

# Junior College District of East Central, Missouri

FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019

**KPM**  
CPAS & ADVISORS

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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, 2020 and 2019, and the discretely presented component unit as of and for the years ended December 31, 2019 and 2018, 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, 2020 and 2019, 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, 2019 and 2018, 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 23, 2020, 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 23, 2020

## **Management's Discussion and Analysis**

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2020 and 2019

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### 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, 2020 and 2019. 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, 2020, 2019 and 2018, shows the unrestricted portion at \$(5.7) million, \$(6.0) million and \$(6.2) million, respectively.

## Junior College District of East Central, Missouri

### Management's Discussion and Analysis

Year Ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current assets	\$ 12,272,132	\$ 11,577,834	\$ 10,403,205
Restricted assets	212,703	580,617	192,414
Capital assets	41,735,200	43,303,824	43,380,389
Deferred outflows	5,391,728	7,235,763	8,859,724
<b>Total Assets and Deferred Outflow of Resources</b>	<b>59,611,763</b>	<b>62,698,038</b>	<b>62,835,732</b>
Current liabilities	5,407,099	6,156,855	5,340,408
Long-term liabilities	27,678,050	29,183,970	29,373,076
Deferred inflows	3,723,756	4,333,443	4,999,826
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>36,808,905</b>	<b>39,674,268</b>	<b>39,713,310</b>
Net investment in capital assets	28,435,863	28,623,145	29,337,486
Restricted	105,772	385,406	-
Unrestricted	(5,738,777)	(5,984,781)	(6,215,064)
<b>Total Net Position</b>	<b>\$ 22,802,858</b>	<b>\$ 23,023,770</b>	<b>\$ 23,122,422</b>

Significant capital expenditures and completion of construction in fiscal year 2020 included the following:

Greenhouse	\$ 139,513
Instructional Equipment	40,374
Rolla Security System	5,075
Commercial Grade Paper Cutter	8,399
Mower	9,882
HVAC Replacements	1,854,228
Server Replacements	17,846
Bookstore Point-of-Sale Upgrade	12,188
<b>Total</b>	<b>\$ 2,087,505</b>

Net capital assets decreased by \$1,568,624. Capital expenditures, detailed above, totaled \$2,087,505. Depreciation of \$2,069,777 was recorded.

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2020 and 2019

### Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position present the College's financial results for the fiscal year. The statements include the College's revenues and expenses, both operating and non-operating.

Operating revenues and expenses are those for which the College directly exchanges goods and services. Tuition and fees are examples of operating revenues. Non-operating revenues and expenses are those that exclude specific, direct exchanges of goods and services. Local property tax revenue and state aid are two examples of non-operating revenues where the local taxpayers and state legislature, respectively, do not directly receive goods and services for the revenue.

The following is a summarized version of the College's revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019 and 2018:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Operating revenue	\$ 13,898,616	\$ 12,912,152	\$ 14,022,015
Operating expenses	27,135,363	26,244,513	27,439,045
<b>Operating (Loss)</b>	<b>(13,236,747)</b>	<b>(13,332,361)</b>	<b>(13,417,030)</b>
 Non-operating revenues (expenses)	 13,015,835	 13,233,709	 12,988,336
 <i>(Decrease) in Net Position</i>	 (220,912)	 (98,652)	 (428,694)
 Net Position, Beginning of year	 23,023,770	 23,122,422	 23,551,116
<b>Net Position, End of year</b>	<b>\$ 22,802,858</b>	<b>\$ 23,023,770</b>	<b>\$ 23,122,422</b>

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 2020, 2019 and 2018, revenues, both operating and non-operating:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Operating Revenues</b>			
Student tuition and fees, net	\$ 4,448,824	\$ 3,633,936	\$ 4,030,667
Federal grants and contracts	7,433,080	6,977,581	7,841,933
State grants and contracts	640,685	580,810	446,593
Local grants and contracts	16,085	10,000	22,668
Other auxiliary services	1,359,942	1,709,825	1,680,154
<b>Total Operating Revenue</b>	<b>\$ 13,898,616</b>	<b>\$ 12,912,152</b>	<b>\$ 14,022,015</b>

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Nonoperating Revenues (Expenses)</b>			
State appropriations	\$ 4,541,087	\$ 5,266,945	\$ 5,282,163
Tax revenues	8,452,367	8,240,732	8,035,814
Contributions	452,931	88,634	59,347
Interest income	100,229	108,772	94,032
Interest and fees on debt	(528,072)	(474,924)	(486,687)
Gain (loss) on disposal of asset	(2,707)	3,550	3,667
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 13,015,835</b>	<b>\$ 13,233,709</b>	<b>\$ 12,988,336</b>

Operating revenue for fiscal year 2020 increased by \$986,464.

Following are the components of operating expenses for the College during fiscal years 2020, 2019 and 2018:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Operating Expenses</b>			
Salaries and benefits	\$ 15,988,098	\$ 14,846,882	\$ 15,114,179
Scholarships	3,682,046	3,557,374	4,506,829
Supplies, other services, and utilities	5,395,442	5,693,289	5,671,250
Depreciation	2,069,777	2,146,968	2,146,787
<b>Total Operating Expenses</b>	<b>\$ 27,135,363</b>	<b>\$ 26,244,513</b>	<b>\$ 27,439,045</b>

Operating expenses increased by \$890,850 in FY20. Salaries and benefits account for the largest increase in operating expenses. In fiscal year 2019, total operating expenditures decreased from \$27,439,045 to \$26,244,513.

In addition, the following chart presents the fiscal years 2020, 2019 and 2018, operating expenses of the College by function:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Operating Expenses by Function</b>			
Instruction	\$ 7,913,391	\$ 7,815,182	\$ 7,669,700
Academic support	3,426,744	3,464,633	2,596,221
Student services	1,629,109	1,613,735	1,600,856
Institutional support	5,358,752	4,362,281	5,134,110
Operations and maintenance	2,092,618	2,209,003	2,179,010
Student financial aid	3,526,911	3,417,954	4,417,009
Public service	-	-	27,254
Depreciation	2,069,777	2,146,968	2,146,787
Auxiliary enterprise	1,118,061	1,214,757	1,668,098
<b>Total Operating Expenses by Function</b>	<b>\$ 27,135,363</b>	<b>\$ 26,244,513</b>	<b>\$ 27,439,045</b>

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2020 and 2019

### 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, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash Provided (Used) By:			
Operating activities	\$ (10,028,079)	\$ (10,548,758)	\$ (11,203,241)
Capital and related financing activities	(2,407,696)	(1,947,503)	(2,490,334)
Noncapital financing activities	13,446,385	13,596,311	13,377,324
Investing activities	80,334	150,565	171,899
<i>Net Change in Cash and Cash Equivalents</i>	1,090,944	1,250,615	(144,352)
Cash and Cash Equivalents, Beginning of year	6,762,906	5,512,291	5,656,643
<b>Cash and Cash Equivalents, End of year</b>	<u><u>\$ 7,853,850</u></u>	<u><u>\$ 6,762,906</u></u>	<u><u>\$ 5,512,291</u></u>

### Debt Administration

Total debt of the College as of June 30, 2020, was \$13,299,337, which is down \$1,381,342 from the prior year. See Note 7, long-term liabilities, to the financial statements for details of this decrease.

