

# Junior College District of East Central, Missouri

Annual Financial Report  
Year Ended June 30, 2021

**KPM**  
CPAS & ADVISORS

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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 year ended June 30, 2021, of the Junior College District of East Central, Missouri, 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.

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Junior College District of East Central, Missouri as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 29, 2021, 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.

Handwritten signature in black ink that reads "KPM CPAs, PC".

KPM CPAs, PC  
Springfield, Missouri  
November 29, 2021

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

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2021

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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'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.

There are three financial statements presented for the College: the Combined Statement of Net Position, the Combined Statement of Revenues, Expenses, and Changes in Net Position, and the Combined Statement of Cash Flows. These statements reflect the activity of the College and its blended component unit, the East Central College Foundation (the Foundation).

### Combined Statement of Net Position

The Combined Statement of Net Position present the assets, deferred outflows, liabilities, deferred inflows, and net position of the College at the end of the fiscal year June 30, 2021. The purpose of the Combined Statement 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.

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2021

The following table of the College and its blended component unit, the Foundation's combined net position at June 30, 2021 and 2020, as restated, shows the unrestricted portion at \$(153,704) and \$(3.4) million, respectively.

	<b>2021</b>	<b>2020</b>
Current assets	\$ 30,274,723	\$ 19,522,387
Capital assets	40,753,756	41,824,200
Deferred outflows	6,169,337	5,391,728
<b>Total Assets and Deferred Outflows of Resources</b>	<b>77,197,816</b>	<b>66,738,315</b>
Current liabilities	6,155,450	5,429,622
Long-term liabilities	29,441,527	27,678,050
Deferred inflows	2,482,267	3,723,756
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>38,079,244</b>	<b>36,831,428</b>
Net investment in capital assets	28,857,336	28,435,863
Restricted	10,414,940	5,086,256
Unrestricted	(153,704)	(3,402,529)
<b>Total Net Position</b>	<b>\$ 39,118,572</b>	<b>\$ 30,119,590</b>

Significant capital expenditures and completion of construction in fiscal year 2021 included the following:

Instructional Equipment	\$ 266,618
IT Infrastructure Upgrade	217,569
Computers/AV Equipment	56,231
HVAC Improvements	70,725
Athletics	49,555
Facilities	31,829
Office Renovations	9,529
Safety Window Tint	8,010
Theater Sound System	88,940
Electronic Sign at Entrance	123,415
<b>Total</b>	<b>\$ 922,421</b>

Net capital assets decreased by \$1,070,444. Capital expenditures totaled \$1,043,717. Depreciation of \$2,114,161 was recorded.

## Combined Statement of Revenues, Expenses, and Changes in Net Position

The Combined Statement of Revenues, Expenses and Changes in Net Position present the College's financial results for the fiscal year. The statement includes the College's revenues and expenses, both operating and non-operating.

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2021

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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.

Please note only one year is presented as the College is presenting blended financial statements due to the inclusion of the Foundation in the current year. This is the first full year of the Foundation operating with the same year end as the College. The following is a summarized version of the College's revenues, expenses, and changes in net position for the year ended June 30, 2021:

	<b>2021</b>
Operating revenue	\$ 7,785,452
Operating expenses	27,208,031
<b>Operating (Loss)</b>	<u>(19,422,579)</u>
Non-operating revenues (expenses)	<u>28,421,561</u>
<i>Increase in Net Position</i>	8,998,982
Net Position, Beginning of year, as restated	30,119,590
<b>Net Position, End of year</b>	<u><u>\$ 39,118,572</u></u>

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2021

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 year 2021 revenues, both operating and non-operating:

	<u>2021</u>
<b>Operating Revenues</b>	
Student tuition and fees, net	\$ 4,537,781
Federal grants and contracts	861,295
State and local grants and contracts	985,903
Auxiliary service revenue	1,104,467
Other operating revenue	296,006
<b>Total Operating Revenues</b>	<u>\$ 7,785,452</u>
	<u>2021</u>
<b>Nonoperating Revenues (Expenses)</b>	
Nonexchange grant revenue	\$ 6,840,440
State appropriations	5,227,756
County property tax revenue	8,814,354
Contributions	5,384,255
Investment income	264,721
Gain on investments	2,324,434
Interest and fees on capital asset - related debt	(434,399)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>\$ 28,421,561</u>

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2021

Following are the components of operating expenses for the College during fiscal year 2021:

	<u>2021</u>
<b>Operating Expenses by Natural Classification</b>	
Salaries and benefits	\$ 16,259,157
Scholarships	1,741,393
Student payments	1,333,102
Supplies, other services, and utilities	5,760,218
Depreciation	2,114,161
<b>Total Operating Expenses</b>	<u><u>\$ 27,208,031</u></u>

Salaries and benefits make up 60% of total operating expenses. Supplies, other services, and utilities make up 21% of the total operating expenses.

