,603,197 for PSRS and $365,256 for PEERS; its proportionate share of the total pension expense. The College also recognized expense of $6,977 for contributions to PSRS related to employee reciprocity and other service transfers.

NOTE G – RETIREMENT PLAN (continued)

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

	PSRS		PEERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:						
Differences between expected and actual experience	$ 806,421	$ 864,441	$ 22,943	$ 58,291	$ 829,364	$ 922,732
Changes of assumptions	2,142,135	-	247,727	-	2,389,862	-
Net differences between projected and actual earnings on pension plan investments	3,446,216	3,165,367	399,039	368,078	3,845,255	3,533,445
Changes in proportion and differences between Employer contributions and proportionate share of contributions	368,361	376,897	-	82,937	368,361	459,834
Employer contributions subsequent to the measurement date	1,225,946	-	200,936	-	1,426,882	-
TOTAL	$ 7,989,079	$ 4,406,705	$ 870,645	$ 509,306	$ 8,859,724	$ 4,916,011

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

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	PSRS		PEERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:						
Differences between expected and actual experience	$ 971,127	$ 1,031,281	$ 45,033	$ 91,179	$ 1,016,160	$ 1,122,460
Changes of assumptions	152,660	-	92,659	-	245,319	-
Net differences between projected and actual earnings on pension plan investments	4,586,512	1,789,553	565,507	210,871	5,152,019	2,000,424
Changes in proportion and differences between Employer contributions and proportionate share of contributions	64,337	478,467	-	125,500	64,337	603,967
Employer contributions subsequent to the measurement date	1,285,971	-	207,907	-	1,493,878	-
TOTAL	$ 7,060,607	$ 3,299,301	$ 911,106	$ 427,550	$ 7,971,713	$ 3,726,851

NOTE G – RETIREMENT PLAN (continued)

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2017, will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as collective deferred (inflows) / outflows of resources are to be recognized in pension expense as follows:

Year Ending June 30,		PSRS	PEERS	Total
2019		$ 1,490,350	$ 228,610	$ 1,718,960
2020		1,191,735	132,050	1,323,785
2021		664,197	67,061	731,258
2022		(244,993)	(66,381)	(311,374)
2023		416,376	-	416,376
Thereafter		64,708	-	64,708
	TOTAL	$ 3,582,373	$ 361,340	$ 3,943,713

Payable to the Pension Plan

At June 30, 2018, the College reported a payable of $235,875 and $36,958, respectively, for the outstanding PSRS and PEERS contributions to the pension plan required for the year ended June 30, 2018.

At June 30, 2017, the College reported a payable of $233,996 and $32,315, respectively, for the outstanding PSRS and PEERS contributions to the pension plan required for the year ended June 30, 2017.

Actuarial Assumptions – 2018

Actuarial valuations of the Systems involve assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, salary increases, and mortality. 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 Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year and from Board policies concerning investments and COLAs. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the study and effective with the June 30, 2016 valuation. For the June 30, 2017, valuations, the investment rate of return was reduced from 7.75% to 7.6% and the assumption for the annual cost-of-living adjustments was updated in accordance with the funding policies amended by the Board of Trustees at their November 2017 meeting. Significant actuarial assumption and methods, including changes from the prior year resulting from changes in Board policy, are detailed below. For additional information please refer to the Systems' Comprehensive Annual Financial Report (CAFR). The next experience studies are scheduled for 2021.