### Economic Outlook

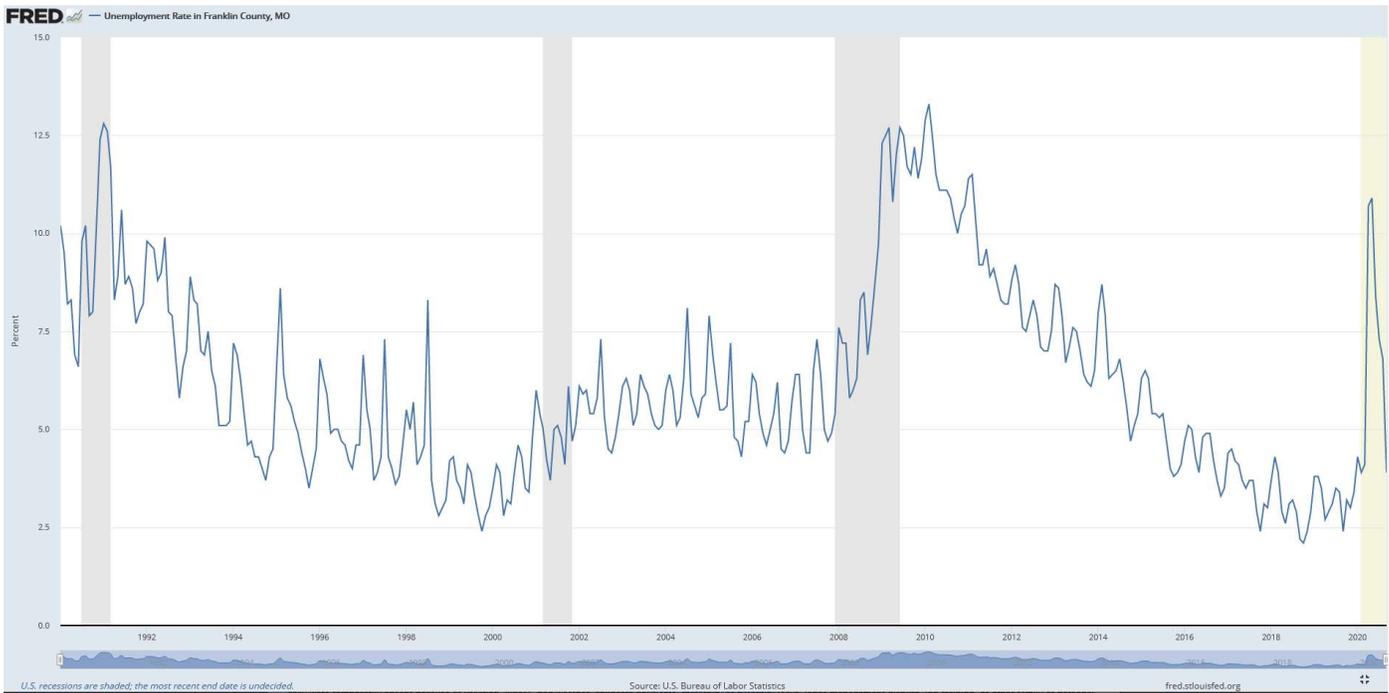
The economic outlook is clearly influenced by the COVID-19 pandemic. Since the onset of the pandemic, we have seen unemployment fluctuate as restrictions have been adopted and individuals have changed their behavior as consumers.

Unemployment in Franklin County, Missouri, where the main campus is located and where a majority of students reside, is illustrated in the following graphic. In September, 2020, the unemployment rate was 3.9% (Federal Reserve Bank of St. Louis). The graph illustrates unemployment since 1990, with shaded areas on the X axis indicating U.S. recessions (Source: U.S. Bureau of Labor Statistics, fred.stlouisfed.org).

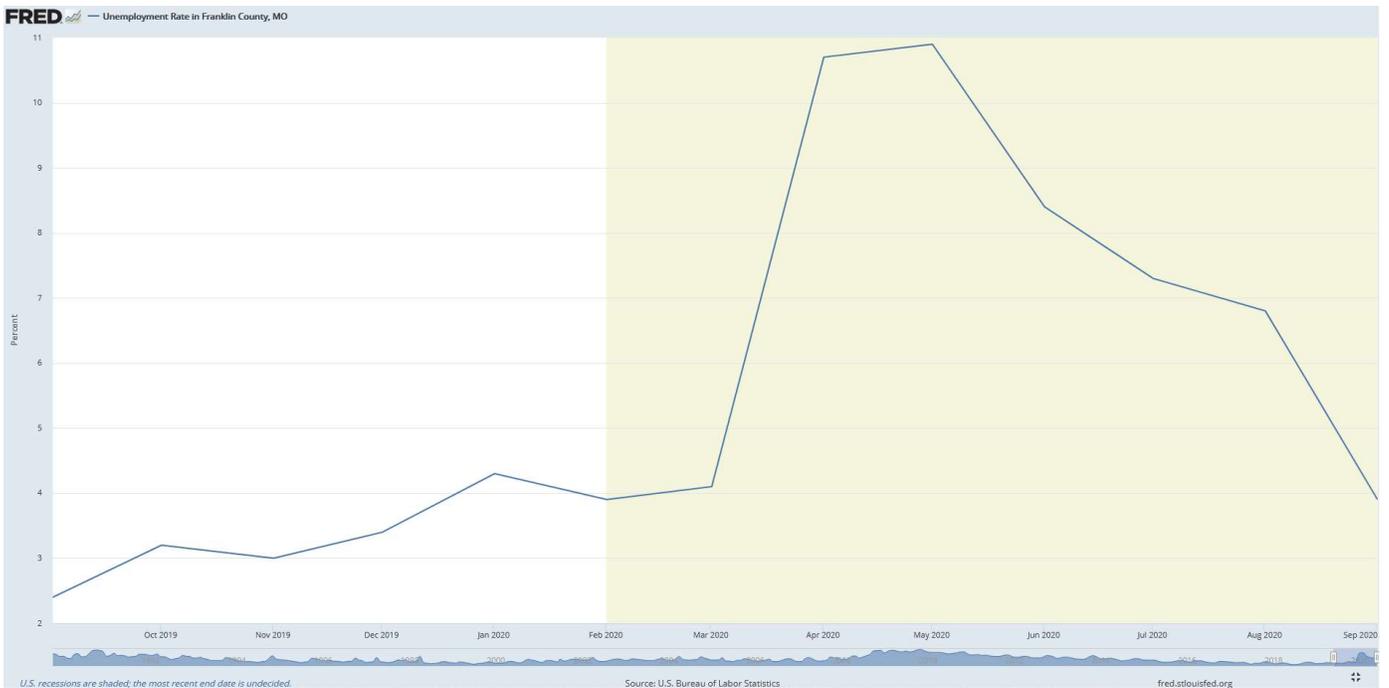
# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2020 and 2019



The corresponding graph provides monthly unemployment for the 12 month period ending in August, 2020:



Unemployment typically is a factor in the College's enrollment, with high unemployment typically resulting in an increase in students. The spike in unemployment over the past few months did not lead to a surge in enrollment, however, likely

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2020 and 2019

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due to the perceived short-term nature of the cycle, as opposed to systemic changes in the regional economy such as plant closures.

As a result of the pandemic, East Central College has been allocated federal funds totaling \$2,541,577. This includes funds allocated for students, as well as institutional funding allocated or received directly from the U.S. Department of Education or through the State of Missouri. The funding sources include:

CARES Act, Student Allocation	\$825,661
CARES Act, Institutional	\$825,660
CARES Act, Education Stabilization	\$ 81,590
Missouri, Governor's Emergency Educational Relief (GEER)	\$221,601
Missouri, Coronavirus Relief Fund (Response/Reopening)	\$473,565
Missouri, Coronavirus Relief Fund (Remote Learning)	\$113,500

These resources have been utilized to fund the institution's response and related expenses incurred as a result of the pandemic. Expenditures have been incurred in Fiscal Years 2020 and 2021.

