Junior College District of East Central, Missouri

Financial Statements

Years Ended June 30, 2019 And 2018

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities, as of and for the years ended June 30, 2019 and 2018, and the discretely presented component unit as of and for the years ended December 31, 2018 and 2017, of the Junior College District of East Central, Missouri (the College), and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Junior College District of East Central, Missouri, the primary government, as of June 30, 2019 and 2018, 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, 2018 and 2017, 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.

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 20, 2019, 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 20, 2019

Management’s Discussion & 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, 2019 and 2018. 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, 2019, 2018 and 2017, shows the unrestricted portion at $(6.0) million, $(6.2) million and $(6.5) million, respectively.

	2019	2018	2017
Current assets	$ 11,577,834	$ 10,403,205	$ 10,549,520
Restricted assets	580,617	192,414	709,940
Capital assets	43,303,824	43,380,389	44,581,150
Deferred outflows	7,235,763	8,859,724	7,971,713
Total Assets and Deferred Outflow of Resources	62,698,038	62,835,732	63,812,323
Current liabilities	6,156,855	5,340,408	5,915,041
Long-term liabilities	29,183,970	29,373,076	30,551,560
Deferred inflows	4,333,443	4,999,826	3,794,606
Total Liabilities and Deferred Inflow of Resources	39,674,268	39,713,310	40,261,207
Net investment in capital assets	28,623,145	29,337,486	29,570,942
Restricted	385,406	-	504,953
Unrestricted	(5,984,781)	(6,215,064)	(6,524,779)
Total Net Position	$ 23,023,770	$ 23,122,422	$ 23,551,116

Significant capital expenditures in fiscal year 2019 included the following:

Musical Instruments	$ 8,477
Nursing Manikin	9,420
Fiber Optic Run	12,879
Softball Field Fence	13,357
Athletics Trophy Case	22,508
IT Network Clost Replacements	32,899
Three Mechanical Trainers for Industrial Engineering	57,831
Industrial Engineering Instructional Equipment	207,426
HVAC Equipment Replacements	180,323
Total	$ 545,120

Net capital assets decreased by $76,565. Capital expenditures, detailed above, totaled $545,120. Depreciation of $2,146,968 was recorded.

Statements of Revenues, Expenses, & 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, 2019, 2018 and 2017.

	2019	2018	2017
Operating revenue	$ 12,912,152	$ 14,022,015	$ 18,121,119
Operating expenses	26,244,513	27,439,045	29,972,488
Operating (Loss)	(13,332,361)	(13,417,030)	(11,851,369)
Non-operating revenues (expenses)	13,233,709	12,988,336	12,685,263
Increase (Decrease) in Net Position	(98,652)	(428,694)	833,894
Net Position, Beginning of year	23,122,422	23,551,116	23,351,498
Change in accounting principle	-	-	(634,276)
Net Position, End of year	$ 23,023,770	$ 23,122,422	$ 23,551,116

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 2019, 2018 and 2017, revenues, both operating and non-operating.

	2019	2018	2017
Operating Revenues			
Student tuition and fees, net	$ 3,633,936	$ 4,030,667	$ 4,215,520
Federal grants and contracts	6,977,581	7,841,933	9,030,845
State grants and contracts	580,810	446,593	2,486,546
Local grants and contracts	10,000	22,668	68,389
Other auxiliary services	1,709,825	1,680,154	2,319,819
Total Operating Revenue	$ 12,912,152	$ 14,022,015	$ 18,121,119

	2019	2018	2017
Nonperating Revenues (Expenses)			
State appropriations	$ 5,266,945	$ 5,282,163	$ 5,385,014
Tax revenues	8,240,732	8,035,814	7,828,261
Contributions	88,634	59,347	40,000
Interest income	108,772	94,032	101,664
Interest and fees on debt	(474,924)	(486,687)	(666,197)
Gain (loss) on disposal of asset	3,550	3,667	(3,479)
Total Nonoperating Revenues (Expenses)	$ 13,233,709	$ 12,988,336	$ 12,685,263

Operating revenue for fiscal year 2019 decreased by $1,109,863.

Following are the components of operating expenses for the College during fiscal years 2019, 2018 and 2017.

	2019	2018	2017
Operating Expenses			
Salaries and benefits	$ 14,846,882	$ 15,114,179	$ 16,271,326
Scholarships	3,557,374	4,506,829	5,283,980
Supplies, other services, and utilities	5,693,289	5,671,250	6,477,128
Depreciation	2,146,968	2,146,787	1,940,054
Total Operating Expenses	$ 26,244,513	$ 27,439,045	$ 29,972,488

Operating expenses decreased by $1,194,532 in FY19. Scholarships account for the largest decrease in operating expenses. In fiscal year 2018, total operating expenditures decreased from $29,972,488 to $26,244,513.

In addition, the following chart presents the fiscal years 2019, 2018 and 2017, operating expenses of the College by function.

	2019	2018	2017
Operating Expenses by Function			
Instruction	$ 7,815,182	$ 7,669,700	$ 8,739,496
Academic support	3,464,633	2,596,221	2,220,690
Student services	1,613,735	1,600,856	1,538,048
Institutional support	4,362,281	5,134,110	5,916,802
Operations and maintenance	2,209,003	2,179,010	2,347,544
Student financial aid	3,417,954	4,417,009	5,231,221
Public service	-	27,254	74,277
Depreciation	2,146,968	2,146,787	1,940,054
Auxiliary enterprise	1,214,757	1,668,098	1,964,356
Total Operating Expenses by Function	$ 26,244,513	$ 27,439,045	$ 29,972,488

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, 2019, 2018 and 2017.

	2019	2018	2017
Cash Provided (Used) By:			
Operating activities	$ (10,548,758)	$ (11,203,241)	$ (8,727,065)
Capital and related financing activities	(1,947,503)	(2,490,334)	(9,182,676)
Noncapital financing activities	13,596,311	13,377,324	13,253,275
Investing activities	150,565	171,899	5,079,777
Net Change in Cash and Cash Equivalents	1,250,615	(144,352)	423,311
Cash and Cash Equivalents, Beginning of year	5,512,291	5,656,643	5,233,332
Cash and Cash Equivalents, End of year	$ 6,762,906	$ 5,512,291	$ 5,656,643

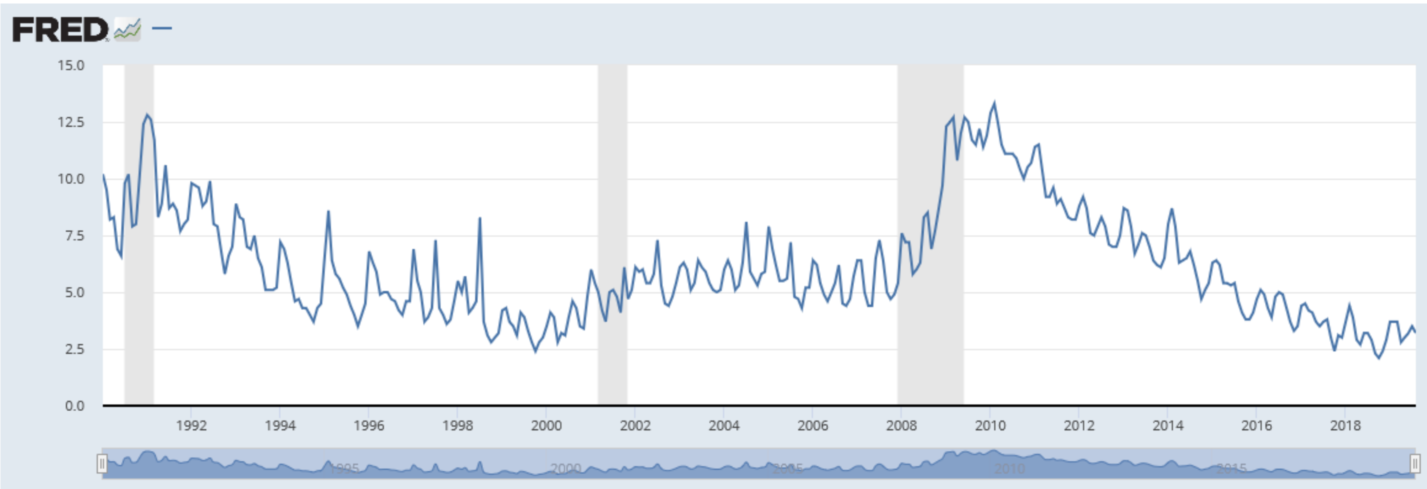
Debt Administration

Total debt of the College as of June 30, 2019, was $14,680,679, which is up $637,776 from the prior year. See Note 6, long-term liabilities, to the financial statements for details of this increase.