In addition, the following chart presents the fiscal year 2021 operating expenses of the College by function:

	<u>2021</u>
<b>Operating Expenses by Functional Classification</b>	
Instruction	\$ 8,013,310
Academic support	3,640,723
Student services	1,502,781
Institutional support	5,823,835
Operations and maintenance	2,364,010
Scholarships and fellowships	1,410,919
Payments to students	1,333,102
Depreciation	2,114,161
Auxiliary enterprise	1,005,190
<b>Total Operating Expenses by Function</b>	<u><u>\$ 27,208,031</u></u>

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2021

### Combined Statement of Cash Flows

The Combined Statement of Cash Flows present information about the cash activity of the College. The statement shows the major sources and uses of cash. Please note only one year is presented as the College is presenting the Foundation as a blended component unit for the first time due to the Foundation changing to the College's year end. The following is a summary of the Combined Statement of Cash Flows for the year ended June 30, 2021:

	<u>2021</u>
Cash Provided (Used) By:	
Operating activities	\$ (16,662,763)
Noncapital financing activities	26,266,805
Capital and related financing activities	(2,881,033)
Investing activities	<u>(4,573,012)</u>
<i>Net Change in Cash and Cash Equivalents</i>	2,149,997
Cash and Cash Equivalents, Beginning of year	7,997,525
<b>Cash and Cash Equivalents, End of year</b>	<u><u>\$ 10,147,522</u></u>

### Debt Administration

Total debt of the College as of June 30, 2021, was \$11,896,420, which is down \$1,402,917 from the prior year. See Note 6, Long-term Liabilities, to the financial statements for details of this decrease.

### Economic Outlook

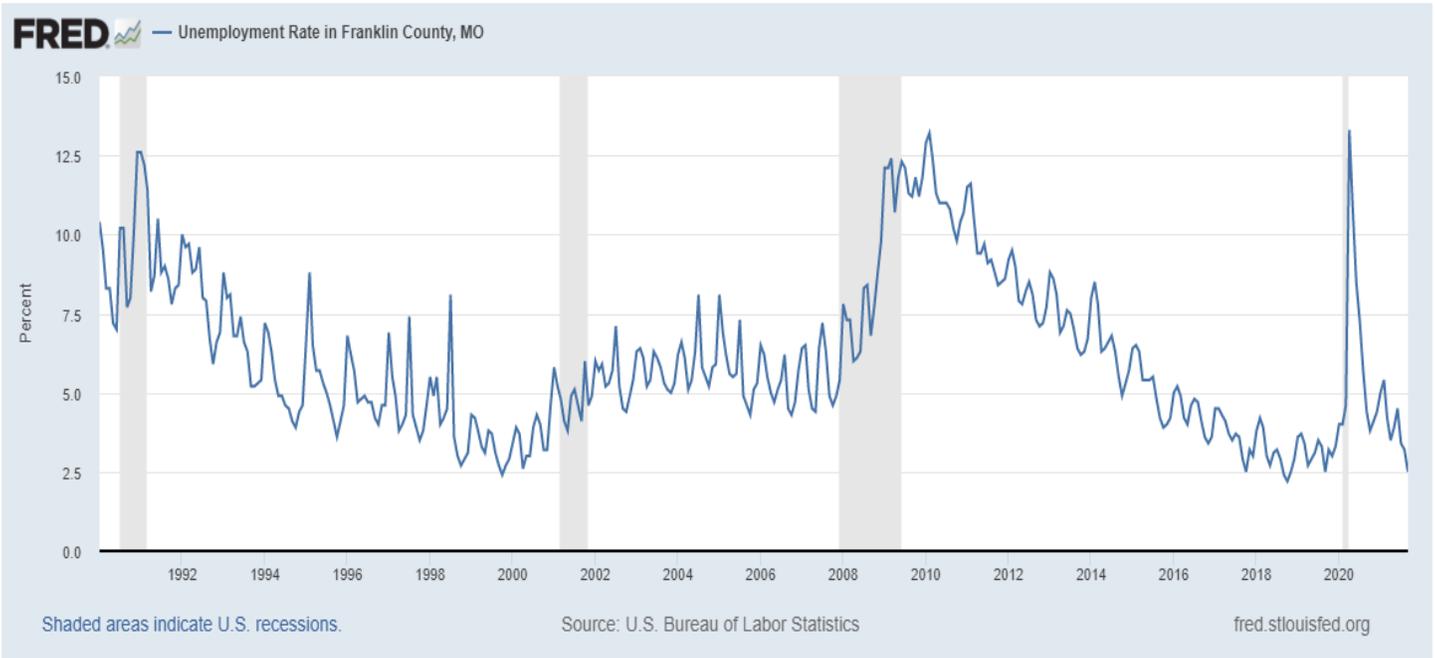
The economic outlook is clearly influenced by the COVID-19 pandemic. Since the onset of the pandemic, we have seen unemployment fluctuate as restrictions have been adopted and individuals have changed their behavior as consumers. Also, inflation and supply chain issues are influential items which will contribute to the College's economic outlook.

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, 2021, the unemployment rate was 2.5% (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).