NOTE G – RETIREMENT PLAN (continued)

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

- Measurement Date – June 30, 2017
- Valuation Date – June 30, 2017
- Expected Return on Investments – 7.60%, net of investment expenses and including 2.25% inflation
- Inflation – 2.25%
- Total Payroll Growth
  - PSRS – 2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
  - PEERS – 3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
- Future Salary Increases
  - PSRS – 3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
  - PEERS – 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
- Cost-Of-Living (COLA) Increases
  - PSRS & PEERS – The annual COLA assumed in the valuation increases from 1.20% to 1.65% over nine years, beginning January 1, 2019. The COLA reflected for January 1, 2018, is 1.63%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.80% to a normative inflation assumption of 2.25% over nine years. It is also based on the current policy of the Board to grant a 0% COLA on each January 1 for years in which CPI increases between 0.00% and 2.00%, a 2.00% COLA for years in which the CPI increases between 2.00% and 5.00%, and a COLA of 5.00% if the CPI increase in greater than 5.00%. If the CPI decreases, no COLA is provided. The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.

NOTE G – RETIREMENT PLAN (continued)

- Mortality Assumption
  - Actives
    - PSRS – RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
    - PEERS – RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
  - Non-Disabled Retirees, Beneficiaries and Survivors
    - PSRS – RP 2006 White Collar Employee Mortality Tables with plan specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
    - PEERS – RP 2006 Total Dataset Employee Mortality Tables with plan specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
  - Disabled Retirees
    - PSRS & PEERS – RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
- Changes in Actuarial Assumptions and Methods – The investment return and COLA assumptions were updated by the Board as follows based on changes to the Board's funding policy adopted at the November 3, 2017, meeting:
  - PSRS & PEERS
    - The investment return assumption was lowered from 7.75% to 7.60% per year.
    - The Board adopted a new COLA policy on November 3, 2017, resulting in a change to the future COLA assumption from an increasing assumption of 1.05%-1.50% over nine years to an increasing assumption of 1.20%-1.65% over nine years, beginning January 1, 2019.

NOTE G – RETIREMENT PLAN (continued)

- Expected Rate of Return – The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on the Systems' 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 the Systems' target allocation as of June 30, 2017, are 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 cash flows.

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%	5.16%	1.39%
Public Credit	7.0%	2.17%	0.15%
Hedged Assets	6.0%	4.42%	0.27%
Non-U.S. Public Equity	15.0%	6.01%	0.90%
U.S. Treasuries	16.0%	0.96%	0.15%
U.S. TIPS	4.0%	0.80%	0.03%
Private Credit	4.0%	5.60%	0.22%
Private Equity	12.0%	9.86%	1.18%
Private Real Estate	9.0%	3.56%	0.32%
Total	100.0%		4.61%
		Inflation	2.25%
		Long-term arithmetical nominal return	6.86%
		Effect of covariance matrix	0.74%
		Long-term expected geometric return	7.60%

NOTE G – RETIREMENT PLAN (continued)

- Discount Rate – The long-term expected rate of return used to measure the total pension liability was 7.60% as of June 30, 2017, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% effective with the June 30, 2016, valuation based on the actuarial experience studies and asset-liability study conducted during the 2016 fiscal year. As previously discussed, the Board of Trustees further reduced the assumed rate of return to 7.6% effective with the June 30, 2017, valuation The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.
- Discount Rate Sensitivity – The sensitivity of the College's net pension liability to changes in the discount rate is presented below. The College's net pension liabilities calculated using the discount rate of 7.60% is presented as well as the net pension liabilities using a discount rate that is 1.0% lower (6.60%) or 1.0% higher (8.60%) than the current rate.

Actuarial Assumptions – 2017

Actuarial valuations of the Systems 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 Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the study and effective with the June 30, 2016 valuation. Significant actuarial assumption and method changes are detailed below. For additional information please refer to the Systems' CAFR. The next experience studies are scheduled for 2021.

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

- Measurement Date – June 30, 2016
- Valuation Date – June 30, 2016
- Expected Return on Investments – 7.75%, net of investment expenses and including 2.5% inflation
- Inflation – 2.25%
- Total Payroll Growth

NOTE G – RETIREMENT PLAN (continued)

- PSRS – 2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
- PEERS – 3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.