Enrollment for the Fall semester, 2020, reflected a decrease in headcount and credit hours when compared to 2019. At census (enrollment at the end of the fourth week of classes), the college had 2,593 students enrolled, compared to 2,649 the prior fall, a decrease of 2.1%. Students were enrolled for 24,633 credit hours, a decline from 25,148 (-2.0%) the previous fall semester. The College experienced growth in its dual credit headcount enrollment at area high schools (592 students compared to 556, +6.5%), but a decline in credit hours (2,550 in 2020, 2,650 in 2019, -3.7%). Enrollment at the college's Rolla facilities also declined, (380 students compared to 386 in 2019; 3,055 credit hours compared to 3,278). A significant portion of the decline is attributed to the growth in web online and web hybrid classes as a result of the pandemic. Those classes offered entirely online reached 1,432 students, compared to 1,026 in fall of 2019, an increase of 39.6%. Credit hours in web online classes totaled, 9,840 hours, compared to 5,311 the previous fall, an increase of 85.3%. There were 192 students enrolled in web hybrid classes, compared to 166 the previous fall, an increase of 15.7%. Credit hours in hybrid classes increased by 33.4% from 515 hours in 2019 to 687 in the fall of 2020. The average (mean) age for students is 22 (by comparison, the mean student age in 2019 was 23, and in 2011 the mean age was 25.2, following a period of 13.3% unemployment). The college serves an increasingly traditional student population.

The assessed valuation of the Junior College District of East Central, Missouri is \$1,859,792,196 in 2020, a 1.9% increase over 2019. This is due primarily to new construction in a non-reassessment year. The district experienced \$18,740,751 in new construction and improvements between 2019 and 2020, a decrease from \$29,370,472 last year. A portion of the decline is likely attributed to the spring economic slowdown.

State appropriations for community colleges declined in FY2020, due to withholdings of two months of state aid at the close of the fiscal year. The withholding was a result of the pandemic's effect on state revenue. Fiscal Year 2021 opened with another withholding equivalent to two months of state aid. This fall, half of the withholding was released to institutions, due to stronger than expected growth in state revenue. The General Assembly appropriated \$143,570,515 in FY20, down from \$145,570,515 in FY19.

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2020 and 2019

Appropriations (excluding withholdings) for community colleges since 2017 are as follows:

<b>FY 2017</b>	\$151,874,958
<b>FY 2018</b>	\$147,391,746
<b>FY 2019</b>	\$145,570,515
<b>FY 2020</b>	\$143,570,515

Effective for 2020-21 academic year, the Board of Trustees adopted a modest 3% increase in its tuition structure. The current tuition and fee schedule is as follows:

<u>Tuition</u>	<u>Tier 1</u>	<u>Tier 2</u>
In-district	\$ 105	\$ 129
Out-of-district	\$ 151	\$ 185
Out-of-state	\$ 225	\$ 276
International	\$ 231	\$ 296
Dual credit/enrollment	\$ 53	\$ -

<u>General Fees</u>	<u>Tier 1</u>	<u>Tier 2</u>
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 FY22 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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 7,641,147	\$ 6,182,289
Investments	876,684	856,789
Receivables		
Students, net	2,194,238	3,116,457
Federal and state agencies	960,656	568,842
Other	99,343	92,551
Inventory	156,006	196,451
Prepaid expenses	344,058	564,455
	<u>12,272,132</u>	<u>11,577,834</u>
Restricted Assets		
Cash and cash equivalents	212,703	580,617
Noncurrent Assets		
Capital assets		
Nondepreciable	660,251	2,243,897
Depreciable, net	41,074,949	41,059,927
	<u>41,735,200</u>	<u>43,303,824</u>
<b>Total Assets</b>	<u>54,220,035</u>	<u>55,462,275</u>
<b>Deferred Outflow of Resources</b>		
Deferred Pension Outflows	5,273,884	7,225,701
Deferred OPEB Outflows	117,844	10,062
<b>Total Deferred Outflow of Resources</b>	<u>5,391,728</u>	<u>7,235,763</u>

See accompanying notes to the financial statements

# Junior College District of East Central, Missouri

## Statements of Net Position – Primary Government

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	232,022	345,094
Due to agency groups	70,294	79,040
Accrued wages and benefits	757,053	668,111
Accrued interest	210,047	204,469
Unearned revenue	2,538,932	3,383,186
Current portion of long-term liabilities	1,598,751	1,476,955
	<u>5,407,099</u>	<u>6,156,855</u>
Long-Term Liabilities		
Bonds payable, net	8,388,737	9,571,722
Leases and loans	3,311,849	3,632,002
Net pension liability	14,113,215	14,443,812
Post-employment benefit liability	1,159,868	962,138
Compensated absences	704,381	574,296
	<u>27,678,050</u>	<u>29,183,970</u>
<b>Total Liabilities</b>	<u>33,085,149</u>	<u>35,340,825</u>
<b>Deferred Inflow of Resources</b>		
Deferred Pension Inflows	3,419,446	3,983,097
Deferred OPEB Inflows	304,310	350,346
<b>Total Deferred Inflow of Resources</b>	<u>3,723,756</u>	<u>4,333,443</u>
<b>Net Position</b>		
Net Investment in Capital Assets	28,435,863	28,623,145
Restricted	105,772	385,406
Unrestricted	(5,738,777)	(5,984,781)
<b>Total Net Position</b>	<u>\$ 22,802,858</u>	<u>\$ 23,023,770</u>

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, 2019 and 2018

	December 31,	
	2019	2018
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 182,575	\$ 196,530
Investments	4,149,782	2,836,867
Pledges receivable, net	-	322,840
Accrued interest receivable	5,468	4,512
Prepaid expenses	762	1,023
<b>Total Current Assets</b>	<u>4,338,587</u>	<u>3,361,772</u>
Assets Restricted for Permanent Investment		
Investments	3,260,275	3,222,379
Pledges receivable, net	2,262	5,854
Land	89,000	89,000
<b>Total Assets Restricted for Permanent Investment</b>	<u>3,351,537</u>	<u>3,317,233</u>
<b>Total Assets</b>	<u>\$ 7,690,124</u>	<u>\$ 6,679,005</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 13,689	\$ 784
<b>Total Current Liabilities</b>	<u>13,689</u>	<u>784</u>
Net Assets		
Without donor restrictions	2,687,500	1,672,030
With donor restrictions	4,988,935	5,006,191
<b>Total Net Assets</b>	<u>7,676,435</u>	<u>6,678,221</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 7,690,124</u>	<u>\$ 6,679,005</u>

See accompanying notes to the financial statements

## Junior College District of East Central, Missouri

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

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Operating Revenues</b>		
Student tuition and fees (net of scholarship allowance of \$2,917,103 in 2020 and \$2,955,878 in 2019)	\$ 4,448,824	\$ 3,633,936
Federal grants and contracts	7,433,080	6,977,581
State grants and contracts	640,685	580,810
Local grants and contracts	16,085	10,000
Other auxiliary services	1,359,942	1,709,825
<b>Total Operating Revenues</b>	13,898,616	12,912,152
<b>Operating Expenses</b>		
Salaries	11,068,152	11,035,001
Employee benefits	4,919,946	3,811,881
Scholarships	3,682,046	3,557,374
Utilities	789,362	895,304
Supplies and other services	4,606,080	4,797,985
Depreciation	2,069,777	2,146,968
<b>Total Operating Expenses</b>	27,135,363	26,244,513
<i>Operating (Loss)</i>	(13,236,747)	(13,332,361)
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	4,541,087	5,266,945
Tax revenue	8,452,367	8,240,732
Contributions	452,931	88,634
Interest income	100,229	108,772
Gain (loss) on disposal of assets	(2,707)	3,550
Interest and fees on capital asset - related debt	(528,072)	(474,924)
<b>Total Nonoperating Revenues (Expenses)</b>	13,015,835	13,233,709
<i>(Decrease) in Net Position</i>	(220,912)	(98,652)
Net Position, Beginning of year	23,023,770	23,122,422
<b>Net Position, End of year</b>	\$ 22,802,858	\$ 23,023,770