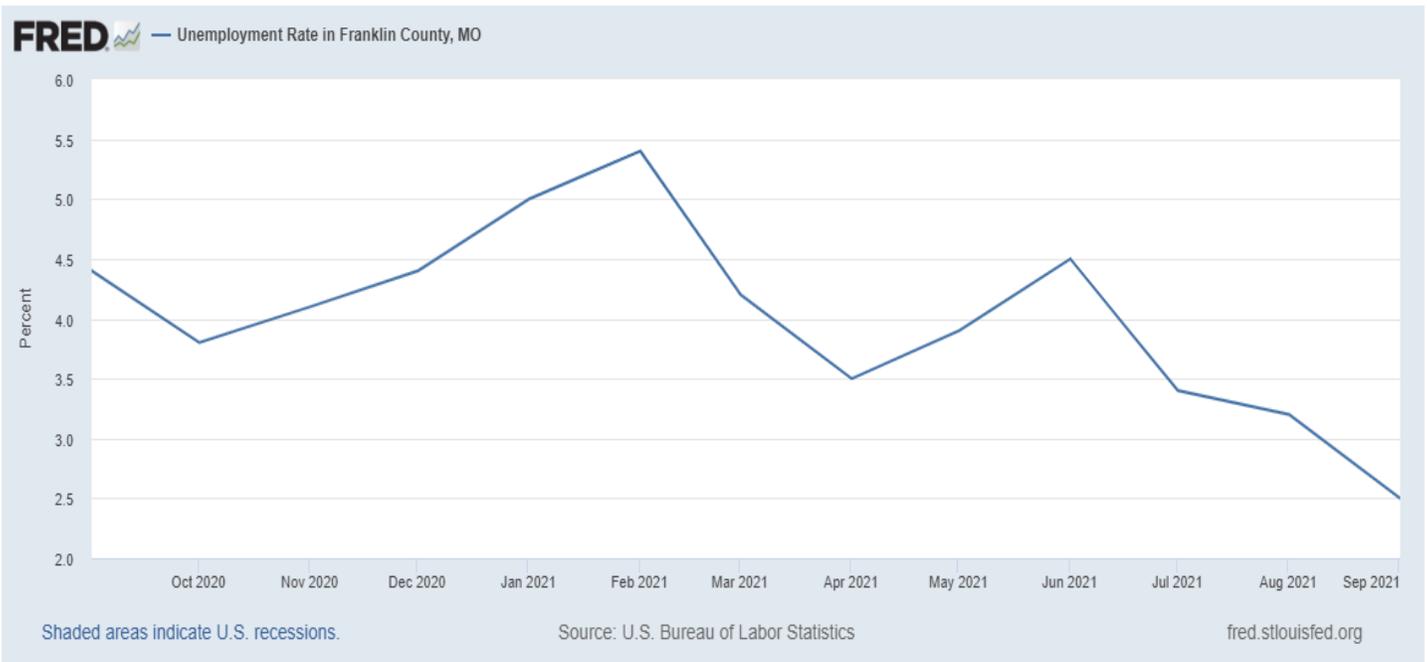
# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2021



The corresponding graph provides monthly unemployment for the 12 month period ending in September 2021:



# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2021

Unemployment typically is a factor in the College's enrollment, with low unemployment typically resulting in an increase in students. However, the College's enrollment in Fall 2021 did increase unlike many other community colleges in Missouri even though unemployment is declining. This is a direct result of the College's recruitment and retention efforts as well as additional athletic programs such as women's soccer and men's baseball.

The annual inflation rate for the United States is 6.2% for the 12 months ended October 2021 per the US Inflation Calculator (see chart below). This will undoubtedly affect the College's purchasing power going forward. Supply chain issues are also a growing concern for present and future construction projects.

Chart: United States Annual Inflation Rates (2011 to 2021)



As a result of the pandemic, East Central College has been allocated federal funds totaling \$12,351,051. 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	\$4,766,569
CARES Act, Institutional	\$6,459,384
CARES Act, Education Stabilization	\$225,469
Missouri, Governor's Emergency Educational Relief (GEER)	\$221,601
Missouri, Coronavirus Relief Fund (Response/Reopening)	\$564,528
Missouri, Coronavirus Relief Fund (Remote Learning)	\$113,500

These resources have been, and continue to be, 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.

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2021

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Enrollment for the Fall semester, 2021, reflected an increase in headcount and credit hours when compared to 2020. At census (enrollment at the end of the fourth week of classes), the college had 2,657 students enrolled, compared to 2,593 the prior fall, an increase of 2.5%. Students were enrolled for 25,868 credit hours, an increase from 24,633, 5.0% the previous fall semester. The College experienced growth in its dual credit headcount enrollment at area high schools (639 students compared to 591, +8.1%), and an increase in credit hours (3,050 in 2021, 2546 in 2020, +19.8%). Enrollment at the college's Rolla facilities declined, (351 students compared to 380 in 2020; 3,003 credit hours compared to 3,055). A 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 1,330 students in 2021 and 1,432 students in 2020, a decrease of (7.1%). Credit hours in web online classes totaled 8,812 hours compared to 9,840 hours the previous fall, a decrease of (10.4%). There were 171 students enrolled in web hybrid classes compared to 192 the previous fall, a decrease of (10.9%). Credit hours in hybrid classes increased by 8.9 % from 687 hours 2020 to 748 in the fall of 2021. The average (mean) age for students is 21 (by comparison, the mean student age in 2020 was 22, 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 \$1,893,892,697 in 2021 a 5.66% increase over 2020. The district experienced \$24,802,459 in new construction and improvements between 2020 and 2021, an increase from \$18,740,911 last year.

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. 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 FY21, equal to \$143,570,515 in FY20. Looking ahead to fiscal year 2022, community colleges will receive an increase in state appropriations of \$153,570,515. This results in an additional \$147,846 for the College.