- Future Salary Increases
  - PSRS – 3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
  - PEERS – 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
- Cost-Of-Living Increases
  - PSRS & PEERS – The long-term cost-of-living adjustment (COLA) assumed in the valuation is 1.50% per year, based on the current policy of the Board to grant a 0.00% COLA when annual inflation, as measured by the CPI-U index for a fiscal year, increases between 0.00% and 2.00% and to grant 2.00% when the increase is between 2.00% and 5.00%. The actuarial assumption increases from 1.00% to 1.50% over ten years (from fiscal year 2017 to fiscal year 2027). The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.
- Mortality Assumption
  - Actives
    - PSRS – RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
    - PEERS – RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.

NOTE G – RETIREMENT PLAN (continued)

- Non-Disabled Retirees, Beneficiaries and Survivors
  - PSRS – RP 2006 White Collar Employee Mortality Tables with plan specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
  - PEERS – RP 2006 Total Dataset Employee Mortality Tables with plan specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
- Disabled Retirees
  - PSRS & PEERS – RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

- Changes in Actuarial Assumptions and Methods – An experience study was completed in June 2016 resulting in an update to the following assumption:
  - PSRS & PEERS – The inflation assumption decreased from 2.50% to 2.25% per year.
  - PSRS & PEERS – In addition, the Board adopted a new COLA policy during fiscal 2016 resulting in a decrease in the future COLA assumption from 2.00% per year to a variable, increasing assumption of 1.00%-1.50% over ten years beginning January 1, 2018.
  - PSRS
    - The payroll growth assumption decreased from 3.50% to 2.75% per year.
    - The future salary increase assumption decreased from 4.00% to 10.00%, depending on service to 3.00% to 9.50%, depending on service.
    - The investment return assumption decreased from 8.00% to 7.75% per year.
    - The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP 2006 White Collar Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
    - The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA to the RP 2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
    - The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
  - PEERS
    - The payroll growth assumption decreased from 3.75% to 3.25% per year.
    - The future salary increase assumption decreased from 5.00% to 12.00%, depending on service to 4.00% to 11.50%, depending on service.

NOTE G – RETIREMENT PLAN (continued)

- The investment return assumption decreased from 8.00% to 7.75% per year.
- The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP 2006 Total Dataset Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
- The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA to the RP 2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
- The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

• Fiduciary Net Position – The Systems issue 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 investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on the Systems' 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 the Systems' target allocation as of June 30, 2016, are 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 cash flows.

NOTE G – RETIREMENT PLAN (continued)

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%	5.16%	1.39%
Public Credit	7.0%	2.17%	0.15%
Hedged Assets	6.0%	4.42%	0.27%
Non-U.S. Public Equity	15.0%	6.01%	0.90%
U.S. Treasuries	16.0%	0.96%	0.15%
U.S. TIPS	4.0%	0.80%	0.03%
Private Credit	4.0%	5.60%	0.22%
Private Equity	12.0%	9.86%	1.18%
Private Real Estate	9.0%	3.56%	0.32%
Total	100.0%		4.61%
		Inflation	2.25%
		Long-term arithmetical nominal return	6.86%
		Effect of covariance matrix	0.89%
		Long-term expected geometric return	7.75%

- Discount Rate – The long-term expected rate of return used to measure the total pension liability was 7.75% as of June 30, 2016, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return on 7.75% based on the actuarial experience studies and asset-liability study conducted during the current year. 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 College's net pension liability to changes in the discount rate is presented below. The College's net pension liability calculated using the discount rate of 7.75% is presented as well as the net pension liability using a discount rate that is 1.0% lower (6.75%) or 1.0% higher (8.75%) than the current rate.