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, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains, and Other Support</b>			
Contributions	\$ 123,627	\$ 198,763	\$ 322,390
Interest and dividends	10,933	166,126	177,059
Investment return unrealized, net	1,043,784	136,697	1,180,481
Special events	104,807	-	104,807
Net assets released from restrictions	497,472	(497,472)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>1,780,623</b>	<b>4,114</b>	<b>1,784,737</b>
<b>Expenses</b>			
Program	665,310	-	665,310
Supporting services			
Management and general	25,178	-	25,178
Fundraising	96,035	-	96,035
<b>Total Expenses</b>	<b>786,523</b>	<b>-</b>	<b>786,523</b>
<b>Nonoperating Activities</b>			
Transfer of funds	21,370	(21,370)	-
<i>Change in Net Assets</i>	<i>1,015,470</i>	<i>(17,256)</i>	<i>998,214</i>
Net Assets, Beginning of Year	1,672,030	5,006,191	6,678,221
<b>Net Assets, End of Year</b>	<b>\$ 2,687,500</b>	<b>\$ 4,988,935</b>	<b>\$ 7,676,435</b>

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

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

See accompanying notes to the financial statements

# Junior College District of East Central, Missouri

## Statements of Cash Flows – Primary Government

Years Ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Student tuition and fees	\$ 4,526,789	\$ 3,730,479
Aid, grants, and contracts	7,698,036	7,806,571
Payments to suppliers	(5,256,418)	(5,592,996)
Payments to employees	(14,667,590)	(14,627,532)
Financial aid issued to students	(3,682,046)	(3,557,374)
Other receipts	1,353,150	1,692,094
<b>Net Cash (Used) by Operating Activities</b>	<b>(10,028,079)</b>	<b>(10,548,758)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(503,860)	(2,066,853)
Principal paid on capital debt and leases	(1,381,342)	(1,417,781)
Bond, lease, and loan proceeds	-	2,000,000
Interest paid on capital debt and leases	(522,494)	(462,869)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(2,407,696)</b>	<b>(1,947,503)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Local taxes	8,452,367	8,240,732
State aid	4,541,087	5,266,945
Contributions	452,931	88,634
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>13,446,385</b>	<b>13,596,311</b>
<b>Cash Flows From Investing Activities</b>		
Net (purchases) of investments	(19,895)	(13,764)
Interest on investments	100,229	164,329
<b>Net Cash Provided by Investing Activities</b>	<b>80,334</b>	<b>150,565</b>
<i>Net Increase in Cash and Cash Equivalents</i>	1,090,944	1,250,615
Cash and Cash Equivalents, Beginning of year	6,762,906	5,512,291
<b>Cash and Cash Equivalents, End of year</b>	<b>7,853,850</b>	<b>6,762,906</b>
Less Restricted Cash and Cash Equivalents	212,703	580,617
<b>Unrestricted Cash and Cash Equivalents</b>	<b>\$ 7,641,147</b>	<b>\$ 6,182,289</b>

See accompanying notes to the financial statements

# Junior College District of East Central, Missouri

## Statements of Cash Flows – Primary Government

Years Ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities</b>		
Operating (loss)	\$ (13,236,747)	\$ (13,332,361)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	2,069,777	2,146,968
Changes in assets, deferred outflows, liabilities and deferred inflows		
Accounts receivables, net	523,613	(320,176)
Inventory	40,445	16,425
Prepaid expenses	220,397	5,298
Accrued wages and benefits	88,942	4,208
Accounts payable and due to agency groups	(121,818)	78,570
Unearned revenue	(844,254)	637,168
Compensated absences	130,085	74,748
Net pension	1,057,569	385,997
Post-employment benefit	43,912	(245,603)
<b>Net Cash (Used) by Operating Activities</b>	<b>\$ (10,028,079)</b>	<b>\$ (10,548,758)</b>

See accompanying notes to the financial statements

# Junior College District of East Central, Missouri

*East Central College Foundation, Inc. – Component Unit*

## Statements of Cash Flows

Year Ended December 31, 2019 and 2018

	December 31,	
	2019	2018
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 998,214	\$ (288,165)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Contributions restricted for endowment	(25,729)	(41,095)
Net realized and unrealized (gains) losses on investments	(1,180,481)	466,921
Change in operating assets and liabilities:		
Pledges receivable	322,840	(18,004)
Accrued interest receivable	(956)	720
Prepaid expenses	261	268
Accounts payable and accrued expenses	12,905	(2,238)
<b>Net Cash Provided by Operating Activities</b>	<b>127,054</b>	<b>118,407</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(102,179)	(127,170)
Reinvested dividends	(146,989)	(143,136)
Proceeds from sales of investments	78,838	76,953
<b>Net Cash (Used) by Investing Activities</b>	<b>(170,330)</b>	<b>(193,353)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions restricted for endowment	29,321	52,248
<b>Net Cash Provided by Financing Activities</b>	<b>29,321</b>	<b>52,248</b>
<i>Net (Decrease) in Cash and Cash Equivalents</i>	(13,955)	(22,698)
Cash and Cash Equivalents, Beginning of year	196,530	219,228
<b>Cash and Cash Equivalents, End of year</b>	<b>\$ 182,575</b>	<b>\$ 196,530</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Non-cash Transactions		
Donation of services	\$ 105,701	\$ 69,565

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, 2019

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	Program	Supporting Services		Total
		Management and General	Fundraising	
Scholarships	\$ 257,601	\$ -	\$ -	\$ 257,601
Salaries and benefits	33,027	7,339	33,027	73,393
Special events	31,906	1,510	28,767	62,183
Insurance expense	4,703	1,045	4,703	10,451
Miscellaneous	15,675	13,191	714	29,580
Office supplies and expenses	1,107	246	1,107	2,460
Printing and copying	2,593	576	12,137	15,306
Professional fees	4,275	950	4,275	9,500
Repairs and maintenance	1,382	307	1,382	3,071
Travel	62	14	62	138
Capital projects	312,979	-	9,861	322,840
	<u>\$ 665,310</u>	<u>\$ 25,178</u>	<u>\$ 96,035</u>	<u>\$ 786,523</u>

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

	<b>Supporting Services</b>			<b>Total</b>
	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	
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

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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### 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.

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 was December 31, however, the Foundation approved changing year end to June 30. A six month audit ending June 30, 2020, will be completed and the first full year audit for the revised year end will be for the year ending June 30, 2021. The College presents the Foundation financial statements of the calendar year end that falls within the College's fiscal year end until the first full year June 30 audit is available.

During the years ended June 30, 2020 and 2019, the Foundation distributed \$215,800 and \$182,850 to the College or its students for both restricted and unrestricted purposes.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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### **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 use restricted expendable assets or unrestricted assets, it uses 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.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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### Receivables

Receivables from students are deemed to be substantially collectible but there is an allowance for uncollectible accounts and the receivables are presented net of that allowance. 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:

<u>Assets</u>	<u>Years</u>
Buildings	50
Campus improvements and infrastructure	20 to 25
Furniture and equipment	3 to 15

### Unearned Revenue

These balances consist of one half of summer student fees, all fall session student fees, and various other unearned amounts totaling \$2,538,932 for 2020 and totaling \$3,383,186 for 2019.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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### **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 14 – 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.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

### 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. Risks & Uncertainties

During 2020, a strain of Coronavirus (COVID-19) was identified as a global pandemic and began affecting the health of large portions of the global population. The detrimental impact of this virus is not yet fully determinable, but will likely continue to be significant for both the District and the overall economy. COVID-19 has been identified as a significant risk and uncertainty that could impact future operations and result in changes in estimates and assumptions made in the financial statements.