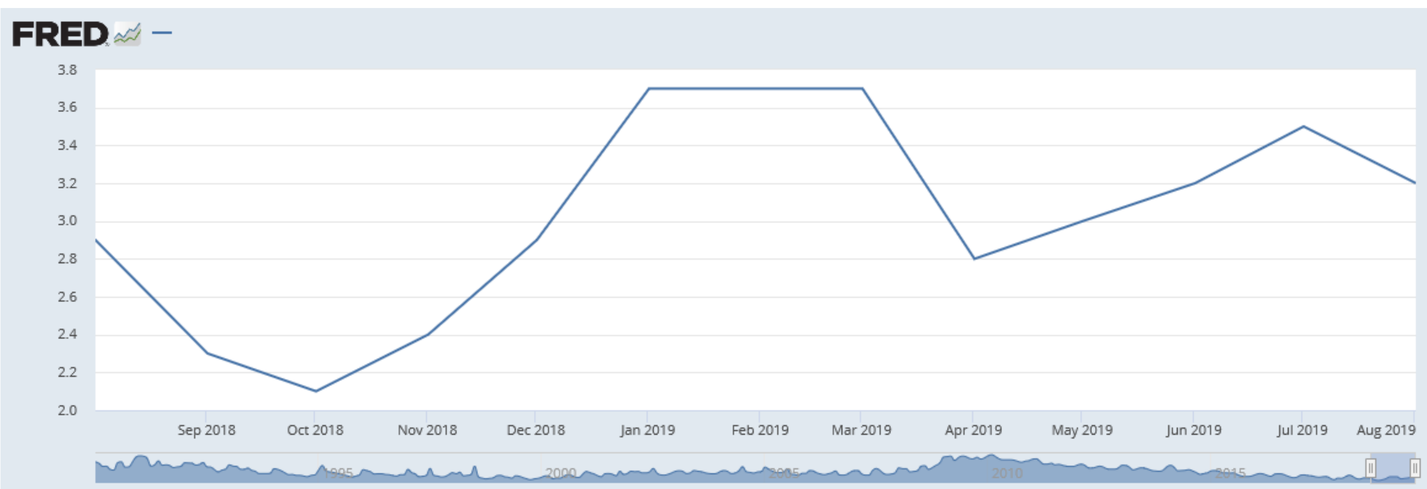
Economic Outlook

The 2020 economic outlook for East Central College is one of low unemployment, modest construction growth, mixed enrollment indicators, and stagnant state aid.

Unemployment in Franklin County, Missouri, where the main campus is located and where a majority of students reside, was 3.2% in August, 2019 (Federal Reserve Bank of St. Louis). The following graph illustrates unemployment since 1990, with shaded areas on the X axis indicating U.S. recessions (Source: U.S. Bureau of Labor Statistics, www.fred.stlouisfed.org).



The corresponding graph provides monthly unemployment for the 12 month period ending in August, 2019:



Unemployment is a factor in the College's enrollment, with low unemployment typically resulting in fewer students. This is particularly true of adult students who are able to work rather than attend college.

Enrollment for the fall semester, 2019, reflected an increase in students served, but a decline in credit hours, when compared to the fall semester of 2018. At census (enrollment at the end of the fourth week of classes), the college had 2,649 students enrolled, compared to 2,629 the prior fall, an increase of .8%. However, students were enrolled for 25,148 credit hours, a decline from 26,068 (-3.5.%) the previous fall semester. The college experienced growth in its dual credit enrollment at area high schools (450 students (326 in 2018), 1,989 credit hours (1,476 in 2018), and at its Rolla facilities (386 students compared to 378 in 2018). Other areas of growth included enrollment in the Associate of Arts in Teaching (66 students (26 in 2018), and with in-district enrollment (1,779 students (1,731 in 2018). The average (mean) age for students is 23 (by comparison, the mean student age in 2011 was 25.2, following a period of 13.3% unemployment).

The assessed valuation of the Junior College District of East Central, Missouri is $1,856,523,069 in 2019, a 5.2% increase over 2018. This is due to new construction and reassessment. The district experienced $29,370,472 in new construction and improvements between 2018 and 2019, representing 1.9% of the real estate valuation. New construction in 2018 was valued at $30,200,779, and in 2017 at $21,993,865. The two years of more robust growth has resulted in additional local revenue for the college. Reassessment of existing property resulted in an increase of 3.67% over 2018 assessments. Not all of this reassessment growth is realized as revenue, as the district's operating tax levy was adjusted to permit only inflationary growth of 1.9% on previously existing property.

State appropriations for community colleges declined in FY2020, following a trend since FY17. The General Assembly appropriated $143,570,515 in FY20, down from $145,570,515 in FY19. Appropriations for community colleges since 2017 are as follows:

FY 2017	$151,874,958
FY 2018	$147,391,746
FY 2019	$145,570,515
FY 2020	$143,570,515

Appropriations do not take into account withholdings that have occurred within a fiscal year. Actual expenditures in state aid for community colleges are as follows:

FY 2017	$135,797,119
FY 2018	$139,260,289
FY 2019	$141,163,040

The Truly Agreed to and Finally Passed (TAFP) funding for East Central College in FY 2020 was $5,389,439. The Missouri Department of Higher Education, as authorized by the Coordinating Board for Higher Education, has requested $149,305,010 in community college funding for FY 2021. The core appropriation request is for the same level of funding as FY 2020. The Department has requested $2,727,840 to be allocated as additional revenue based on institutional performance. East Central College could earn as much as $102,399 in performance funding if the funding request is approved. The department also requested an increase of $2,871,410 in funding for Maintenance and Repair (M&R) of facilities. This is based on 2% of the institution's core appropriation. For East Central, this funding would amount to $107,789 in new M&R funding.

Effective for the summer of 2019, the Board of Trustees adopted a significant increase in its tuition structure. At the recommendation of the administration, derived through the work of the institutional budget committee, the board approved a 20% increase in tuition, and a $4 per credit hour increase in general fees. The in-district Tier 1 rate for tuition is now $102 per credit hour, compared to $85 previously. Tier 2 in-district tuition is now $125, compared to $104 previously. General fees increased from $23 per credit hour to $27, specifically to provide increased revenue for student activities, facilities, and security. The current tuition and fee schedule is as follows:

Tuition	Tier 1	Tier 2
In-District	$102	$125
Out-of-District	$147	$180
Out-of-State	$218	$268
International	$224	$287
Dual Credit/Enrollment	$51	$ -

General Fees	Tier 1	Tier 2
Student Activity Fee	$6.50	$6.50
Support Services Fee	$3.50	$3.50
Technology Fee	$5.00	$5.00
Facilities Fee	$7.00	$7.00
Security Fee	$5.00	$5.00

Development of the FY21 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. The College has established the Budget Committee as a standing committee, charged with developing recommendations for the administration as the annual budget is developed and monitored.