NOTE G – RETIREMENT PLAN (continued)

The sensitivity of the College's net pension liabilities to changes in the discount rate is presented below. The College's net pension liabilities calculated using the discount rate of 7.60% for 2018 and 7.75% for 2017 is presented as well as the net pension liabilities using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

PSRS

2018 Discount Rate 2017 Discount Rate	1% Decrease (6.60%) 1% Decrease (6.75%)	Current Rate (7.60%) Current Rate (7.75%)	1% Increase (8.60%) 1% Increase (8.75%)
2018 Proportionate share of the Net Pension Liability	$ 24,112,559	$ 13,576,467	$ 4,817,150
2017 Proportionate share of the Net Pension Liability	22,897,673	13,497,337	5,670,129

PEERS

2018 Discount Rate 2017 Discount Rate	1% Decrease (6.60%) 1% Decrease (6.75%)	Current Rate (7.60%) Current Rate (7.75%)	1% Increase (8.60%) 1% Increase (8.75%)
2018 Proportionate share of the Net Pension Liability	$ 2,650,680	$ 1,438,926	$ 422,517
2017 Proportionate share of the Net Pension Liability	2,705,466	1,555,728	590,815

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.

NOTE H – TAXES (continued)

The assessed valuations of the College on January 1, 2018 and 2017, upon which the levies for fiscal years 2018 and 2017 were based, were $1,728,144,591 and $1,667,134,045, respectively. The tax levy per $100 of assessed valuation was as follows:

	2018	2017
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, The Columbia College lease was entered into on November 1, 2013, and will expire on October 31, 2018, and the R-Tech lease was entered into on July 1, 2018 and renews annually.

	2018	2017
R-Tech (Rolla)	$ 145,530	$ 145,530
Columbia College	34,232	143,846
TOTAL REMAINING LEASE OBLIGATIONS	$ 179,762	$ 289,376

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 2018 and 2017 calendar year were $249,515 and $232,859, 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, 2018, 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.

NOTE M – POSTEMPLOYMENT HEALTH CARE PLAN

Summary of Significant Accounting Policies

Financial reporting information included in the notes to the financial statements pertaining to the College's Post-Employment Benefits Other than Pension (OPEB) Plan are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* as applicable to the College's accrual basis of accounting.

General Information about the Pension Plan

Plan Description. The College's defined benefit Post-Employment Benefits Other than Pension (OPEB) plan is administered by the College. The College does not pre-fund benefits through a Trust, but pays benefits directly from general assets on a pay-as-you-go basis. The contribution requirements of plan members and the College are established and may be amended by the Board of Trustees. The College's OPEB plan is a single-employer defined benefit OPEB for retirees meeting the normal or early retirement eligibility requirements as set by the Public School Retirement System of Missouri (PSRS) or the Public Education Employee Retirement System of Missouri (PEERS).

NOTE M – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

Benefits Provided. – The College's OPEB plan provides medical and dental insurance coverage for eligible retirees, their spouses and dependents. Retirees are required to pay the full premium Surviving spouses are eligible to continue coverage after retiree's death. Retirees are allowed to continue coverage past Medicare eligibility age (65).

Employees covered by benefit terms. – At June 30, 2018, the following employees were covered by the benefit terms:

Active employees and beneficiaries currently enrolled	188
Retired employees and beneficiaries currently enrolled	16
	204

Actuarial Methods and Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

- Measurement Date - June 30, 2018
- Valuation Date – June 30, 2017; actuarial valuations are performed biennially
- Actuarial Cost Method – Entry Age Normal
- Inflation – 2.30%
- Salary Increases – 3.00% per annum
- Discount Rate – 3.87% per annum based on the 20 year bond GO index at June 30, 2018.
- Healthcare Cost Trend Rates
    - Medical/Retiree Premium Inflation Rate - 7.60% for 2017, gradually decreasing to an ultimate rate of 4.10% for 2074 and beyond. The trends used in the valuation are based on long term healthcare trends generated by the Getzen Model. The Getzen Model is the result of research sponsored by the Society of Actuaries and completed by a committee of economists and actuaries. This model is the current industry standard for projecting long term medical trends. Inputs to the model are consistent with the assumptions used in deriving the discount rate used in the valuation.