## 3. 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, 2020, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Not Subject to Fair Value</u>
Certificates of Deposit	8/13/20 to 6/15/21	\$ 876,684

Investments of the College as of June 30, 2019, are as follows:

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

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

### 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, 2020 and 2019, the College's deposits bank balance was insured or collateralized as follows:

	<u>2020</u>	<u>2019</u>
FDIC Insurance	\$ 353,836	\$ 838,858
Collateralized	8,640,789	7,275,660
<b>Total</b>	<u>\$ 8,994,625</u>	<u>\$ 8,114,518</u>

At June 30, 2020 and 2019, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
United Bank of Union	\$ 8,890,789	\$ 7,252,398

## 4. 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, 2020, restricted cash and cash equivalents and net position consisted of \$212,703 and \$105,772, respectively, for debt service requirements and lease projects. 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 projects.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

### 5. Accounts Receivable

Accounts receivable is presented net of allowance for doubtful accounts as of June 30, 2020 and 2019, as follows:

	2020		
	Gross Receivable	Allowance	Net Receivable
Student receivables	\$ 2,826,203	\$ 631,965	\$ 2,194,238
	2019		
	Gross Receivable	Allowance	Net Receivable
Student receivables	\$ 3,722,771	\$ 606,314	\$ 3,116,457

### 6. Capital Assets

Activity for capital assets for the years ended June 30, 2020 and 2019, is summarized below:

	Balance June 30, 2019	Additions and Completions	Dispositions	Balance June 30, 2020
Nondepreciable				
Land	\$ 554,854	\$ -	\$ -	\$ 554,854
Construction in progress	1,689,043	100,226	(1,683,872)	105,397
<b>Total Nondepreciable Capital Assets</b>	2,243,897	\$ 100,226	\$ (1,683,872)	660,251
Depreciable				
Buildings	56,535,407	\$ 139,513	\$ -	56,674,920
Campus improvements	569,536	-	-	569,536
Furniture and equipment	9,502,494	1,947,993	(54,440)	11,396,047
Infrastructure	2,368,628	-	-	2,368,628
<b>Total Depreciable Capital Assets</b>	68,976,065	\$ 2,087,506	\$ (54,440)	71,009,131
Accumulated depreciation	(27,916,138)	\$ (2,069,777)	\$ 51,733	(29,934,182)
<b>Total Depreciable Capital Assets, Net</b>	41,059,927			41,074,949
<b>Total Capital Assets, Net</b>	\$ 43,303,824			\$ 41,735,200

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

	2018	Completions	Dispositions	2019
Nondepreciable				
Land	\$ 554,854	\$ -	\$ -	\$ 554,854
Construction in progress	-	1,689,043	-	1,689,043
<b>Total Nondepreciable Capital Assets</b>	554,854	<u>\$ 1,689,043</u>	<u>\$ -</u>	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
<b>Total Depreciable Capital Assets</b>	68,663,145	<u>\$ 381,360</u>	<u>\$ (68,440)</u>	68,976,065
Accumulated depreciation	(25,837,610)	<u>\$ (2,146,968)</u>	<u>\$ 68,440</u>	(27,916,138)
<b>Total Depreciable Capital Assets, Net</b>	42,825,535			41,059,927
<b>Total Capital Assets, Net</b>	\$ 43,380,389			\$ 43,303,824

## 7. Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2020 and 2019, is as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Bonds payable	\$ 10,570,000	\$ -	\$ (1,215,000)	\$ 9,355,000	\$ 1,275,000
Add: Bond premium	644,171	-	(102,397)	541,774	-
Less: Bond discount	(427,449)	-	194,412	(233,037)	-
	10,786,722	-	(1,122,985)	9,663,737	1,275,000
Direct borrowing					
USDA loan	741,667	-	(100,000)	641,667	99,996
Equipment lease	1,975,000	-	(100,000)	1,875,000	160,000
Tyco integrated security lease	19,458	-	(19,458)	-	-
Guaranteed energy savings lease	1,157,832	-	(38,899)	1,118,933	63,755
Net pension liability	14,443,812	-	(330,597)	14,113,215	-
Post-employment benefit liability	962,138	197,730	-	1,159,868	-
Compensated absences	574,296	130,085	-	704,381	-
	\$ 30,660,925	\$ 327,815	\$ (1,711,939)	\$ 29,276,801	\$ 1,598,751

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>	<b>Current Portion</b>
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					
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

Bonds payable at June 30, 2020 and 2019, consists of:

	<b>2020</b>	<b>2019</b>
\$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%.	\$ 525,000	\$ 990,000
\$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%.	5,025,000	5,775,000
\$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
<b>Total Bonds Payable</b>	<b>\$ 9,355,000</b>	<b>\$ 10,570,000</b>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 9,355,000</u>	<u>\$ 1,182,550</u>	<u>\$ 10,537,550</u>

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, 2020, the discount balance is \$233,037. As of June 30, 2019, the discount balance is \$427,449.

### USDA Loan

On October 3, 2016, the College entered into a direct borrowing 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, 2020, 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:

<u>Year Ending June 30,</u>	<u>Direct Borrowing</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	41,691	-	41,691
	<u>\$ 641,667</u>	<u>\$ -</u>	<u>\$ 641,667</u>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

### Guaranteed Energy Savings Lease

On February 8, 2017, the College entered into a direct borrowing 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%. The College accounts for all leases in accordance with GASB Codification L20, "Leases".

Principal and interest payments are as follows:

<u>Year Ending June 30,</u>	<b>Direct Borrowing</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 63,755	\$ 29,674	\$ 93,429
2022	66,121	27,945	94,066
2023	71,109	26,081	97,190
2024	76,339	24,078	100,417
2025	81,822	21,929	103,751
2026	87,568	19,627	107,195
2027	93,589	17,165	110,754
2028	99,895	14,535	114,430
2029	106,499	11,730	118,229
2030	113,414	8,741	122,155
2031	120,651	5,560	126,211
2032	128,224	2,177	130,401
2033	9,947	23	9,970
	<u>\$ 1,118,933</u>	<u>\$ 209,265</u>	<u>\$ 1,328,198</u>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

### Equipment Lease Purchase

On February 19, 2019, the College entered into a direct borrowing 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%. The College accounts for all leases in accordance with GASB Codification L20, "Leases".

Principal and interest payments are as follows:

<u>Year Ending June 30,</u>	<b>Direct Borrowing</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 1,875,000</u>	<u>\$ 532,407</u>	<u>\$ 2,407,407</u>

Net Pension Liability: *See Note 8*

Post-employment Benefit Liability: *See Note 14*

Compensated Absences: *See Note 1*

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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### 8. 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.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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*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. 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.psr-peers.org](http://www.psr-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 2019 and 2020. 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 2019 and 2020. 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.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

The College's contributions to PSRS and PEERS were \$1,239,815 and \$202,498, respectively, for the year ended June 30, 2020. The College's contributions to PSRS and PEERS were \$1,230,157 and \$204,767, respectively, for the year ended June 30, 2019.

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

At June 30, 2020, the College had a liability of \$12,752,762 for its proportionate share of PSRS' net pension liability and \$1,360,453 for its proportionate share of PEERS' net pension liability. In total the College had a net pension liability of \$14,113,215. The net pension liability for the plans in total was measured as of June 30, 2019, 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 \$1,230,157 and \$204,767, respectively, for the year ended June 30, 2019, relative to the actual contributions of \$711,760,160 for PSRS and \$119,080,046 for PEERS from all participating employers. At June 30, 2019, the College's proportionate share was 0.1728% for PSRS and 0.1720% for PEERS.