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
<b>FY 2021</b>	\$143,570,515

# Junior College District of East Central, Missouri

## Management's Discussion and Analysis

Year Ended June 30, 2021

Effective for 2021-22 academic year, the Board of Trustees adopted a modest \$5 increase per credit hour for tiers one and two in its tuition structure. The Board of Trustees also approved the addition of a third tuition tier for academic programs such as radiological technology. The current tuition and fee schedule is as follows:

<u>Tuition</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
In-district	\$ 110	\$ 134	\$ 200
Out-of-district	156	190	300
Out-of-state	230	281	-
International	236	301	-
Dual credit/enrollment	55	-	-

<u>General Fees</u>	<u>All Tiers</u>
Student Activity Fee	\$ 8.50
Support Services Fee	1.00
Technology Fee	3.00
Facilities Fee	7.00
Security Fee	7.50

Development of the FY23 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:

DeAnna Cassat, Vice President of Finance and Administration/CFO  
East Central College  
1964 Prairie Dell Road  
Union, MO 63084-4344

# Junior College District of East Central, Missouri

## Combined Statement of Net Position

June 30, 2021

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### Assets

#### Current Assets

Cash and cash equivalents	\$ 10,147,522
Investments	15,136,516
Receivables	
Student, net	3,137,406
Federal and state agencies	1,042,066
Other	58,601
Pledges, net	49,495
Prepaid expenses	515,275
Inventory	187,842
	<u>30,274,723</u>

#### Noncurrent Assets

##### Capital assets

Nondepreciable	870,547
Depreciable, net	39,883,209

40,753,756

#### Total Assets

71,028,479

### Deferred Outflows of Resources

Deferred Pension Outflows	5,848,833
Deferred OPEB Outflows	320,504
<b>Total Deferred Outflows of Resources</b>	<u>6,169,337</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u><u>\$ 77,197,816</u></u>

See accompanying notes to the financial statements

# Junior College District of East Central, Missouri

## Combined Statement of Net Position

June 30, 2021

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### Liabilities

#### Current Liabilities

Accounts payable	\$ 241,492
Accrued wages and benefits	835,507
Accrued interest	110,939
Unearned revenue	3,311,196
Current portion of long-term liabilities	<u>1,656,316</u>
	6,155,450

#### Noncurrent Liabilities

Bonds payable, net	7,164,376
Leases and loans	3,075,728
Net pension liability	16,890,031
Post-employment benefit liability	1,530,198
Compensated absences	<u>781,194</u>
	<u>29,441,527</u>
<b>Total Liabilities</b>	<b>35,596,977</b>

### Deferred Inflows of Resources

Deferred Pension Inflows	2,223,993
Deferred OPEB Inflows	<u>258,274</u>
<b>Total Deferred Inflows of Resources</b>	<b>2,482,267</b>

### Net Position

Net Investment in Capital Assets	28,857,336
Restricted	10,414,940
Unrestricted	<u>(153,704)</u>
<b>Total Net Position</b>	<b><u>39,118,572</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b><u><u>\$ 77,197,816</u></u></b>

See accompanying notes to the financial statements

# Junior College District of East Central, Missouri

## Combined Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2021

### Operating Revenues

Student tuition and fees (net of scholarship allowance of \$2,767,328)	\$ 4,537,781
Federal grants and contracts	861,295
State and local grants and contracts	985,903
Auxiliary service revenues	1,104,467
Other operating revenues	296,006
<b>Total Operating Revenues</b>	<u>7,785,452</u>

### Operating Expenses

Instruction	8,013,310
Academic support	3,640,723
Student services	1,502,781
Institutional support	5,823,835
Auxiliary services	1,005,190
Scholarships and fellowships	1,410,919
Student payments	1,333,102
Depreciation	2,114,161
Plant operating expenses	2,364,010
<b>Total Operating Expenses</b>	<u>27,208,031</u>

*Operating (Loss)* (19,422,579)

### Nonoperating Revenues (Expenses)

Nonexchange grant revenue	6,840,440
State appropriations	5,227,756
County property tax revenue	8,814,354
Contributions	5,384,255
Investment income	264,721
Gain on investments	2,324,434
Interest and fees on capital asset - related debt	(434,399)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>28,421,561</u>

*Change in Net Position* 8,998,982

Net Position, Beginning of year, as restated	<u>30,119,590</u>
<b>Net Position, End of year</b>	<u><u>\$ 39,118,572</u></u>

See accompanying notes to the financial statements

# Junior College District of East Central, Missouri

## Combined Statements of Cash Flows

June 30, 2021

### Cash Flows from Operating Activities

Student tuition and fees	\$ 4,302,231
Payments to suppliers	(5,141,063)
Payments for utilities	(804,279)
Payments for employees	(10,940,315)
Payments for benefits	(4,204,929)
Payments to for financial aid, scholarships, and HEERF	(3,074,495)
Auxiliary enterprise charges, bookstore and vending	1,104,467
Aid, grants, and contracts	1,847,198
Other receipts	248,422
<b>Net Cash (Used) by Operating Activities</b>	<b>(16,662,763)</b>

### Cash Flows from Noncapital Financing Activities

State aid and grants appropriations	5,227,756
County property tax revenue	8,814,354
Nonexchange grants received	6,840,440
Donations	5,384,255
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>26,266,805</b>

### Cash Flows from Capital and Related Financing Activities

Purchase of capital assets	(1,043,717)
Principal paid on capital debt and leases	(1,402,917)
Interest paid on capital debt and leases	(434,399)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(2,881,033)</b>

### Cash Flows From Investing Activities

Interest on investments	264,721
Net (purchase) of investments	(4,837,733)
<b>Net Cash (Used) by Investing Activities</b>	<b>(4,573,012)</b>

*Net Increase in Cash and Cash Equivalents* 2,149,997

Cash and Cash Equivalents, Beginning of year, as restated	7,997,525
<b>Cash and Cash Equivalents, End of year</b>	<b>\$ 10,147,522</b>