NOTE M – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

- Retirement – The following retirement assumptions were made:
  - The rate of retirement effective June 30, 2015, was based on the following:

	Rate	
Age	**Eligible for Early Retirement**	**Eligible for Normal/ Unreduced Retirement**
50-54	0%	20%
55-59	4%	20%
60-64	N/A	25%
65-69	N/A	35%
70 & up	N/A	100%

  - 50% of employees who retire prior to age 65 are assumed to elect medical coverage under the plan
  - Medicare eligible retirees are assumed to discontinue coverage under the plan when they reach age 65. Existing Medicare retirees are assumed to be unsubsidized.
  - Current active members are assumed to elect spouse coverage at 30% for females and 30% for males; all female spouses are assumed to be 3 years younger than males
  - No dependent children are assumed to be covered in retirement
- Turnover – Effective June 30, 2015, the following rates were used based on length of service:

Service	Rate
0	23.4%
1	15.1%
2	11.1%
3	9.2%
4	7.7%
5	6.4%
10	3.3%
15	2.0%
20	1.0%

- Mortality – RP-2014 Mortality for Employees and Healthy Annuitants, with generational project per Scale MP-2016
- Changes in actuarial assumptions and methods – The discount rate increased from 3.58% to 3.87% for June 30, 2018.

NOTE M – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

Changes in the Total OPEB Liability

	Increase in Total OPEB Liability
Balance at June 30, 2017	$ 1,167,621
Changes for the year:	
Service Cost	97,667
Interest on total OPEB liability	43,990
Effect of assumptions changes or inputs	(27,898)
Benefit payments	(73,639)
Balance at June 30, 2018	$ 1,207,741

Sensitivity Analysis

Sensitivity of Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the College, calculated using the discount rate of 3.87%, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Current Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	$1,317,933	$ 1,207,741	$1,107,374

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the College, calculated using the current healthcare cost trend rates, as well as what the College's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$1,058,443	$ 1,207,741	$1,387,037

NOTE M – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

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

For the year ended June 30, 2018, the College recognized OPEB expense of $129,819

As of June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to OPEB:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:		
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	(83,815)
Total	$ -	$ (83,815)

At June 30, 2017, the College reported deferred inflows of resources in the amount of $67,755.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are to be recognized in OPEB expense as follows:

Year Ending June 30,	
2019	$ (11,838)
2020	(11,838)
2021	(11,838)
2022	(11,838)
2023	(11,838)
Thereafter	(24,625)
	$ (83,815)

NOTE N – RESTATEMENT

During the year ended June 30, 2018, the College adopted the provisions of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Net position has been restated as follows:

NET POSITION, June 30, 2017, as previously stated	$ 24,185,392
Post-employment benefit liability	(567,121)
Deferred OPEB inflows	(67,155)
NET POSITION, June 30, 2017, as restated	$ 23,551,116

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, 2017 and 2016.

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.

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.

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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

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

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

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

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

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

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

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

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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 May 11, 2018, the date the financial statements were available to be issued.

Income Taxes – The Foundation adopted the provisions of FASB ASC 740-10-25. 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, 2017, 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 2014, 2015 and 2016, are subject to examination by the IRS, generally for three years after they were filed.

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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

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.

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

Endowment Net Assets Composition by Type of Fund as of December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 174,775	$ 3,260,196	$ 3,434,971
Board-designated endowment funds	422,592	-	-	422,592
TOTAL FUNDS	$ 422,592	$ 174,775	$ 3,260,196	$ 3,857,563

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 341,308	$ 159,564	$ 3,115,664	$ 3,616,536
Investment return:				
Net gain (realized and unrealized)	196,807	45,440	20,352	262,599
Total investment return	196,807	45,440	20,352	262,599
Contributions	-	1,199	124,180	125,379
Appropriation of endowment assets for expenditures	(115,523)	(31,428)	-	(146,951)
Endowment net assets, end of year	$ 422,592	$ 174,775	$ 3,260,196	$ 3,857,563