Contacting the College's Financial Management

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

Dr. Jon Bauer, President

East Central College

1964 Prairie Dell Road

Union, MO 63084-4344

Financial Statements

Junior College District of East Central, Missouri

Statements of Net Position – Primary Government

June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 6,182,289	$ 5,319,877
Investments	856,789	843,025
Receivables:		
Students, net	3,116,457	2,575,832
Federal and state agencies	568,842	807,022
Other	92,551	74,820
Inventory	196,451	212,876
Prepaid expenses	564,455	569,753
	11,577,834	10,403,205
Restricted Assets		
Cash and cash equivalents	580,617	192,414
Noncurrent Assets		
Capital assets		
Nondepreciable	2,243,897	554,854
Depreciable, net	41,059,927	42,825,535
	43,303,824	43,380,389
Total Assets	55,462,275	53,976,008
Deferred Outflow of Resources		
Deferred Pension Outflows	7,225,701	8,859,724
Deferred OPEB Outflows	10,062	-
Total Deferred Outflow of Resources	7,235,763	8,859,724
Liabilities		
Current Liabilities		
Accounts payable	345,094	253,086
Due to agency groups	79,040	92,478
Accrued wages and benefits	668,111	663,903
Accrued interest	204,469	192,414
Unearned revenue	3,383,186	2,746,018
Current portion of long-term liabilities	1,476,955	1,392,509
	6,156,855	5,340,408
Long-Term Liabilities		
Bonds payable, net	9,571,722	10,731,165
Leases and loans	3,632,002	1,919,229
Net pension liability	14,443,812	15,015,393
Post-employment benefit liability	962,138	1,207,741
Compensated absences	574,296	499,548
	29,183,970	29,373,076
Total Liabilities	35,340,825	34,713,484
Deferred Inflow of Resources		
Deferred Pension Inflows	3,983,097	4,916,011
Deferred OPEB Inflows	350,346	83,815
Total Deferred Inflow of Resources	4,333,443	4,999,826
Net Position		
Net Investment in Capital Assets	28,623,145	29,337,486
Restricted	385,406	-
Unrestricted	(5,984,781)	(6,215,064)
Total Net Position	$ 23,023,770	$ 23,122,422

See accompanying notes to the financial statements

Junior College District of East Central, Missouri

East Central College Foundation, Inc. – Component Unit

Statements of Financial Position

December 31, 2018 and 2017

	December 31,	
	2018	**2017**
Assets		
Current Assets		
Cash and cash equivalents	$ 196,530	$ 219,228
Investments	2,836,867	3,178,625
Pledges receivable, net	322,840	304,836
Accrued interest receivable	4,512	5,232
Prepaid expenses	1,023	1,291
Total Current Assets	3,361,772	3,709,212
Assets Restricted for Permanent Investment		
Investments	3,222,379	3,154,189
Pledges receivable, net	5,854	17,007
Land	89,000	89,000
Total Assets Restricted for Permanent Investment	3,317,233	3,260,196
Total Assets	$ 6,679,005	$ 6,969,408
Liabilities & Net Assets		
Current Liabilities		
Accounts payable	$ 784	$ 3,022
Total Current Liabilities	784	3,022
Net Assets		
Without donor restrictions	1,672,030	2,168,900
With donor restrictions	5,006,191	4,797,486
Total Net Assets	6,678,221	6,966,386
Total Liabilities and Net Assets	$ 6,679,005	$ 6,969,408

See accompanying notes to the financial statements

Junior College District of East Central, Missouri

Statements of Revenues, Expenses, & Changes in Net Position – Primary Government

Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Student tuition and fees (net of scholarship allowance of $2,955,878 in 2019 and $2,655,285 in 2018)	$ 3,633,936	$ 4,030,667
Federal grants and contracts	6,977,581	7,841,933
State grants and contracts	580,810	446,593
Local grants and contracts	10,000	22,668
Other auxiliary services	1,709,825	1,680,154
Total Operating Revenues	12,912,152	14,022,015
Operating Expenses		
Salaries	11,035,001	11,245,502
Employee benefits	3,811,881	3,868,677
Scholarships	3,557,374	4,506,829
Utilities	895,304	833,060
Supplies and other services	4,797,985	4,838,190
Depreciation	2,146,968	2,146,787
Total Operating Expenses	26,244,513	27,439,045
Operating (Loss)	(13,332,361)	(13,417,030)
Nonoperating Revenues (Expenses)		
State appropriations	5,266,945	5,282,163
Tax revenue	8,240,732	8,035,814
Contributions	88,634	59,347
Interest income	108,772	94,032
Gain on disposal of assets	3,550	3,667
Interest and fees on capital asset - related debt	(474,924)	(486,687)
Total Nonoperating Revenues (Expenses)	13,233,709	12,988,336
(Decrease) in Net Position	(98,652)	(428,694)
Net Position, Beginning of year	23,122,422	23,551,116
Net Position, End of year	$ 23,023,770	$ 23,122,422

See accompanying notes to the financial statements

Junior College District of East Central, Missouri

East Central College Foundation, Inc. – Component Unit

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, (Losses), and Other Support			
Contributions	$ 76,568	$ 236,710	$ 313,278
Interest and dividends	9,290	150,445	159,735
Net realized and unrealized (losses)	(429,152)	(37,769)	(466,921)
Special events	135,507	-	135,507
Net assets released from restrictions	124,541	(124,541)	-
Total Revenues, (Losses), and Other Support	(83,246)	224,845	141,599
Expenses			
Program	333,749	-	333,749
Supporting services			
Management and general	24,324	-	24,324
Fundraising	71,691	-	71,691
Total Expenses	429,764	-	429,764
Nonoperating Activities			
Transfer of funds	16,140	(16,140)	-
Change in Net Assets	(496,870)	208,705	(288,165)
Net Assets, Beginning of Year	2,168,900	4,797,486	6,966,386
Net Assets, End of Year	$ 1,672,030	$ 5,006,191	$ 6,678,221

See accompanying notes to the financial statements

Junior College District of East Central, Missouri

East Central College Foundation, Inc. – Component Unit

Statement of Activities

Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	$ 181,696	$ 226,837	$ 408,533
Interest and dividends	8,433	135,084	143,517
Net realized and unrealized gains	678,665	93,270	771,935
Special events	167,185	-	167,185
Net assets released from restrictions	55,625	(55,625)	-
Total Revenues, Gains, and Other Support	1,091,604	399,566	1,491,170
Expenses			
Program	325,566	-	325,566
Supporting services			
Management and general	30,061	-	30,061
Fundraising	111,958	-	111,958
Total Expenses	467,585	-	467,585
Change in Net Assets	624,019	399,566	1,023,585
Net Assets, Beginning of Year	1,559,127	4,383,674	5,942,801
Reclassification of Net Assets	(14,246)	14,246	-
Net Assets, End of Year	$ 2,168,900	$ 4,797,486	$ 6,966,386

See accompanying notes to the financial statements

Junior College District of East Central, Missouri

Statements of Cash Flows – Primary Government

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Student tuition and fees	$ 3,730,479	$ 4,239,162
Aid, grants, and contracts	7,806,571	8,478,382
Payments to suppliers	(5,592,996)	(5,988,893)
Payments to employees	(14,627,532)	(15,090,972)
Financial aid issued to students	(3,557,374)	(4,506,829)
Other receipts	1,692,094	1,665,909
Net Cash (Used) by Operating Activities	(10,548,758)	(11,203,241)
Cash Flows from Capital & Related Financing Activities		
Purchase of capital assets	(2,066,853)	(942,359)
Principal paid on capital debt and leases	(1,417,781)	(1,297,676)
Bond, lease, and loan proceeds	2,000,000	249,164
Interest paid on capital debt and leases	(462,869)	(499,463)
Net Cash (Used) by Capital & Related Financing Activities	(1,947,503)	(2,490,334)
Cash Flows from Noncapital Financing Activities		
Local taxes	8,240,732	8,035,814
State aid	5,266,945	5,282,163
Contributions	88,634	59,347
Net Cash Provided by Noncapital Financing Activities	13,596,311	13,377,324
Cash Flows From Investing Activities		
Net (purchases) of investments	(13,764)	(3,340)
Interest on investments	164,329	175,239
Net Cash Provided by Investing Activities	150,565	171,899
Net Increase (Decrease) in Cash and Cash Equivalents	1,250,615	(144,352)
Cash and Cash Equivalents, Beginning of year	5,512,291	5,656,643
Cash and Cash Equivalents, End of year	6,762,906	5,512,291
Less Restricted Cash and Cash Equivalents	580,617	192,414
Unrestricted Cash and Cash Equivalents	$ 6,182,289	$ 5,319,877

See accompanying notes to the financial statements

Junior College District of East Central, Missouri

Statements of Cash Flows – Primary Government

Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities		
Operating (loss)	$ (13,332,361)	$ (13,417,030)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	2,146,968	2,146,787
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivables, net	(320,176)	545,513
Inventory	16,425	9,902
Prepaid expenses	5,298	(32,586)
Accrued wages and benefits	4,208	(284,438)
Accounts payable and due to agency groups	78,570	(294,959)
Unearned revenue	637,168	(184,075)
Compensated absences	74,748	(12,012)
Deferred outflows and inflows	385,997	279,537
Post-employment benefit liability	(245,603)	40,120
Net Cash (Used) by Operating Activities	$ (10,548,758)	$ (11,203,241)