See accompanying notes to the financial statements

# Junior College District of East Central, Missouri

## Combined Statements of Cash Flows

June 30, 2021

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### Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities

Operating (loss)	\$ (19,422,579)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation	2,114,161
Changes in assets, deferred outflows, liabilities and deferred inflows	
Receivables, net	(990,752)
Other receivables, net	(64,646)
Prepaid expenses	(169,654)
Inventory	(31,836)
Deferred pension outflow	(574,949)
Deferred OPEB outflow	(202,660)
Accounts payable	16,366
Accrued and other liabilities	(90,948)
Unearned revenues	772,264
Net pension liability	2,776,816
Compensated absences	76,813
OPEB liability	370,330
Deferred pension inflow	(1,195,453)
Deferred OPEB inflow	(46,036)
<b>Net Cash (Used) by Operating Activities</b>	<u><u>\$ (16,662,763)</u></u>

See accompanying notes to the financial statements

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

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### 1. Summary of Significant Accounting Policies

The Junior College District of East Central, Missouri was formed in 1968 and includes portions of Franklin, Crawford, Gasconade, St. Charles, Warren and Washington counties. Permanent facilities at Union, Missouri were first occupied during the 1971-72 school year.

The financial statements of the College conform to accounting principles generally accepted in the United States of America as applicable to governments. The more significant of the College's accounting policies are described below.

#### Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The College is a primary government, which is governed by an elected six-member board. As required by accounting principles generally accepted in the United States of America, the College has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The component unit discussed below is included in the College's reporting entity because of the significance of its operational or financial relationships with the College.

#### Blended Component Units

*East Central College Foundation, Inc.*

East Central College Foundation, Inc. (the Foundation) is a private non-profit organization that that is part of the College's reporting entity due to the College being solely financially accountable for the Foundation.

Although legally separate from the College, the East Central College Foundation is reported as if it were part of the primary government because its sole purpose is to raise monies for scholarships and the benefit of the College and all functions are completed by employees of the College.

#### 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.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

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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, securities, mutual funds, and cash value of life insurance, 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, 2021

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### **Fair Value**

The fair value measurement and disclosure framework provides for a fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no significant changes from the prior year in the methodologies used to measure fair value. The levels of the fair value hierarchy are described below:

*Level 1:* Inputs using quoted prices in active markets for identical assets or liabilities.

*Level 2:* Inputs using significant other observable inputs including quoted prices for similar assets or liabilities.

*Level 3:* Inputs are significant unobservable inputs.

### **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. Pledges receivable, or unconditional promises to give, in future period 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 conditions upon which they depend are substantially met. The College 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.

### **Inventories**

Bookstore materials and supplies are carried in an inventory account at average cost and are subsequently charged to supplies and other services when sold or when consumed.

### **Capital Assets**

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

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

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

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

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

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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 \$3,311,196 for 2021.

### 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; some 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 certain federal grants, gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

### Scholarship Allowance

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

### Post-Employment Health Care Benefits

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

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

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*COBRA Benefits:* Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the College makes health care benefits available to eligible former employees and their dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured each month. This program is offered for a duration of 18 months after the employee's termination date. There is no associated cost to the College under this program.

### **Compensated Absences**

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

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Deferred Outflows/Inflows of Resources**

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

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

### **Income Tax Status**

The College is exempt from income tax as a local government unit under Section 115(a) of the Internal Revenue Code. The Foundation has qualified for exemption from income tax under Section 501(c)(3) of the Internal Revenue Code.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

### 2. Cash, Cash Equivalents, & Investments

#### College

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, 2021, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Not Subject to Fair Value</u>
Certificates of Deposit	5/15/22 - 6/15/22	<u>\$ 802,527</u>

#### *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, 2021 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, 2021:

- United Bank of Union: \$10,971,324

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

### Foundation

#### *Custodial Credit Risk*

Cash balances of the Foundation as of June 30, 2021, are entirely held in the name of the Foundation at various banking institutions. The Foundation's investments are held at various institutions of which all investments are subject to custodial risk. Custodial risk is the risk that, in the event of failure, the Foundation's deposits might not be recovered.

The Foundation categorizes its investments within the fair value hierarchy as discussed in Note 1. Investments at June 30, 2021, consisted of the following:

	<u>Not Subject to Fair Value</u>	<u>Level 1</u>	<u>Total</u>
<b>Wells Fargo</b>			
Exchange-traded Funds	\$ -	\$ 1,034,568	\$ 1,034,568
Open End Mutual Funds	-	1,251,691	1,251,691
<b>Edward Jones</b>			
Mutual Funds	-	1,268,391	1,268,391
<b>LPL Financial</b>			
Exchange-traded Funds	-	235,994	235,994
<b>Vanguard</b>			
Mutual Funds	-	8,292,711	8,292,711
Certificates of Deposit	2,238,021	-	2,238,021
Cash Surrender Value of Life Insurance Policy	12,613	-	12,613
	<u>\$ 2,250,634</u>	<u>\$ 12,083,355</u>	<u>\$ 14,333,989</u>

#### *Interest Rate Risk*

The Foundation does have a formal investment policy, but that policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### *Credit Risk*

The Foundation's investment policy directs the asset category types approved for investment as well as assets prohibited from investment. The Foundation's investment program focuses on achieving the best returns possible for the Foundation's mission over the long-term, within prudent and acceptable risks.