For the year ended June 30, 2020, the College recognized pension expense of \$2,200,102 for PSRS and \$308,193 for PEERS, its proportionate share of the total pension expense. 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.

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS and PEERS pension benefits:

	<u>PSRS</u>		<u>PEERS</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows Due to						
Differences between expected and actual experience	\$ 413,073	\$ 922,994	\$ -	\$ 28,835	\$ 413,073	\$ 951,829
Changes of assumptions	1,807,445	-	85,968	-	1,893,413	-
Net differences between projected and actual earnings on pension plan investments	1,182,877	1,427,265	137,487	168,034	1,320,364	1,595,299
Changes in proportion and differences between Employer contributions and proportionate share of contributions	204,721	812,782	-	59,536	204,721	872,318
Employer contributions subsequent to the measurement date	<u>1,239,815</u>	<u>-</u>	<u>202,498</u>	<u>-</u>	<u>1,442,313</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 4,847,931</u></u>	<u><u>\$ 3,163,041</u></u>	<u><u>\$ 425,953</u></u>	<u><u>\$ 256,405</u></u>	<u><u>\$ 5,273,884</u></u>	<u><u>\$ 3,419,446</u></u>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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	-
<b>Total</b>	<u>\$ 6,586,381</u>	<u>\$ 3,610,126</u>	<u>\$ 639,320</u>	<u>\$ 372,971</u>	<u>\$ 7,225,701</u>	<u>\$ 3,983,097</u>

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2019, will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. 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
2021	\$ 508,406	\$ 44,259	\$ 552,665
2022	(325,029)	(78,806)	(403,835)
2023	287,769	(10,656)	277,113
2024	93,538	12,252	105,790
2025	(119,608)	-	(119,608)
	<u>\$ 445,076</u>	<u>\$ (32,951)</u>	<u>\$ 412,125</u>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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### **Payable to the Pension Plan**

At June 30, 2020, the College reported a payable of \$246,647 and \$35,371, respectively, for the outstanding PSRS and PEERS contributions to the pension plan required for the year ended June 30, 2020.

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.

### **Actuarial Assumptions – 2020**

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, 2018 valuations, the investment rate of return was reduced from 7.60% to 7.50% 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, 2019 valuation, the investment rate of return assumption remained the same at 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, 2019

*Valuation Date:* June 30, 2019

*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.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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### *Cost-of-Living (COLA) Increases*

- PSRS & PEERS: The annual COLA assumed in the valuation increases from 1.30% to 1.65% over seven years, beginning January 1, 2021. The COLA reflected for January 1, 2020, is 0.00%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.90% to a normative inflation assumption of 2.25% over seven 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 is 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: There have been no assumption change since the June 30, 2018 valuations.

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, 2019, are summarized below along with the long term geometric return.

## Junior College District of East Central, Missouri

### Notes to the Financial Statements

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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.

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-Term Expected Real Return Arithmetic Basis</b>	<b>Weighted Long-Term Expected Real Return Arithmetic Basis</b>
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%
<b>Total</b>	<b>100.0%</b>		<b>4.61%</b>
		Inflation	2.25%
		Long-term arithmetical nominal return	6.86%
		Effect of covariance matrix	0.64%
		Long-term expected geometric return	<b>7.50%</b>

*Discount Rate:* The long-term expected rate of return used to measure the total pension liability was 7.50% as of June 30, 2019, 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 using 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.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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### Actuarial Assumptions – 2019

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. 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 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, 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%: 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

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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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 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.

## Junior College District of East Central, Missouri

### Notes to the Financial Statements

June 30, 2020 and 2019

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%
<b>Total</b>	<b>100.0%</b>		<b>4.61%</b>
		Inflation	2.25%
		Long-term arithmetical nominal return	6.86%
		Effect of covariance matrix	0.64%
		Long-term expected geometric return	<b>7.50%</b>

*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 7.50% 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 using 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.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

**PSRS**

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

<b>2020 Discount Rate</b>	<b>1% Decrease (6.50%)</b>	<b>Current Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
2020 Proportionate share of the Net Pension Liability	\$ 23,199,505	\$ 12,752,762	\$ 4,069,386

**PEERS**

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

<b>2020 Discount Rate</b>	<b>1% Decrease (6.50%)</b>	<b>Current Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
2020 Proportionate share of the Net Pension Liability	\$ 2,583,456	\$ 1,360,453	\$ 334,657

## 9. 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, 2020 and 2019, upon which the levies for fiscal years 2020 and 2019 were based, were \$1,859,792,196 and \$1,770,322,172, respectively. The tax levy per \$100 of assessed valuation was as follows:

	<b>2020</b>	<b>2019</b>
General operations	\$ .3628	\$ .3700
Debt service	.0839	.0841
<b>Total Levy</b>	<b>\$ .4467</b>	<b>\$ .4541</b>

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, 2020 was:

Constitutional debt limit	\$ 92,989,610
General obligation bonds payable	(9,355,000)
Funds available and restricted for debt service	106,931
	<b>\$ 83,741,541</b>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

### 10. 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, 2019 and renews annually.

	<u>2020</u>	<u>2019</u>
R-Tech (Rolla)	\$ 135,455	\$ 136,644
Columbia College	397,645	507,301
<b>Total Remaining Lease Obligations</b>	<u>\$ 533,100</u>	<u>\$ 643,945</u>

### 11. 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 2020 and 2019 calendar year were \$266,844 and \$247,829, respectively. Management is aware of no events or circumstances which would generate a significant increase in future insurance premiums.

### 12. 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, 2020, 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.

### 13. 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, 2020, the College has no commitments.

#### Subsequent Events

There were no subsequent events after November 23, 2020.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

### 14. 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
	<u>193</u>

*Actuarial Methods and Assumptions:* The total OPEB liability in the June 30, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions:

Measurement Date: June 30, 2020 and 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: 2.21% and 3.50%, respectively, per annum based on the 20 year bond GO index at June 30, 2020 and 2019

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

### *Healthcare Cost Trend Rates*

- Medical/Retiree Premium Inflation Rate – 5.3% for 2020 and 7.1% 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:

Age	Rate	
	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%

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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

### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Balance at June 30, 2019	\$ 962,138
Changes for the year	
Service cost	84,392
Interest on total OPEB liability	35,818
Effect of assumptions changes or inputs	124,287
Benefit payments	(46,767)
<b>Balance at June 30, 2020</b>	<b>\$ 1,159,868</b>
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)
<b>Balance at June 30, 2019</b>	<b>\$ 962,138</b>

### Sensitivity Analysis

#### 2020

*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 2.21%, 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 (1.21%) or one percentage point higher (3.21%) than the current rate.

	<b>1% Decrease (1.21%)</b>	<b>Current Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Total OPEB Liability	\$ 1,264,879	\$ 1,159,868	\$ 1,062,405

*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.

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 1,004,914	\$ 1,159,868	\$ 1,345,793

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

### 2019

*Sensitivity of 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.

	<b>1% Decrease (2.50%)</b>	<b>Current Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
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.

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 845,553	\$ 962,138	\$ 1,100,964

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2020 and 2019, the College recognized OPEB expense of \$90,679 and \$103,126, respectively.