Junior College District of East Central, Missouri

East Central College Foundation, Inc. – Component Unit

Statements of Cash Flows

Year Ended December 31, 2018 and 2017

	December 31, 2018	December 31, 2017
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ (288,165)	$ 1,023,585
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Contributions restricted for endowment	(41,095)	(63,523)
Net realized and unrealized (gains) losses on investments	466,921	(771,935)
Change in operating assets and liabilities:		
Pledges receivable	(18,004)	(30,160)
Accrued interest receivable	720	(2,279)
Prepaid expenses	268	(532)
Accounts payable and accrued expenses	(2,238)	(1,666)
Net Cash Provided by Operating Activities	118,407	153,490
Cash Flows from Investing Activities		
Purchase of investments	(127,170)	(125,006)
Reinvested dividends	(143,136)	(121,153)
Proceeds from sales of investments	76,953	114,919
Net Cash (Used) by Investing Activities	(193,353)	(131,240)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for endowment	52,248	77,292
Net Cash Provided by Financing Activities	52,248	77,292
Net Increase (Decrease) in Cash and Cash Equivalents	(22,698)	99,542
Cash and Cash Equivalents, Beginning of year	219,228	119,686
Cash and Cash Equivalents, End of year	$ 196,530	$ 219,228
Supplemental Disclosures of Cash Flow Information		
Non-cash Transactions		
Donation of services	$ 69,565	$ 165,667

See accompanying notes to the financial statements

Junior College District of East Central, Missouri

East Central College Foundation, Inc. – Component Unit

Statement of Functional Expenses

Year Ended December 31, 2018

		Supporting Services		
	Program	Management & General	Fundraising	Total
Scholarships	$ 200,236	$ -	$ -	$ 200,236
Salaries and benefits	20,041	4,454	20,041	44,536
Special events	96,773	2,040	26,735	125,548
Insurance expense	3,616	803	3,616	8,035
Miscellaneous	4,972	15,351	5,411	25,734
Office supplies and expenses	726	161	700	1,587
Printing and copying	2,468	422	10,271	13,161
Professional fees	4,261	947	4,261	9,469
Repairs and maintenance	456	102	456	1,014
Travel	200	44	200	444
	$ 333,749	$ 24,324	$ 71,691	$ 429,764

See accompanying notes to the financial statements

East Central College Foundation, Inc. – Component Unit

Statement of Functional Expenses

Year Ended December 31, 2017

		Supporting Services		
	Program	**Management & General**	**Fundraising**	**Total**
Scholarships	$ 172,880	$ -	$ -	$ 172,880
Salaries and benefits	55,565	12,348	55,565	123,478
Special events	77,247	494	30,359	108,100
Insurance expense	6,682	3,352	6,682	16,716
Miscellaneous	777	7,581	3,026	11,384
Office supplies and expenses	1,288	448	1,296	3,032
Printing and copying	4,456	899	9,024	14,379
Professional fees	4,140	3,170	4,140	11,450
Repairs and maintenance	1,442	1,527	1,442	4,411
Travel	1,089	242	424	1,755
	$ 325,566	$ 30,061	$ 111,958	$ 467,585

See accompanying notes to the financial statements

1. 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.

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.

During the years ended June 30, 2019 and 2018, the Foundation distributed $182,850 and $114,625 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.

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.

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 to 25
Equipment	5 to 15
Vehicles	6
Technology Equipment	3

Unearned Revenue

These balances consist of one half of summer student fees, all fall session student fees, and various other unearned amounts totaling $3,383,186 for 2019 and totaling $2,746,018 for 2018.

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; meeting certain criteria. Revenue from operating sources is recognized when earned.

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

Scholarship Allowance

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

Post-Employment Health Care Benefits

Retiree Benefits: The College offers post-employment health care benefits to all employees who retire from the College. Retirees are eligible as long as they receive retirement benefits under the Public School Retirement System. Retirees pay 100% of their own premiums; however, such premiums are based upon a blended participant pool of the College's employees and the retirees. Such blending results in an implied subsidy to the retirees inasmuch as the premiums charged to retirees are less than the retiree could purchase from third party insurance carriers. This implies subsidy is reflected in the Statement of Net Position as net OPEB liabilities including deferred inflows of resources and deferred outflows of resources related to post-employment health care benefits. OPEB liabilities and the related deferred inflows of resources and deferred outflows of resources are discussed more fully in Note 13 – Post-Employment Health Care Plan.

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.

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 two items that qualify for reporting in this category, deferred amounts relating to employer contributions to the retirement plan and changes in assumptions relating to the post-employment benefit plan.

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.

2. Cash, Cash Equivalents, & 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, 2019, are as follows:

Investment Type	Maturity	Not Subject to Fair Value
Certificates of Deposit	8/13/19 to 5/10/20	$ 856,789

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

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

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, 2019 and 2018, the College's deposits bank balance was insured or collateralized as follows:

	2019	2018
FDIC Insurance	$ 838,858	$ 590,769
Collateralized	7,275,660	6,707,138
Total	$ 8,114,518	$ 7,297,907

At June 30, 2019 and 2018, all of the College's deposits, were insured or collateralized with securities held by the College's agent in the College's name.

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. More than 5% of the College's total cash and investments are in the following issuer as of June 30, 2019 and 2018:

	2019	2018
United Bank of Union	$ 7,252,398	$ 5,986,490
Citizens Bank	-	760,743
	$ 7,252,398	$ 6,747,233

3. Restricted Assets & Net Position

Cash and cash equivalents 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, 2019, restricted cash and cash equivalents and net position consisted of $580,617 and $385,406, respectively, for debt service requirements and lease project. At June 30, 2018, restricted cash and cash equivalents consisted of $192,414, for debt service requirements.

4. Accounts Receivable

Accounts receivable is presented net of allowance for doubtful accounts as of June 30, 2019 and 2018, as follows:

	2019		
	Gross Receivable	Allowance	Net Receivable
Student receivables	$ 3,722,771	$ 606,314	$ 3,116,457

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

5. Capital Assets

Activity for capital assets for the years ended June 30, 2019 and 2018, is summarized below:

	Balance June 30, 2018	Additions and Completions	Dispositions	Balance June 30, 2019
Nondepreciable				
Land	$ 554,854	$ -	$ -	$ 554,854
Construction in progress	-	1,689,043	-	1,689,043
Total Nondepreciable Capital Assets	554,854	$ 1,689,043	$ -	2,243,897
Depreciable				
Buildings	56,535,407	$ -	$ -	56,535,407
Campus improvements	569,536	-	-	569,536
Furniture and equipment	9,215,810	355,124	(68,440)	9,502,494
Infrastructure	2,342,392	26,236	-	2,368,628
Total Depreciable Capital Assets	68,663,145	$ 381,360	$ (68,440)	68,976,065
Accumulated depreciation	(25,837,610)	$ (2,146,968)	$ 68,440	(27,916,138)
Total Depreciable Capital Assets, Net	42,825,535			41,059,927
Total Capital Assets, Net	$ 43,380,389			$ 43,303,824

	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)	-
Total Nondepreciable Capital Assets	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

6. Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2019 and 2018, is as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Bonds payable	$ 11,700,000	$ -	$ (1,130,000)	$ 10,570,000	$ 1,215,000
Add: Bond premium	746,568	-	(102,397)	644,171	-
Less: Bond discount	(585,403)	-	157,954	(427,449)	-
	11,861,165	-	(1,074,443)	10,786,722	1,215,000
Direct Borrowing/Direct Placement					
USDA Loan	841,667	-	(100,000)	741,667	99,996
Equipment Lease	-	2,000,000	(25,000)	1,975,000	100,000
Tyco Integrated Security Lease	139,426	-	(119,968)	19,458	19,458
Guaranteed Energy Savings Lease	1,200,645	-	(42,813)	1,157,832	42,501
Net pension liability	15,015,393	-	(571,581)	14,443,812	-
Post-employment benefit liability	1,207,741	-	(245,603)	962,138	-
Compensated absences	499,548	74,748	-	574,296	-
	$ 30,765,585	$ 2,074,748	$ (2,179,408)	$ 30,660,925	$ 1,476,955

	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
Direct Borrowing/Direct Placement					
USDA Loan	941,667	-	(100,000)	841,667	99,996
Tyco Integrated Security Lease	-	239,400	(99,974)	139,426	119,700
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

Bonds payable at June 30, 2019 and 2018, consists of:

	2019	2018
$6,870,000 general obligation 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%.	$ 990,000	$ 1,395,000
$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%.	5,775,000	6,500,000
$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	$ 10,570,000	$ 11,700,000

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

Year Ended June 30,	Principal	Interest	Total
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
	$ 10,570,000	$ 1,508,700	$ 12,078,700

The College has recognized the face value of capital appreciation bonds issued in the 2006 bond issue. The bond was received at a discount from the face value. As of June 30, 2019, the discount balance is $427,449. As of June 30, 2018, the discount balance is $585,403.