#### *Concentration of Credit Risk*

The Foundation's investment policy sets forth acceptable asset categories and allocation ranges to establish a portfolio mix consistent with the objectives and considerations set forth within the policy.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

### 3. Restricted Net Position

#### College

Net position is reported as restricted when there are limitations imposed on their use either through enabling action adopted by the College or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2021, restricted net position consisted of \$105,772 for debt service requirements and lease projects.

#### Foundation

At June 30, 2021, restricted net position consisted of \$10,309,168 through donor-imposed restricted gifts and donations.

### 4. Accounts Receivable

Accounts receivable is presented net of allowance for doubtful accounts as of June 30, 2021, are as follows:

	College	Foundation	Total
Student Receivable	\$ 3,791,929	\$ -	\$ 3,791,929
Pledges Receivable	-	52,100	52,100
Allowance	(654,523)	(2,605)	(657,128)
<b>Net Accounts Receivable</b>	<b>\$ 3,137,406</b>	<b>49,495</b>	<b>\$ 3,186,901</b>

### 5. Capital Assets

Activity for capital assets for the years ended June 30, 2021, is summarized below:

#### College

	Balance June 30, 2020	Additions and Completions	Dispositions	Balance June 30, 2021
Nondepreciable				
Land	\$ 554,854	\$ -	\$ -	\$ 554,854
Construction in progress	105,397	226,693	105,397	226,693
<b>Total Nondepreciable Capital Assets</b>	660,251	\$ 226,693	\$ 105,397	781,547
Depreciable				
Buildings	56,674,920	\$ 117,832	\$ -	56,792,752
Campus improvements	569,536	-	-	569,536
Furniture and equipment	11,396,047	641,349	-	12,037,396
Infrastructure	2,368,628	163,240	-	2,531,868
<b>Total Depreciable Capital Assets</b>	71,009,131	\$ 922,421	\$ -	71,931,552
Accumulated depreciation	(29,934,182)	\$ (2,114,161)	\$ -	(32,048,343)
<b>Total Depreciable Capital Assets, Net</b>	41,074,949			39,883,209
<b>Total Capital Assets, Net</b>	\$ 41,735,200			\$ 40,664,756

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

### Foundation

Foundation capital assets consist of non-depreciable land in the amount of \$89,000.

### 6. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2021, is as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Bonds payable	\$ 9,355,000	\$ -	\$ (1,275,000)	\$ 8,080,000	\$ 1,355,000
Add: Bond premium	541,774	-	(102,398)	439,376	-
Less: Bond discount	(233,037)	-	233,037	-	-
	9,663,737	-	(1,144,361)	8,519,376	1,355,000
Direct borrowing					
USDA loan	641,667	-	(100,000)	541,667	99,996
Equipment lease	1,875,000	-	(100,000)	1,775,000	130,000
Guaranteed energy savings lease	1,118,933	-	(58,556)	1,060,377	71,320
Net pension liability	14,113,215	2,776,816	-	16,890,031	-
Post-employment benefit liability	1,159,868	370,330	-	1,530,198	-
Compensated absences	704,381	76,813	-	781,194	-
	\$ 29,276,801	\$ 3,223,959	\$ (1,402,917)	\$ 31,097,843	\$ 1,656,316

Bonds payable at June 30, 2021, consists of:

\$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%.	\$ 4,275,000
\$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
<b>Total Bonds Payable</b>	<b>\$ 8,080,000</b>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

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

Year Ended June 30,	Principal	Interest	Total
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
	\$ 8,080,000	\$ 878,900	\$ 8,958,900

### 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, 2021, 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:

Year Ending June 30,	Direct Borrowing		
	Principal	Interest	Total
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	41,687	-	41,687
	\$ 541,667	\$ -	\$ 541,667

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

### 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>
2022	\$ 71,320	\$ 27,945	\$ 99,265
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>\$ 1,060,377</u>	<u>\$ 179,591</u>	<u>\$ 1,239,968</u>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

### 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>
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>\$ 1,775,000</u>	<u>\$ 463,501</u>	<u>\$ 2,238,501</u>

Net Pension Liability: *See Note 7*

Post-employment Benefit Liability: *See Note 13*

Compensated Absences: *See Note 1*

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

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### 7. Retirement Plan

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

Financial reporting information included in the notes to the financial statements pertaining to the College's participation in the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (PSRS and PEERS, also referred to as the Systems) are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, by GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, and by GASB Statement No. 82, Pension Issues, as applicable to the College's accrual basis of accounting.

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

The fiduciary net position is reflected in the measurement of the College's net pension liability, deferred outflows and inflows of resources related to pensions and pension expense.

#### **General Information about the Pension Plan**

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

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

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

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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 year 2021. 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 year 2021. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The College’s contributions to PSRS and PEERS were \$1,277,181 and \$209,489, respectively, for the year ended June 30, 2021.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

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

At June 30, 2021, the College had a liability of \$15,298,317 for its proportionate share of PSRS' net pension liability and \$1,591,714 for its proportionate share of PEERS' net pension liability. In total the College had a net pension liability of \$16,890,031. The net pension liability for the plans in total was measured as of June 30, 2020, 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 \$1,239,815 and \$202,498, respectively, for the year ended June 30, 2020, relative to the actual contributions of \$723,970,206 for PSRS and \$123,440,288 for PEERS from all participating employers. At June 30, 2020, the College's proportionate share was 0.1713% for PSRS and 0.1640% for PEERS.

For the year ended June 30, 2021, the College recognized pension expense of \$2,216,159 for PSRS and \$276,925 for PEERS, its proportionate share of the total pension expense.