As of June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to OPEB:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Balance of Deferred Outflows and Inflows Due to:		
Differences between expected and actual experience	\$ -	\$ (244,171)
Changes of assumptions	117,844	(60,139)
<b>Total</b>	<b>\$ 117,844</b>	<b>\$ (304,310)</b>

At June 30, 2019, the College reported deferred inflows of resources in the amount of \$350,346 and deferred outflows of resources in the amount of \$10,062.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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

<u>Year Ending June 30,</u>	
2021	\$ (29,531)
2022	(29,531)
2023	(29,531)
2024	(29,531)
2025	(29,531)
Thereafter	(38,811)
	<u>\$ (186,466)</u>

### 15. Component Unit Disclosures

The following are the notes taken directly from the audited financial statements of the Foundation for the years ended December 31, 2019 and 2018.

#### 1) Summary of Significant Accounting Policies

*Basis of Accounting:* The financial statements of East Central College Foundation, Inc. (the Foundation) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Basis of Presentation:* The Foundation 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.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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*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 \$105,701 and \$69,565 at December 31, 2019 and 2018, 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

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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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:

<u>Expense</u>	<u>Method of Allocation</u>
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 June 24, 2020, 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, 2019, 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 2016, 2017 and 2018, 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

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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, 2019*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 3,621,874	\$ 3,621,874
Board-designated endowment funds	366,178	-	366,178
<b>Total Funds</b>	<b>\$ 366,178</b>	<b>\$ 3,621,874</b>	<b>\$ 3,988,052</b>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 348,849	\$ 3,528,156	\$ 3,877,005
Investment return			
Net gain (realized and unrealized)	216,146	129,537	345,683
<b>Total investment return</b>	216,146	129,537	345,683
Contributions	-	33,500	33,500
Appropriation of endowment assets for expenditures	(198,817)	(69,319)	(268,136)
<b>Endowment net assets, end of year</b>	<b>\$ 366,178</b>	<b>\$ 3,621,874</b>	<b>\$ 3,988,052</b>

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

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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
<b>Total investment return</b>	43,468	92,697	136,165
Contributions	-	62,153	62,153
Appropriation of endowment assets for expenditures	(117,211)	(61,665)	(178,876)
<b>Endowment net assets, end of year</b>	<b>\$ 348,849</b>	<b>\$ 3,528,156</b>	<b>\$ 3,877,005</b>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

### 3) Pledges Receivable

Unconditional promises to give consist of the following:

	<u>2019</u>	<u>2018</u>
Promises to give without donor restrictions	\$ 2,513	\$ 330,473
Less: Allowance for uncollectible amounts	(251)	(1,088)
Less: Discount for promises to give	-	(691)
<b>Promises to give, net</b>	<u>\$ 2,262</u>	<u>\$ 328,694</u>

The promises are collectible in future years as shown below:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 2,262	\$ 311,581
One to five years	-	17,113
	<u>\$ 2,262</u>	<u>\$ 328,694</u>

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

	<u>2019</u>	<u>2018</u>
Promises to give with donor restrictions	\$ -	\$ 322,840
Promises to give with donor restrictions - restricted for permanent investment	2,262	5,854
	<u>\$ 2,262</u>	<u>\$ 328,694</u>

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.).

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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, 2019 and 2018, using quoted prices in active markets.

Investments at December 31, 2019 and 2018, consist of the following:

	<b>Level I</b>	
	<b>Quoted Prices in Active Markets For Identical Assets</b>	
	<b>2019</b>	<b>2018</b>
Equity securities and mutual funds	\$ 5,948,346	\$ 4,634,066
Certificates of deposit	1,447,480	1,410,372
Cash surrender value of life insurance policy	14,231	14,808
	<b>\$ 7,410,057</b>	<b>\$ 6,059,246</b>

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

	<b>2019</b>	<b>2018</b>
Investments without donor restrictions	\$ 2,520,991	\$ 1,478,991
Investments with donor restrictions	4,889,066	4,580,255
	<b>\$ 7,410,057</b>	<b>\$ 6,059,246</b>

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 2019 and 2018 consisted of the following:

	<b>2019</b>	<b>2018</b>
Interest and dividends	\$ 177,059	\$ 159,735
Realized and unrealized gains (losses) on investments, net	1,180,481	(466,921)
	<b>\$ 1,357,540</b>	<b>\$ (307,186)</b>

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

	<b>2019</b>	<b>2018</b>
Without donor restrictions	\$ 1,054,717	\$ (419,862)
With donor restrictions	302,823	112,676
	<b>\$ 1,357,540</b>	<b>\$ (307,186)</b>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

### 6) Restrictions on Net Assets

Net assets with donor restrictions are restricted for the following purposes at December 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
<b>Specific purpose</b>		
Scholarships	\$ 4,914,495	\$ 4,598,692
Special projects	30,283	362,031
Miscellaneous activities	44,157	45,468
	\$ 4,988,935	\$ 5,006,191

### 7) Net Assets Released from Restrictions

Net assets were released from donor restrictions during 2019 and 2018, by incurring expenses satisfying the restricted purpose specified by donors as follows:

	<b>2019</b>	<b>2018</b>
<b>Satisfaction of purpose restrictions</b>		
Scholarships	\$ 150,527	\$ 95,926
Miscellaneous activities	2,634	3,098
Special projects	344,311	25,517
	\$ 497,472	\$ 124,541

### 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:

	<b>2019</b>	<b>2018</b>
<b>Financial assets at year end</b>		
Cash and cash equivalents	\$ 182,575	\$ 196,530
Investments	7,410,057	6,059,246
Pledges receivable, net	2,262	328,694
Accrued interest receivable	5,468	4,512
<b>Total financial assets</b>	7,600,362	6,588,982
Less amounts not available to be used within one year		
Net assets with donor restrictions	4,988,935	5,006,191
Less net assets with purpose restrictions to be met in less than one year	(2,262)	(311,581)
	4,986,673	4,694,610
<b>Financial assets available to meet general expenditures over the next twelve months</b>	\$ 2,613,689	\$ 1,894,372

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2020 and 2019

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Additionally, the Foundation has a \$458,056 line of credit available to meet cash flow needs.

### **9) Related Party Transactions**

The Foundation uses 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 \$105,701 for the year ended December 31, 2019, and \$69,565 for the year ended December 31, 2018.

### **10) Lines of Credit**

At December 31, 2019, the Foundation had an operating secured line of credit for \$458,056 to be drawn upon as needed. As of December 31, 2019, no draws have been made.

### **11) Commitments**

As of December 31, 2019, the Foundation was committed to various students in the amount of \$109,359 for the spring of 2020 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.

### **12) Risks & Uncertainties**

Subsequent to year end, a strain of Coronavirus (COVID-19) was identified as a global pandemic and began affecting the health of large portions of the global population. The detrimental impact of this virus is not yet fully determinable, but will likely continue to be significant for both the District and the overall economy. COVID-19 has been identified as a significant risk and uncertainty that could impact future operations and result in changes in estimates and assumptions made in the financial statements.

### **13) Transfer of Funds**

Certain cash transfers between with and without donor restrictions were made during 2019 and 2018 to properly report funds on a basis consistent with the Foundation's policies.