USDA Loan

On October 3, 2016, the College entered into a direct borrowing/direct placement 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. In the event of default on the agreement, after 30 days, then at the option of the holder of the note, the remaining balance under the note shall immediately become due and payable. As of June 30, 2019, the College had an Irrevocable Letter of Credit in the amount of $800,000 to pay the remaining principal of the loan in the event of default. The loan requires monthly payments of $8,333 with a 0% interest rate.

Principal and interest payments are as follows:

	Direct Borrowing/Direct Placement		
Year Ending June 30,	Principal	Interest	Total
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	41,695	-	41,695
	$ 741,667	$ -	$ 741,667

Guaranteed Energy Savings Lease

On February 8, 2017, the College entered into a direct borrowing/direct placement performance lease for energy efficient systems in the amount of $1,258,583 with Bank of America. In the event of default, the lessor may declare all rental payments payable, retake possession of the equipment or require lessee to return the equipment, or the lessor may take whatever action at law or in equity may appear necessary or desirable to enforce its rights under the agreement. The lease requires varying monthly payments with an annual interest rate of 2.7%.

Principal and interest payments are as follows:

	Direct Borrowing/Direct Placement		
Year Ending June 30,	**Principal**	**Interest**	**Total**
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
	$ 1,157,832	$ 240,301	$ 1,398,133

Tyco Integrated Security Lease

On August 2, 2017, the College entered into a direct borrowing/direct placement lease agreement for security equipment in the amount of $239,400 with Tyco Integrated Security LLC. In the event of default, the lessor may cancel or terminate this lease or any other agreements the College has with the lessor, require a sum equal to the present value of all unpaid lease payments, require the equipment be returned to the lessor, repossess the equipment without court order, or exercise any other right or remedy available at law or in equity. The lease requires monthly payments of $9,997 with a 0% interest rate.

Principal and interest payments are as follows:

	Direct Borrowing/Direct Placement		
Year Ending June 30,	**Principal**	**Interest**	**Total**
2020	$ 19,458	$ -	$ 19,458

Equipment Lease Purchase

On February 19, 2019, the College entered into a direct borrowing/direct placement lease purchase agreement for energy savings improvements in the amount of $2,000,000 with United Bank of Union. In the event of default, the lessor may declare all payments to be due, retake possession or require the College to return the equipment, require the equipment to be subleased, sold or leased, or the lessor may take whatever action at law or in equity may appear necessary or desirable to enforce its rights as the owner of the equipment. The lease requires varying quarterly payments with an annual interest rate of 3.75%.

Principal and interest payments are as follows:

	Direct Borrowing/Direct Placement		
Year Ending June 30,	Principal	Interest	Total
2020	$ 100,000	$ 72,656	$ 172,656
2021	100,000	68,906	168,906
2022	115,000	65,016	180,016
2023	120,000	60,562	180,562
2024	120,000	56,062	176,062
2025	120,000	51,563	171,563
2026	125,000	47,063	172,063
2027	140,000	42,094	182,094
2028	140,000	36,844	176,844
2029	140,000	31,594	171,594
2030	145,000	26,344	171,344
2031	160,000	20,625	180,625
2032	160,000	14,625	174,625
2033	160,000	8,625	168,625
2034	130,000	2,484	132,484
	$ 1,975,000	$ 605,063	$ 2,580,063

Net Pension Liability: *See Note 7*

Post-employment Benefit Liability: *See Note 13*

Compensated Absences: *See Note 1*

7. Retirement Plan

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

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.

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.

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 2018 and 2019. 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 2018 and 2019. 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 $1,230,157 and $196,354, respectively, for the year ended June 30, 2019. The College's contributions to PSRS and PEERS were $1,225,946 and $200,936, respectively, for the year ended June 30, 2018.

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

At June 30, 2019, the College had a liability of $13,083,838 for its proportionate share of PSRS' net pension liability and $1,359,974 for its proportionate share of PEERS' net pension liability. In total the College had a net pension liability of $14,443,812. The net pension liability for the plans in total was measured as of June 30, 2018, 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 $1,225,946 and $200,936, respectively, for the year ended June 30, 2018, relative to the actual contributions of $697,214,371 for PSRS and $114,141,743 for PEERS from all participating employers. At June 30, 2018, the College's proportionate share was 0.1758% for PSRS and 0.1760% for PEERS.

For the year ended June 30, 2019, the College recognized pension expense of $352,320 for PSRS and $143,094 for PEERS, its proportionate share of the total pension expense. 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.

At June 30, 2019, 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	$ 681,547	$ 617,247	$ 1,946	$ 31,859	$ 683,493	$ 649,106
Changes of assumptions	2,387,901	-	209,563	-	2,597,464	-
Net differences between projected and actual earnings on pension plan investments	2,000,235	2,110,458	231,457	249,905	2,231,692	2,360,363
Changes in proportion and differences between Employer contributions and proportionate share of contributions	286,541	882,421	-	91,207	286,541	973,628
Employer contributions subsequent to the measurement date	1,230,157	-	196,354	-	1,426,511	-
Total	$ 6,586,381	$ 3,610,126	$ 639,320	$ 372,971	$ 7,225,701	$ 3,983,097

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

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2018, will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. 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**
2020	$ 1,043,242	$ 110,145	$ 1,153,387
2021	549,186	51,068	600,254
2022	(299,201)	(75,201)	(374,402)
2023	323,184	(16,016)	307,168
2024	126,419	-	126,419
Thereafter	3,267	-	3,267
	$ 1,746,097	$ 69,996	$ 1,816,093

Payable to the Pension Plan

At June 30, 2019, the College reported a payable of $237,066 and $35,719, respectively, for the outstanding PSRS and PEERS contributions to the pension plan required for the year ended June 30, 2019.

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.

Actuarial Assumptions – 2019

Actuarial valuations of the Systems involve assumptions about the probability of occurrence of events far into the future in order to estimate the reported amounts. 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 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 studies 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. For the June 30, 2018 valuation, the investment rate of return assumption was further reduced from 7. 60% to 7.50%. Significant actuarial assumption and methods, including changes from the prior year, are detailed below. For additional information please refer to the Systems' Comprehensive Annual Financial Report (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, 2018

Valuation Date: June 30, 2018

Expected Return on Investments: 7.50%, 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% to 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% to 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 1.25% to 1.65% over eight years, beginning January 1, 2020. The COLA reflected for January 1, 2019, is 2.00%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.85% to a normative inflation assumption of 2.25% over eight 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.

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

- PSRS & PEERS: The following assumptions were updated by the Board at the October 29, 2018 meeting:
    - The investment return assumption was lowered from 7.60% to 7.50% per year.

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, 2018, 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		0.64%
	Long-term expected geometric return		7.50%

Discount Rate: The long-term expected rate of return used to measure the total pension liability was 7.50% as of June 30, 2018, 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, and to 7.5% effective with the June 30, 2018 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 7.50% is presented as well as the net pension liabilities using a discount rate that is 1.0% lower (6.50%) or 1.0% higher (8.50%) than the current rate.

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.

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.

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

- PSRS & PEERS: 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:
  - 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.

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%

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.