Endowment Net Assets Composition by Type of Fund as of December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 159,564	$ 3,115,664	$ 3,275,228
Board-designated endowment funds	341,308	-	-	341,308
TOTAL FUNDS	$ 341,308	$ 159,564	$ 3,115,664	$ 3,616,536

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 392,714	$ 131,930	$ 3,122,985	$ 3,647,629
Net assets reclassification	-	59,136	(59,136)	-
Investment return:				
Net gain (realized and unrealized)	7,632	-	-	7,632
Total investment return	7,632	-	-	7,632
Contributions	6,883	35,000	51,815	93,698
Appropriation of endowment assets for expenditures	(65,921)	(66,502)	-	(132,423)
Endowment net assets, end of year	$ 341,308	$ 159,564	$ 3,115,664	$ 3,616,536

3. *PLEDGES RECEIVABLE*

Unconditional promises to give consist of the following:

	2017	2016
Unrestricted promises to give	$ 305,000	$ 281,000
Permanently restricted promises to give	18,236	32,793
Less: Allowance for uncollectible amounts	(1,088)	(1,148)
Discount for promises to give	(305)	(7,193)
Promises to give, net	$ 321,843	$ 305,452

The promises are collectible in future years as shown below:

	2017	2016
Less than one year	$ 307,686	$ 53,234
One to five years	14,157	252,218
	$ 321,843	$ 305,452

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.

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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, 2017 and 2016, using quoted prices in active markets.

Investments at December 31, 2017 and 2016, consist of the following:

	Level I Quoted Prices in Active Markets For Identical Assets	
	2017	2016
Equity securities and mutual funds	$ 4,950,080	$ 4,068,937
Certificates of deposit	1,366,137	1,342,714
Cash surrender value of life insurance policy	16,597	17,989
	$ 6,332,814	$ 5,429,640

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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

	2017	2016
Unrestricted and temporarily restricted investments	$ 3,178,625	$ 2,433,752
Investments restricted for permanent investment	3,154,189	2,995,888
	$ 6,332,814	$ 5,429,640

Investments are carried at fair value in accordance with generally accepted accounting principles in the United States of America.

5. *INVESTMENT RETURN*

Investment return during 2017 and 2016 consisted of the following:

	2017	2016
Interest and dividends	$ 143,517	$ 117,671
Realized and unrealized gains on investments, net	771,935	317,333
	$ 915,452	$ 435,004

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

	2017	2016
Unrestricted	$ 687,098	$ 285,681
Temporarily restricted	228,243	149,323
Permanently restricted	111	-
	$ 915,452	$ 435,004

6. *NET ASSETS*

Temporarily restricted net assets of $1,537,290 and $1,268,009 at December 31, 2017 and 2016, respectively, are available for scholarships and other uses based on donor-imposed restrictions.

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

Net assets were released from donor restrictions during 2017 and 2016, by incurring expenses satisfying the restricted purposes or time restrictions specified by donors as follows:

	2017	2016
Scholarships	$ 46,413	$ 75,736
Miscellaneous activities	647	3,382
Special projects	8,565	12,247
	$ 55,625	$ 91,365

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.

7. *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 $165,667 for the year ended December 31, 2017, and temporarily restricted contribution revenue in the amount of $157,897 for the year ended December 31, 2016.

8. *RECLASSIFICATION OF NET ASSETS*

Net assets were reclassified between temporarily restricted, unrestricted, and permanently restricted in the amount of $66,651, $14,246 and $80,897, respectively at December 31, 2017. Net assets were reclassified between temporarily restricted, unrestricted, and permanently restricted in the amount of $92,321, $68,306, and $24,015, respectively at December 31, 2016. Net assets were reclassified due to a recalculation of scholarship requirements of restriction.