At June 30, 2021, 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	\$ 249,371	\$ 627,202	\$ -	\$ 23,768	\$ 249,371	\$ 650,970
Changes of assumptions	1,256,733	-	16,214	-	1,272,947	-
Net differences between projected and actual earnings on pension plan investments	2,418,686	773,315	286,680	87,571	2,705,366	860,886
Changes in proportion and differences between Employer contributions and proportionate share of contributions	134,479	644,467	-	67,670	134,479	712,137
Employer contributions subsequent to the measurement date	<u>1,277,181</u>	<u>-</u>	<u>209,489</u>	<u>-</u>	<u>1,486,670</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 5,336,450</u></u>	<u><u>\$ 2,044,984</u></u>	<u><u>\$ 512,383</u></u>	<u><u>\$ 179,009</u></u>	<u><u>\$ 5,848,833</u></u>	<u><u>\$ 2,223,993</u></u>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2020, will be recognized as a reduction to the net pension liability in the year ended June 30, 2022. Other amounts reported as collective deferred (inflows) / outflows of resources are to be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>PSRS</u>	<u>PEERS</u>	<u>Total</u>
2022	\$ 197,786	\$ (35,563)	\$ 162,223
2023	805,791	30,224	836,015
2024	612,827	66,315	679,142
2025	402,468	62,908	465,376
2026	(4,585)	-	(4,585)
	<u>\$ 2,014,287</u>	<u>\$ 123,884</u>	<u>\$ 2,138,171</u>

### *Actuarial Assumptions*

Actuarial valuations of the Systems involve assumptions about the probability of occurrence of events far into the future in order to estimate the reported amounts. Examples include assumptions about future employment, salary increases, and mortality. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year from Board policies concerning investments and COLAs. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the studies and effective with the June 30, 2016 valuation. For the June 30, 2017 valuations, the investment rate of return was reduced from 7.60% 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, 2018 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. 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, 2020

*Valuation Date:* June 30, 2020

*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.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

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### *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, and real wage growth for merit, promotion and seniority of 0.25% to 6.75%.
- 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, and real wage growth for merit, promotion and seniority of 0.75% to 7.75%.

### *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.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

**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, 2020, 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.

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-Term Expected Real Return Arithmetic Basis</b>
U.S. Public Equity	23.0%	4.81%
Public Credit	0.0%	0.80%
Hedged Assets	6.0%	2.39%
Non-U.S. Public Equity	16.0%	6.88%
U.S. Treasuries	20.0%	-0.02%
U.S. TIPS	0.0%	0.29%
Private Credit	8.0%	5.61%
Private Equity	16.0%	10.90%
Private Real Estate	11.0%	7.47%
<b>Total</b>	<b>100.0%</b>	

**Discount Rate:** The long-term expected rate of return used to measure the total pension liability was 7.50% as of June 30, 2020, 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.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

*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.

**PSRS**

<b>Discount Rate</b>	<b>1% Decrease (6.50%)</b>	<b>Current Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Proportionate share of the Net Pension Liability	\$ 25,960,425	\$ 15,298,317	\$ 6,431,407

**PEERS**

<b>Discount Rate</b>	<b>1% Decrease (6.50%)</b>	<b>Current Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Proportionate share of the Net Pension Liability	\$ 2,805,060	\$ 1,591,714	\$ 573,642

*Payables to the Plan:* At June 30, 2021, the College reported a payable of \$264,876 for outstanding amounts of PSRS contributions and \$39,045 for the outstanding amounts of PEERS contributions to the pension plan required for the year ended June 30, 2021.

## 8. Taxes

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

The assessed valuation of the tangible taxable property for the calendar year 2020 for purposes of local taxation was:

Real Estate	\$ 1,496,004,594
Personal Property	397,888,103
<b>Total Assessed Valuation</b>	<b>\$ 1,893,892,697</b>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2020 for purposes of local taxation was:

General operations	\$ .3628
Debt service	.0841
<b>Total Levy</b>	<b>\$ .4469</b>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

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, 2021 was:

Constitutional debt limit	\$	94,694,635
General obligation bonds payable		(8,080,000)
Funds available and restricted for debt service		<u>105,772</u>
<b>Legal Debt Margin</b>	<b>\$</b>	<b><u><u>86,720,407</u></u></b>

### 9. Operating Leases

The College was committed under the following operating leases, The Columbia College lease was entered into on November 1, 2013, and will expire on October 31, 2023, and the R-Tech lease was entered into on July 1, 2020 and renews annually.

R-Tech (Rolla)	\$	135,455
Columbia College		<u>280,522</u>
<b>Total Remaining Lease Obligations</b>	<b>\$</b>	<b><u><u>415,977</u></u></b>

### 10. Risk Management

The College is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Since its inception, the College has transferred its risk by obtaining coverage from commercial insurance companies or a public risk entity pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

### 11. Claims & Adjustments

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the College may be required to reimburse the grantor government. As of June 30, 2021, significant amounts of expenditures have not been audited by grantor governments, but the College believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the College.