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 7.50% for 2019 and 7.60% for 2018 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

2019 Discount Rate	**1% Decrease (6.50%)**	**Current Rate (7.50%)**	**1% Increase (8.50%)**
2019 Proportionate share of the Net Pension Liability	$ 23,453,758	$ 13,083,838	$ 4,465,353

2018 Discount Rate	**1% Decrease (6.60%)**	**Current Rate (7.60%)**	**1% Increase (8.60%)**
2018 Proportionate share of the Net Pension Liability	$ 24,112,559	$ 13,576,467	$ 4,817,150

PEERS

2019 Discount Rate	**1% Decrease (6.50%)**	**Current Rate (7.50%)**	**1% Increase (8.50%)**
2019 Proportionate share of the Net Pension Liability	$ 2,560,985	$ 1,359,974	$ 352,690

2018 Discount Rate	**1% Decrease (6.60%)**	**Current Rate (7.60%)**	**1% Increase (8.60%)**
2018 Proportionate share of the Net Pension Liability	$ 2,650,680	$ 1,438,926	$ 422,517

8. Taxes

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

The assessed valuations of the College on January 1, 2019 and 2018, upon which the levies for fiscal years 2019 and 2018 were based, were $1,770,423,172 and $1,728,144,591, respectively. The tax levy per $100 of assessed valuation was as follows:

	2019	**2018**
General operations	$ .3700	$ .3700
Debt service	.0841	.0841
Total Levy	$ .4541	$ .4541

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds to 5 percent of the assessed valuation of the College. The legal debt margin of the College at June 30, 2019 was:

Constitutional debt limit	$ 88,516,109
General obligation bonds payable	(10,570,000)
Funds available and restricted for debt service	106,931
	$ 78,053,040

9. 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, 2023, and the R-Tech lease was entered into on July 1, 2018 and renews annually.

	2019	2018
R-Tech (Rolla)	$ 145,530	$ 145,530
Columbia College	507,409	34,232
Total Remaining Lease Obligations	$ 652,939	$ 179,762

10. 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 2019 and 2018 calendar year were $247,829 and $249,515, respectively. Management is aware of no events or circumstances which would generate a significant increase in future insurance premiums.

11. Claims & 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, 2019, 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.

12. Contingencies, Commitments, & 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.

Commitments

As of June 30, 2019, the College was committed to a contract with Johnson Controls for a HVAC project in the amount of $176,423.

Subsequent Events

On July 26, 2019, the College entered into a contract with Jasper Builders for the construction of the Culinary Arts Greenhouse in the amount of $124,950 to be partially reimbursed with a USDA rural development grant.

13. Post-Employment 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).

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, 2019, the following employees were covered by the benefit terms:

Active employees and beneficiaries currently enrolled	183
Retired employees and beneficiaries currently enrolled	10
	193

Actuarial Methods and Assumptions: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Measurement Date: June 30, 2019

Valuation Date: June 30, 2019; actuarial valuations are performed biennially

Actuarial Cost Method: Entry Age Normal

Inflation: 2.30%

Salary Increases: 3.00% per annum

Discount Rate: 3.50% per annum based on the 20 year bond GO index at June 30, 2019.

Healthcare Cost Trend Rates

- Medical/Retiree Premium Inflation Rate - 7.10% for 2019, gradually decreasing to an ultimate rate of 4.00% for 2086 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.

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	23.40%
1	15.10%
2	11.10%
3	9.20%
4	7.70%
5	6.40%
10	3.30%
15	2.00%
20	1.00%

Mortality: RP-2014 Mortality for Employees and Healthy Annuitants, with generational project per Scale MP-2018

Changes in actuarial assumptions and methods – The discount rate decreased from 3.87% to 3.50% for June 30, 2019.

Changes in the Total OPEB Liability

		Decrease in Total OPEB Liability
Balance at June 30, 2018	$	1,207,741
Changes for the year:		
Service cost		99,118
Interest on total OPEB liability		48,808
Effect of economic/demographic gains or losses		(312,567)
Effect of assumptions changes or inputs		11,298
Benefit payments		(92,260)
Balance at June 30, 2019	$	962,138

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 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate.

	1% Decrease (2.50%)		Current Rate (3.50%)		1% Increase (4.50%)	
Total OPEB Liability	$	1,051,484	$	962,138	$	880,207

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	$	845,553	$	962,138	$	1,100,964

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

For the year ended June 30, 2019, the College recognized OPEB expense of $103,126.

As of June 30, 2019, 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	$ -	$ (278,369)
Changes of assumptions	10,062	(71,977)
Total	$ 10,062	$ (350,346)

At June 30, 2018, the College reported deferred inflows of resources in the amount of $83,815 and deferred outflows of resources in the amount of $0.

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,	
2020	$ (44,800)
2021	(44,800)
2022	(44,800)
2023	(44,800)
2024	(44,800)
Thereafter	(116,284)
	$ (340,284)

14. Component Unit Disclosures

The following are the notes taken directly from the audited financial statements of the Foundation for the years ended December 31, 2018 and 2017.

1) Summary of Significant Accounting Policies

Accounting Standard Adoption

The Foundation adopted ASU No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities*. Under this standard, all not-for-profit entities are required to:

- Present on the face of the statements of financial position amounts for two classes of net assets.
- Present on the face of the statements of activities the amount of the change in each of the two net asset classes.
- Present on the face of the statements of cash flows the net amount for operating cash flows.

- Present amounts of expense by bother natural classification and functional classification, either on the face of the statements of activities, a separate statement, or in the notes to the financial statements.
- Report investment return net of external and direct internal investment expenses.

Provide disclosure in the notes of the financial statements the following: Amounts and purposes of governing board designated net assets; Composition of net asset with donor restrictions; Quantitative and qualitative information regarding the liquidity of the Foundation; Methods used to allocate cost among program and support functions.

The Foundation adopted this standard as of December 31, 2018 and applied this standard retrospectively to the financial statements as of December 31, 2017. As a result of this adoption, the Foundation’s financial statements include applicable presentations and disclosures, but no change to the Foundation’s total net assets and changes in net assets.

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 is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restriction and net assets without donor restriction

> *Net assets without donor restrictions*: net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the board of directors.
>
> *Net assets with donor restrictions:* net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations, that expire by the passage of time, or that include funds of perpetual donation.

Donor restricted contributions are reported as increased in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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

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

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

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

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

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

In-Kind Contributions: Non-cash contributions are recorded at their estimated fair values at the dates of the gifts as $69,565 and $165,667 at December 31, 2018 and 2017, respectively.

Revenue and Other 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

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: The cost of providing the program and supporting services have been summarized on the statements of activities on a functional basis. Most expenses can be directly allocated to the program or supporting functions. Certain categories of expenses are attributed to both program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied and determined by management.

The expenses that are allocated include the following:

Expense	Method of Allocation
Scholarships	Direct costs
Salaries and benefits	Time and effort
Special events	Direct costs
Insurance expense	Direct costs
Miscellaneous	Direct costs
Office supplies and expenses	Direct costs
Printing and copying	Direct costs
Professional fees	Direct costs
Repairs and maintenance	Direct costs
Travel	Direct costs

Advertising: Costs for advertising are expensed as incurred.

Subsequent Events: Management has evaluated subsequent events through May 24, 2019, 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, 2018, 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 2015, 2016 and 2017, are subject to examination by the IRS, generally for three years after they were filed.

The Foundation is exempt from income taxes under Section 501(c)(3) of Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

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 net assets with donor restrictions the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not the original value of the gift is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

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

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

Endowment Net Assets Composition by Type of Fund as of December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 3,528,156	$ 3,528,156
Board-designated endowment funds	348,849	-	348,849
Total Funds	$ 348,849	$ 3,528,156	$ 3,877,005

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 422,592	$ 3,434,971	$ 3,857,563
Investment return:			
Investment income	-	342	342
Net gain (realized and unrealized)	43,468	92,355	135,823
Total investment return	43,468	92,697	136,165
Contributions	-	62,153	62,153
Appropriation of endowment assets for expenditures	(117,211)	(61,665)	(178,876)
Endowment net assets, end of year	$ 348,849	$ 3,528,156	$ 3,877,005

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 3,434,971	$ 3,434,971
Board-designated endowment funds	422,592	-	422,592
Total Funds	$ 422,592	$ 3,434,971	$ 3,857,563

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 341,308	$ 3,275,228	$ 3,616,536
Investment return:			
Net gain (realized and unrealized)	196,807	65,792	262,599
Total investment return	196,807	65,792	262,599
Contributions	-	125,379	125,379
Appropriation of endowment assets for expenditures	(115,523)	(31,428)	(146,951)
Endowment net assets, end of year	$ 422,592	$ 3,434,971	$ 3,857,563

3) Pledges Receivable

Unconditional promises to give consist of the following:

	2018	2017
Promises to give without donor restrictions	$ 330,473	$ 323,236
Less: Allowance for uncollectible amounts	(1,088)	(1,088)
Less: Discount for promises to give	(691)	(305)
Promises to give, net	$ 328,694	$ 321,843

The promises are collectible in future years as shown below:

	2018	2017
Less than one year	$ 311,581	$ 307,686
One to five years	17,113	14,157
	$ 328,694	$ 321,843

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

	2018	2017
Promises to give with donor restrictions	$ 322,840	$ 304,836
Promises to give with donor restrictions - restricted for permanent investment	5,854	17,007
	$ 328,694	$ 321,843

Promises to give with donor restrictions consist of promises to establish a permanent scholarship endowment and for a future building project. They are recorded after discounting at the rate of 2% to the present value of the future cash flows.