9. COMMITMENTS

As of December 31, 2017, the Foundation was committed to various students in the amount of 54,475 for the Spring of 2018 scholarships. The Foundation was also committed to the Junior College District of East Central Missouri in the amount of $20,000 for their annual Legacy Scholarship.

REQUIRED SUPPLEMENTARY INFORMATION

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS – PSRS AND PEERS
Year Ended June 30, 2018

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%
6/30/2016	0.1842%	10,633,608	8,382,790	126.85%	85.78%
6/30/2017	0.1814%	13,497,337	8,413,364	160.43%	82.18%
6/30/2018	0.1880%	13,576,468	8,899,644	152.55%	83.77%

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	25.04%	91.33%
6/30/2016	0.2118%	1,120,224	3,175,988	35.27%	88.28%
6/30/2017	0.1939%	1,555,728	2,994,166	51.96%	83.32%
6/30/2018	0.1886%	1,438,925	3,030,718	47.48%	85.35%

Note: These schedules are 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 the Systems' net pension liability, which is as of the beginning of the College's fiscal year.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULES OF EMPLOYER CONTRIBUTIONS – PSRS AND PEERS
Year Ended June 30, 2018

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	-	8,382,790	14.43%
6/30/2016	1,214,804	1,214,804	-	8,413,364	14.44%
6/30/2017	1,285,971	1,285,971	-	8,899,644	14.45%
6/30/2018	1,225,946	1,225,946	-	8,403,402	14.59%

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%
6/30/2016	205,400	205,400	-	2,994,166	6.86%
6/30/2017	207,907	207,907	-	3,030,718	6.86%
6/30/2018	200,936	200,936	-	2,929,090	6.86%

Note: These schedules are 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 CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Year Ended June 30, 2018

Postemployment Health Care Plan

TOTAL OPEB LIABILITY	June 30, 2018
Service cost	$ 97,667
Interest on total OPEB liablity	43,990
Effect of assumption changes or inputs	(27,898)
Benefit payments	(73,639)
NET CHANGE IN TOTAL OPEB LIABILITY	40,120
TOTAL OPEB LIABILITY, BEGINNING	1,167,621
TOTAL OPEB LIABILITY, ENDING	$ 1,207,741
Covered payroll	$ 10,386,284
Total OPEB liability as a % of covered payroll	11.63%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

STATISTICAL INFORMATION (UNAUDITED)

Year Ending	Summer		Fall		Spring	
June 30,	Enrollment	Hours	Enrollment	Hours	Enrollment	Hours
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
2016	900	4,294	3,222	30,982	2,881	27,345
2017	698	3,190	2,966	28,442	2,710	25,172
2018	612	2,982	2,897	27,807	2,547	23,616

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

Year Ended June 30,	Principal	Interest	Total
2019	$ 405,000	$ -	$ 405,000
2020	465,000	-	465,000
2021	525,000	-	525,000
	$ 1,395,000	$ -	$ 1,395,000

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF BOND AND INTEREST REQUIREMENTS
$7,495,000 BOND ISSUE – SERIES 2015

Year Ended June 30,	Principal	Interest	Total
2019	$ 725,000	$ 244,750	$ 969,750
2020	750,000	215,750	965,750
2021	750,000	193,250	943,250
2022	775,000	163,250	938,250
2023	825,000	140,000	965,000
2024	850,000	107,000	957,000
2025	900,000	73,000	973,000
2026	925,000	37,000	962,000
	$ 6,500,000	$ 1,174,000	$ 7,674,000

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF BOND AND INTEREST REQUIREMENTS
$3,805,000 BOND ISSUE – SERIES 2016

Year Ended June 30,	Principal	Interest	Total
2019	$ -	$ 110,400	$ 110,400
2020	-	110,400	110,400
2021	-	110,400	110,400
2022	580,000	110,400	690,400
2023	675,000	93,000	768,000
2024	750,000	72,750	822,750
2025	850,000	54,000	904,000
2026	950,000	28,500	978,500
	$ 3,805,000	$ 689,850	$ 4,494,850

OTHER REPORTING REQUIREMENTS

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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Junior College District of East Central Missouri's financial statements, and have issued our report thereon, dated November 19, 2018.