## Required Supplementary Information

## Junior College District of East Central, Missouri

Schedules of Proportionate Share of the Net Pension Liability and Related Ratios – PSRS & PEERS

Year Ended June 30, 2020

<b>Public School Retirement System (PSRS)</b>					
<b>Year Ended*</b>	<b>Proportion of the Net Pension Liability (Asset)</b>	<b>Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Actual Covered Member Payroll</b>	<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>Fiduciary Net Position as a Percentage of Total Pension Liability</b>
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%
6/30/2020	0.1728%	12,752,762	8,515,180	149.77%	84.62%

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 Proportionate Share of the Net Pension Liability and Related Ratios – PSRS & PEERS

Year Ended June 30, 2020

<b>Public Education Employee Retirement System (PEERS)</b>					
<b>Year Ended*</b>	<b>Proportion of the Net Pension Liability (Asset)</b>	<b>Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Actual Covered Member Payroll</b>	<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>Fiduciary Net Position as a Percentage of Total Pension Liability</b>
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%
6/30/2020	0.1720%	1,360,453	2,862,308	47.53%	86.38%

\*The data provided in the schedules 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 and PEERS

Year Ended June 30, 2020

#### 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	-	8,515,180	14.45%
6/30/2020	1,239,815	1,239,815	-	8,581,278	14.45%

#### 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	204,767	204,767	-	2,862,308	7.15%
6/30/2020	202,498	202,498	-	2,951,875	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 and Related Ratios

Year Ended June 30, 2020 and 2018

#### Schedule of Changes in Total OPEB Liability and Related Ratios

(in 1,000s)

	2020	2019	2018	2017
<b>Total OPEB Liability</b>				
Service cost	\$ 84	\$ 99	\$ 98	\$ 106
Interest on total OPEB liability	36	49	44	35
Effect of economic/demographic gains or (losses)	-	(313)	-	-
Effect of assumption changes or inputs	124	11	(28)	76
Benefit payments	(47)	(92)	(74)	(74)
<i>Net Change in Total OPEB Liability</i>	198	(246)	40	(8)
Total OPEB Liability, Beginning	962	1,208	1,168	1,176
<b>Total OPEB Liability, Ending</b>	<b>\$ 1,160</b>	<b>\$ 962</b>	<b>\$ 1,208</b>	<b>\$ 1,168</b>
Covered member payroll	\$ 11,084	\$ 11,373	\$ 10,386	\$ 8,417
Total OPEB liability as a % of covered payroll	10.46%	8.46%	11.63%	13.87%

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)

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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
2020	776	3,640	2,649	25,148	2,334	21,096

# Junior College District of East Central, Missouri

## Schedule of Bond and Interest Requirements

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

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<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 525,000</u>	<u>\$ -</u>	<u>\$ 525,000</u>

# Junior College District of East Central, Missouri

Schedule of Bond and Interest Requirements  
\$7,495,000 Bond Issue – Series 2015 (unaudited)

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<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 5,025,000</u>	<u>\$ 713,500</u>	<u>\$ 5,738,500</u>

# Junior College District of East Central, Missouri

Schedule of Bond and Interest Requirements  
\$3,805,000 Bond Issue – Series 2016 (unaudited)

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<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 3,805,000</u>	<u>\$ 469,050</u>	<u>\$ 4,274,050</u>

## **Other Reporting Requirements**



**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, as of and for the year ended June 30, 2020 and 2019, 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 23, 2020.

**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) as a basis for designing 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 from 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 financial statements. 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 23, 2020



## 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, 2020. 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, 2020.

### **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 2020-001. 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 2020-001, 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 23, 2020

# Junior College District of East Central, Missouri

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number / Other Identifying Number	Passed- through to Subrecipients	Federal Expenditures
<b>U.S. Department of Education</b>				
Direct				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063	N/A	\$ -	\$ 4,128,920
Federal Work-Study Program	84.033	N/A	-	69,650
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	151,134
Federal Direct Student Loans	84.268	N/A	-	1,700,464
<b>Total Student Assistance Cluster</b>			-	6,050,168
COVID 19 - Education Stabilization Fund	84.425E	N/A	-	318,000
Missouri Department of Higher Education and Workforce Development				
COVID 19 - Education Stabilization Fund	84.425C	-	-	43,460
			-	361,460
Missouri Department of Elementary and Secondary Education				
Adult Education - Basic Grants to States	84.002	V002A180026 V002A190026	-	154,404
			-	222,854
			-	377,258
Career and Technical Education - Basic Grants to States	84.048	V048A190025	-	161,874
<b>Total U.S. Department of Education</b>			-	6,950,760
<b>U.S. Department of the Treasury</b>				
Missouri Department of Higher Education and Workforce Development				
COVID 19 - Coronavirus Relief Fund	21.019	-	-	265,552
<b>Total U.S. Department of the Treasury</b>			-	265,552
<b>U.S. Department of Labor</b>				
WIOA Cluster				
Office of Job Training				
WIOA Adult Program	17.258	ECC-01-19	-	3,320
WIOA Youth Activities	17.259	ECC-01-19	-	3,840
WIOA Dislocated Worker Formula Grants	17.278	ECC-01-19	-	3,840
Missouri Department of Workforce Development				
WIOA Dislocated Worker Formula Grants	17.278	DWD-ECC 001	-	53,837
<b>Total WIOA Cluster</b>			-	64,837
St. Louis Community College				
H-1B Job Training Grant	17.268	HG-33040-19-60	-	49,696
<b>Total U.S. Department of Labor</b>			-	114,533
<b>U.S. Department of Agriculture</b>				
Direct				
Rural Business Development Grant	10.351	N/A	-	51,558
Missouri Community College Association/Ozarks Technical Community College				
Supplemental Nutrition Assistance Program	10.561	CS160897001	-	50,870
<b>Total U.S. Department of Agriculture</b>			-	102,428
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 7,433,273

N/A: Not Applicable

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

# Junior College District of East Central, Missouri

## Notes to the Schedule of Expenditures of Federal Awards

June 30, 2020

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### **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, 2020. 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, 2020.

# Junior College District of East Central, Missouri

## Summary Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

### 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 auditors' 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:		
<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>	
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?		No

### Section II: Financial Statement Findings

None

# Junior College District of East Central, Missouri

## Summary Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

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

Compliance Findings and Significant Deficiency – 2020-001

U.S. Department of Education

Student Financial Assistance Cluster

CFDA Nos. 84.007, 84.033, 84.063 and 84.268

Award year: 2019-2020

#### **2020-001 Special Tests and Provisions: Enrollment Reporting**

*Condition:* The College did not have procedures in place to ensure change in enrollment information was accurately reported to the Department of Education within the required timeframe.

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

*Cause:* The College Procedures did not include proper internal controls over compliance to ensure that these requirements were being met.

*Effect:* The College was not in compliance with timely reporting requirements for NSLDS reporting.

*Context:* A sample of 40 students revealed that enrollment status was not reported within the required timeframe for 2 students.

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

*Repeat Finding:* No.

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

*College Response:* East Central College relies on the timing and accuracy of faculty reporting to submit subsequent enrollment changes to the Clearinghouse and ultimately the National Student Loan Database. Per College policy, Instructors submit which students to drop and when that is to happen. The college has several departments working together to review the enrollment reporting processes: Registrar, Information Technology, and Financial Aid. These offices work together alongside the Clearinghouse to work through possible errors in reporting within a designated timeline of reporting. Additional review of the process continues regularly.

# Junior College District of East Central, Missouri

Schedule of Prior Audit Findings

Year Ended June 30, 2020

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## **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

### **2019-001 Eligibility – Calculation of Benefits**

*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.

*Status:* Corrected



November 23, 2020

**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, 2020. 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, 2020

The finding from the June 30, 2020 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  
2020-001**

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

*Corrective Action Taken:* East Central College relies on the timing and accuracy of faculty reporting to submit subsequent enrollment changes to the Clearinghouse and ultimately the National Student Loan Database. Per College policy, instructors submit which students to drop and when that is to happen. The college has several departments working together to review the enrollment reporting processes: Registrar, Information Technology, and Financial Aid. These offices work together alongside the Clearinghouse to work through possible errors in reporting within a designated timeline of reporting. Additional review of the process continues regularly.

*Anticipated Completion Date:* Fall 2020 semester

Dr. Jon Bauer, President  
Junior College District of East Central Missouri

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