4) Investments

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

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

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

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

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

Investments are recorded at fair value on a recurring basis during the years ended December 31, 2018 and 2017, using quoted prices in active markets.

Investments at December 31, 2018 and 2017, consist of the following:

	Level I Quoted Prices in Active Markets For Identical Assets	
	2018	2017
Equity securities and mutual funds	$ 4,634,066	$ 4,950,080
Certificates of deposit	1,410,372	1,366,137
Cash surrender value of life insurance policy	14,808	16,597
	$ 6,059,246	$ 6,332,814

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

	2018	2017
Investments without donor restrictions	$ 1,478,991	$ 1,970,784
Investments with donor restrictions	4,580,255	4,362,030
	$ 6,059,246	$ 6,332,814

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 2018 and 2017 consisted of the following:

	2018	2017
Interest and dividends	$ 159,735	$ 143,517
Realized and unrealized gains (losses) on investments, net	(466,921)	771,935
	$ (307,186)	$ 915,452

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

	2018	2017
Without donor restrictions	$ (419,862)	$ 687,098
With donor restrictions	112,676	228,354
	$ (307,186)	$ 915,452

6) Restrictions on Net Assets

Net assets with donor restrictions are restricted for the following purposes at December 31, 2018 and 2017:

	2018	2017
Specific purpose		
Scholarships	$ 4,598,692	$ 4,399,514
Special projects	362,031	351,437
Miscellaneous activities	45,468	46,535
	$ 5,006,191	$ 4,797,486

7) Net Assets Released from Restrictions

Net assets were released from donor restrictions during 2018 and 2017, by incurring expenses satisfying the restricted purpose specified by donors as follows:

	2018	2017
Satisfaction of purpose restrictions		
Scholarships	$ 95,926	$ 46,413
Miscellaneous activities	3,098	647
Special projects	25,517	8,565
	$ 124,541	$ 55,625

8) Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other restrictions limiting their use, within one year of the statements of financial position date, comprise of the following:

	2018	2017
Financial assets at year end:		
Cash and cash equivalents	$ 196,530	$ 219,228
Investments	6,059,246	6,332,814
Pledges receivable, net	328,694	321,843
Accrued interest receivable	4,512	5,232
Total financial assets	6,588,982	6,879,117
Less amounts not available to be used within one year:		
Net assets with donor restrictions	5,006,191	4,797,486
Less net assets with purpose restrictions to be met in less than one year	(311,581)	(307,686)
	4,694,610	4,489,800
Financial assets available to meet general expenditures over the next twelve months	$ 1,894,372	$ 2,389,317

Additionally, the Foundation has a $373,804 line of credit available to meet cash flow needs.

9) Related Party Transactions

The Foundation utilizes employees, materials and office space from the Junior College District of East Central, Missouri (the College) at no charge. The value of these in-kind donations from the College is included in contribution revenue without donor restrictions in the amount of $69,565 for the year ended December 31, 2018, and $165,667 for the year ended December 31, 2017.

10) Reclassification of Net Assets

Net assets were reclassified between net assets without donor restrictions and net assets with donor restrictions in the amount of $14,246 at December 31, 2018. Net assets were reclassified due to a recalculation of scholarship requirements of restriction.

11) Lines of Credit

At December 31, 2018, the Foundation had an operating secured line of credit for $373,804 to be drawn upon as needed. As of December 31, 2018, no draws have been made.

12) Commitments

As of December 31, 2018, the Foundation was committed to various students in the amount of $124,724 for the spring of 2019 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 & Related Ratios – PSRS & PEERS

Year Ended June 30, 2019

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%
6/30/2019	0.1758%	13,083,838	8,480,480	154.28%	84.06%

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%
6/30/2019	0.1760%	1,359,974	2,929,090	46.43%	86.06%

*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.

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

Schedules of Employer Contributions – PSRS & PEERS

Year Ended June 30, 2019

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	-	8,480,480	14.46%
6/30/2019	1,230,157	1,230,157	-	8,421,092	14.61%

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%
6/30/2019	196,354	196,354	-	2,862,308	6.86%

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

Schedules of Changes in Total OPEB Liability & Related Ratios

Year Ended June 30, 2019 and 2018

Postemployment Health Care Plan

	June 30, 2019	June 30, 2018
Total OPEB Liabilitiy		
Service cost	$ 99,118	$ 97,667
Interest on total OPEB liablity	48,808	43,990
Effect of economic/demographic gains or (losses)	(312,567)	-
Effect of assumption changes or inputs	11,298	(27,898)
Benefit payments	(92,260)	(73,639)
Net Change in Total OPEB Liability	(245,603)	40,120
Total OPEB Liability, Beginning	1,207,741	1,167,621
Total OPEB Liability, Ending	$ 962,138	$ 1,207,741
Covered payroll	$ 11,373,450	$ 10,386,284
Total OPEB liability as a % of covered payroll	8.46%	11.63%

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

Statistical Information (Unaudited)

Junior College District of East Central, Missouri

Enrollment Data (Unaudited)

Year Ending June 30,	Summer		Fall		Spring	
	Enrollment	Hours	Enrollment	Hours	Enrollment	Hours
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
2019	797	3,750	2,629	26,068	2,467	22,368

Junior College District of East Central, Missouri

Schedule of Bond & Interest Requirements

$6,870,000 Bond Issue – Series 2006 (unaudited)

Year Ending June 30,	Principal	Interest	Total
2020	$ 465,000	$ -	$ 465,000
2021	525,000	-	525,000
	$ 990,000	$ -	$ 990,000

Junior College District of East Central, Missouri

Schedule of Bond & Interest Requirements

$7,495,000 Bond Issue – Series 2015 (unaudited)

Year Ending June 30,	Principal	Interest	Total
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
	$ 5,775,000	$ 929,250	$ 6,704,250

Junior College District of East Central, Missouri

Schedule of Bond & Interest Requirements

$3,805,000 Bond Issue – Series 2016 (unaudited)

Year Ending June 30,	Principal	Interest	Total
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	$ 579,450	$ 4,384,450

Other Reporting Requirements

KPM CPAS & ADVISORS

Independent Auditors' Report on Internal Control over Financial Reporting & on Compliance & 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, 2019 and 2018, 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 20, 2019.

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.

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 20, 2019

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 the Major Federal Program

We have audited the Junior College District of East Central, Missouri's compliance with the types of compliance requirements described in the *OMB 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, 2019. The Junior College District of East Central, Missouri's major federal program is identified in the summary of auditors' 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.

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, 2019.

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 2019-001. 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 2019-001, that we consider to be a significant deficiency.

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 20, 2019

Junior College District of East Central, Missouri

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

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	$ -	$ 4,193,851
Federal Work-Study Program	84.033	N/A	-	85,770
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	116,387
Federal Direct Student Loans	84.268	N/A	-	1,918,968
Total Student Assistance Cluster			-	6,314,976
Missouri Department of Elementary and Secondary Education				
Adult Education - Basic Grants to States	84.002	V002A180026	-	324,433
Career and Technical Education - Basic Grants to States	84.048	V048A170025	-	162,464
			-	486,897
Total U.S. Department of Education			-	6,801,873
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	-	27,534
WIOA Cluster				
Office of Job Training				
WIOA Adult Program	17.258	ECC-01-18	-	5,200
WIOA Youth Activities	17.259	ECC-01-18	-	7,900
WIOA Dislocated Worker Formula Grants	17.278	ECC-01-18	-	7,400
			-	20,500
Missouri Department of Workforce Development				
WIOA Dislocated Worker Formula Grants	17.278	DWD-ECC 001	-	89,877
Total WIOA Cluster			-	110,377
Total U.S. Department of Labor			-	137,911
U.S. Department of Agriculture				
Direct				
Rural Business Development Grant	10.351	N/A	-	11,238
Metropolitan Community College/Ozarks Technical Community College				
Supplemental Nutrition Assistance Program	10.561	CS160897001	-	26,173
Total U.S. Department of Agriculture			-	37,411
Total Expenditures of Federal Awards			$ -	$ 6,977,195

N/A: Not Applicable

1. 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, 2019. 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.