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.

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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

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
November 19, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each 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 Compliance Supplement* that could have a direct and material effect on the Junior College District of East Central Missouri's major federal program for the year ended June 30, 2018. The Junior College District of East Central Missouri's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Junior College District of East Central Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on the Major Federal Program

In our opinion, 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 its major federal program for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on the major federal program is not modified with respect to this matter.

Junior College District of East Central Missouri's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 Junior College District of East Central Missouri 's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a material weakness.

Junior College District of East Central Missouri's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 19, 2018

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number / Other Identifying Number	Passed-through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Direct				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063	N/A	$ -	$ 4,537,560
Federal Work-Study Program	84.033	N/A	-	67,492
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	122,842
Federal Direct Student Loans	84.268	N/A	-	2,289,495
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			-	7,017,389
Missouri Department of Elementary and Secondary Education				
Adult Education - Basic Grants to States	84.002	V002A170026	-	287,299
Career and Technical Education - Basic Grants to States	84.048	V048A160025	-	177,843
TOTAL U.S. DEPARTMENT OF EDUCATION			-	7,482,531
U.S. DEPARTMENT OF LABOR				
Metropolitan Community College				
Trade Adjustment Assistance Community College and Career Training Grants (TAACCCT)	17.282	TC-26470-14-60-A-29	-	173,356
Missouri Department of Economic Development				
Apprenticeship USA Grants	17.285	AP-30081-16-60-A-29	-	117,756
TOTAL U.S. DEPARTMENT OF LABOR			-	291,112
U.S. DEPARTMENT OF AGRICULTURE				
Direct				
Rural Business Development Grant	10.351	N/A	-	56,606
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	56,606
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Missouri Department of Elementary and Secondary Education				
Childcare and Development Block Grant	93.575	1801MOCCDF	-	14,098
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	14,098
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 7,844,347

N/A – Not Applicable

See accompanying 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, 2018. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. 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.

3. The College elected not to use the 10% de minimis indirect cost rate.

NOTE C – SUBRECIPIENTS

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

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I – Summary of Audit Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:		Unmodified		
Internal control over financial reporting:				
• Material weakness(es) identified?		yes	X	no
• Significant deficiency(ies) identified:		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major federal programs:				
• Material weakness(es) identified?		yes	X	no
• Significant deficiency(ies) identified:	X	yes		none reported
Type of auditor's report issued on compliance for major federal programs:		Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	X	yes		no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063 & 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs:		$ 750,000		
Auditee qualified as low-risk auditee?	X	yes		no

Section II – Financial Statement Findings

None

Section III – Findings Required to be Reported by the Uniform Guidance

U.S. Department of Education
Student Financial Assistance Cluster
CFDA Nos. 84.007, 84.033, 84.063 and 84.268
Award year: 2017-2018

2018-001 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 does have procedures in place to correctly report changes in student enrollment status within the required timeframe. However, an error was made during a software update that was not corrected timely.

Context: A sample of 40 students revealed that in six instances the enrollment statuses in the NSLDS did not match the student statuses in the College's system. A non-statistical sampling methodology was used to select the sample.

Effect: The Department of Education may be making decisions on incorrect or outdated information.

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.

Repeat Finding: No.

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 College is actively working with the third-party provider to ensure the error does not continue. The Office of the Registrar has also updated the existing reporting procedures to ensure accurate reporting.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

There were no prior audit findings.

U.S. DEPARTMENT OF EDUCATION

East Central College respectfully submits the following corrective action plan for the year ended June 30, 2018.

Contact information for the individual responsible for the corrective action:

Dr. 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, 2018

The findings from the June 30, 2018, 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

SIGNIFICANT DEFICIENCY

2018-001 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: October 31, 2018