2. Summary of Significant Accounting Policies

1) Expenditures reported in the Schedule are reported on the accrual basis of accounting, which is described in Note 1 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.

3. Subrecipients

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

4. Loan Programs

The College participates in the Federal Direct Student Loan Program, which provides federal loans directly to the students rather than through private lending institutions. The College is responsible only for the origination of the loan (e.g., determining student eligibility and disbursing loan proceeds to the borrower). The Direct Loan Servicer is then responsible for the overall servicing and collection of the loan. Accordingly, these loans are not included in the College's financial statements.

The amount reported on the Schedule of Expenditures of Federal Awards for the loan program represents the total value of the loans awarded and paid to the College's students during the year ended June 30, 2019.

Junior College District of East Central, Missouri

Summary Schedule of Findings & Questioned Costs

Year Ended June 30, 2019

Section I: Summary Schedule 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?		No
Significant deficiency(ies) identified?		None reported
Noncompliance material to financial statements noted?		No
Federal Awards		
Internal control over major federal programs:		
Material weakness(es) identified?		No
Significant deficiency(ies) identified?		Yes
Type of auditor's report issued on compliance for major federal program:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?		Yes
Identification of major federal program:		
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?		Yes

Section II: Financial Statement Findings

None

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

Compliance Findings and Significant Deficiency – 2019-001

U.S. Department of Education

Student Financial Assistance Cluster

CFDA Nos. 84.007, 84.033, 84.063 and 84.268

Award year: 2018-2019

2019-001 Eligibility – Calculation of Benefits

Condition: The College did not award Direct Subsidized Loans when all eligibility requirements were met.

Criteria: The College is required to calculate and package awards based on financial need. Specifically, the College is required to follow program requirements of Direct Subsidized Loans in accordance with 34 CFR sections 685.200 and 301. For an undergraduate student who has not yet successfully completed the first year of study, a student is eligible for up to $3,500 in Direct Subsidized Loans for a program of study at least an academic year in length assuming all other eligibility requirements have been met.

Cause: The College did not have specific procedures in place to properly package and award Direct Subsidized and Unsubsidized Loans.

Effect: Direct Unsubsidized Loans were awarded when Direct Subsidized Loans should have been awarded. The recipient was not allowed the benefit of subsidized interest on the loan.

Context: A sample of 40 students revealed that one student received their full Direct Loan award as an Unsubsidized Loan. The student met all eligibility requirements to receive $2,250 of the award as a Subsidized Loan. A non-statistical sampling methodology was used to select the sample.

Questioned Costs: The known questioned cost was the $2,250 awarded as an Unsubsidized Loan that should have been awarded as a Subsidized Loan. This amount is below the threshold of reporting for known questioned costs.

Repeat Finding: No.

Recommendation: We recommend the College implement procedures in order to strictly comply with the requirements of 34 CFR 682.200 and 301 as it relates to awarding Direct Loans.

College Response: We concur. The College did properly calculate benefits for the student, however, during processing of the award, errors were made switching the approved subsidized payment to unsubsidized. Procedures are now in place to review the initial awarding information against the disbursement information to ensure all awards are processed correctly. Further, the College is automating the awarding process to help eliminate human error.

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

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 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.

Status: Corrected.

EAST CENTRAL COLLEGE
Office of the President

November 20, 2019

U.S. Department of Education

Junior College District of East Central Missouri respectfully submits the following corrective action plan for the year ended June 30, 2019. Contact information for the individual responsible for the corrective action:

Dr. Jon Bauer, President
Junior College District of East Central Missouri
1964 Prairie Dell Road
Union, MO 63084-4344

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

Audit Period: Year ended June 30, 2019

The finding from the June 30, 2019 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered with the number assigned in the schedule.

Finding – Major Federal Award Program Audit
2019-001

Recommendation: We recommend the College implement procedures in order to strictly comply with the requirements of 34 CFR 682.200 and 301 as it relates to awarding Direct Loans.

Corrective Action Taken: The College did properly calculate benefits for the student, however, during processing of the award, errors were made switching the approved subsidized payment to unsubsidized. Procedures are now in place to review the initial awarding information against the disbursement information to ensure all awards are processed correctly.

Anticipated Completion Date: Fall 2019 semester

1964 Prairie Dell Road ● Union, MO ● 63084 ●Ph-636-584-6502 ● jon.bauer@eastcentral.edu

KPM

CPAS & ADVISORS

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

In planning and performing our audit of the basic financial statements of the Junior College District of East Central, Missouri for the year ended June 30, 2019, we considered the College's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

In addition to the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments regarding these matters.

1. **Cybersecurity**

   Cybersecurity threats are increasing and government entities of all sizes are at risk for a breach of their information systems. With this increase in risk, entities should be continually evaluating risk and taking steps necessary to ensure the security of information systems. Steps include identifying critical information systems, training employees to properly identify threats received in emails or by other means, and adopting internal communication methods other than email.

   It is important that entities develop a recovery plan outlining procedures that personnel should follow once a cybersecurity breach is discovered. Additionally, entities should be aware of any insurance in place to help protect them from liabilities that can occur as the result of a breach.

   We Recommend

   The District evaluate its cybersecurity risks and take the necessary steps to reduce the risk of cybersecurity threats to their information systems. This evaluation should be performed frequently as technology and information systems are continually changing.

2. **Attendance Taking School Requirements**

During our audit of the Student Financial Assistance Cluster, we noted that the College is not following all requirements for an attendance taking school. The College is required to determine within 15 days that a student has withdrawn from school, which it failed to do in several instances. However, the College ultimately did return funds within the total 60-day window from the students' withdrawal, to maintain compliance. Not determining withdrawal within the required 15 days can result in late return of Title IV funds.

We Recommend

The College review and comply with all requirements as an attendance taking school. This will ensure that Title IV funds are always returned within the required timeframe.

3. **Gramm-Leach-Bliley Act Policy**

During our audit of the Student Financial Assistance Cluster, we noted that the College does have policies related to protecting student financial aid information. However, the Department of Education has set out specific requirements to address in the policy including: a) employee training and management; b) information systems, including network and software design, as well as information processing, storage, transmission and disposal; and c) detecting, preventing and responding to attacks, intrusions, or other systems failures. Additionally, the College should document risk assessment and applicable safeguards for identified risks.

We Recommend

The College review and comply with the Gramm-Leach-Bliley Act. Specifically, the College should update policies and procedures to assess risk and document safeguards for the requirements discussed in the Act.

4. **New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that may affect the College in future years:

GASB Statement No. 84: *Fiduciary Activities*: This Statement establishes criteria for identifying fiduciary activities. Activities meeting the criteria will be reported in a fiduciary fund in the basic financial statements. Specifically, custodial funds generally should report fiduciary activities if they meet specific criteria. The effective date is for fiscal year ending June 30, 2020, with earlier application encouraged.

GASB Statement No. 87: *Leases*: This Statement establishes a single model for lease accounting. It changes the definition of a lease and requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The effective date is for fiscal year ending June 30, 2021, with earlier application encouraged.

We Recommend

Management examine the new pronouncements to determine the effect these will have on future financial reporting and to ensure successful implementation on the effective dates.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with the College's administrative personnel, and we will be pleased to discuss them in further detail at your convenience.

We appreciate this opportunity to serve as the Junior College District of East Central, Missouri's independent auditors and the courtesies and assistance extended to us by the College's employees.

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 20, 2019

KPM

CPAS & ADVISORS

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

We have audited the financial statements of the Junior College District of East Central, Missouri for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 20, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Junior College District of East Central, Missouri are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018 - 2019. We noted no transactions entered into by the College for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the College's financial statements:

Management's estimate of the allowance for doubtful accounts for student accounts receivable, which is based on the aged accounts receivable balance. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We are pleased to report that no material misstatements were detected as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management discussion and analysis, pension information, and the schedule of changes in the total OPEB liability and related ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditure of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of the Junior College District of East Central, Missouri and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 20, 2019