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

### 12. Expenses by Natural Classification

Expenses by natural classification for the year ended June 30, 2021, were as follows:

	<u>College</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Salaries	\$ 11,284,449	\$ 35,564	\$ (35,564)	\$ 11,284,449
Fringe benefits	4,974,708	12,061	(12,061)	4,974,708
Supplies and services	4,794,063	173,537	(11,661)	4,955,939
Scholarships and fellowships	1,554,936	344,140	(157,683)	1,741,393
Student payments	1,333,102	-	-	1,333,102
Utilities	804,279	-	-	804,279
Depreciation	2,114,161	-	-	2,114,161
	<u>\$ 26,859,698</u>	<u>\$ 565,302</u>	<u>\$ (216,969)</u>	<u>\$ 27,208,031</u>

### 13. Post-Employment Health Care Plan

#### Summary of Significant Accounting Policies

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

#### General Information about the Pension Plan

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

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

*Employees covered by benefit terms:* At June 30, 2019, the following employees were covered by the benefit terms:

Active employees and beneficiaries currently enrolled	182
Retired employees and beneficiaries currently enrolled	6
	<u>188</u>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

*Actuarial Methods and Assumptions:* The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Measurement Date: June 30, 2021

Valuation Date: June 30, 2021; actuarial valuations are performed biennially

Actuarial Cost Method: Entry Age Normal

Inflation: 2.30%

Salary Increases: 3.00% per annum

Discount Rate: 2.16% per annum based on the 20 year bond GO index at June 30, 2021

### *Healthcare Cost Trend Rates*

- Medical/Retiree Premium Inflation Rate – 5.5% for 2021 , gradually decreasing to an ultimate rate of 3.70% for 2073 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.

Mortality: Pub-2010 Teachers’ Mortality for Employees and Healthy Annuitants, with generational project per Scale MP-2020.

### **Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balance at June 30, 2020	\$ 1,159,868
Changes for the year	
Service cost	126,273
Interest on total OPEB liability	28,086
Effect of economic/demographic gains or losses	223,703
Effect of assumptions changes or inputs	22,996
Benefit payments	(30,728)
<b>Balance at June 30, 2021</b>	<b>\$ 1,530,198</b>

### **Sensitivity Analysis**

*Sensitivity of Total OPEB Liability to Changes in the Discount Rate:* The following presents the total OPEB liability of the College, calculated using the discount rate of 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate.

	<b>1% Decrease (1.16%)</b>	<b>Current Rate (2.16%)</b>	<b>1% Increase (3.16%)</b>
Total OPEB Liability	\$ 1,661,934	\$ 1,530,198	\$ 1,406,928

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

*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	\$ 1,344,129	\$ 1,530,198	\$ 1,750,123

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

For the year ended June 30, 2021, the College recognized OPEB expense of \$152,362. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to OPEB:

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ (209,973)	\$ 198,736
Changes of assumptions	(48,301)	121,768
<b>Total</b>	<b>\$ (258,274)</b>	<b>\$ 320,504</b>

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

<b>Year Ending June 30,</b>			
2022		\$	(1,997)
2023			(1,997)
2024			(1,997)
2025			(1,997)
2026			8,892
Thereafter			61,326
		\$	62,230

## 14. Foundation – Income Taxes

The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended June 30, 2021, there were no interest or penalties recorded in the financial statements.

The Foundation’s income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2021, the following tax years are subject to examination:

<b>Jurisdiction</b>	<b>Open Years for Filed Returns</b>	<b>Return to be Filed in 2021</b>
Federal	2017 - 2019	2020
Missouri	2017 - 2019	2020

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

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### 15. 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, 2021, the College is committed to ATX Turf, LLC in the amount of \$106,850 for the resurfacing the baseball field with turf.

#### Subsequent Events

In September 2021, the College entered into a contract with Cochran Engineering in the amount of \$314,860 for the construction of a pedestrian bridge.

### 16. Restatement

The Combined Statement of Net Position was restated at July 1, 2020, to add the Foundation as a blended component unit. The Foundation changed year ends to align with the College's year end to provide for presentation as discussed in Note 1. The restatement as of July 1, 2020 is as follows:

<b>Net Position, June 30, 2020, as previously stated</b>	\$ 22,802,858
Cash and cash equivalents	143,675
Investments	7,097,665
Other receivable	5,441
Pledges receivable	1,911
Prepaid expenses	1,563
Nondepreciable capital assets	89,000
Accounts payable	(22,523)
<b>Net Position, July 1, 2020, as restated</b>	<u><u>\$ 30,119,590</u></u>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

### 17. Combining Financial Statements

Combining information for the College and the Foundation as of and for the year ended June 30, 2021 is as follows:

	Combining Statement of Net Position			
	College	Foundation	Eliminations	Combined
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 9,833,246	\$ 314,276	\$ -	\$ 10,147,522
Investments	802,527	14,333,989	-	15,136,516
Receivables				
Student, net	3,137,406	-	-	3,137,406
Federal and state agencies	1,042,066	-	-	1,042,066
Other	82,579	5,441	(29,419)	58,601
Pledges, net	-	49,495	-	49,495
Prepaid expenses	513,712	1,563	-	515,275
Inventory	187,842	-	-	187,842
<b>Total Current Assets</b>	<b>15,599,378</b>	<b>14,704,764</b>	<b>(29,419)</b>	<b>30,274,723</b>
Noncurrent assets				
Nondepreciable	781,547	89,000	-	870,547
Depreciable assets, net	39,883,209	-	-	39,883,209
<b>Total Noncurrent Assets</b>	<b>40,664,756</b>	<b>89,000</b>	<b>-</b>	<b>40,753,756</b>
<b>Total Assets</b>	<b>56,264,134</b>	<b>14,793,764</b>	<b>(29,419)</b>	<b>71,028,479</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension outflows	5,848,833	-	-	5,848,833
Deferred OPEB outflows	320,504	-	-	320,504
<b>Total Deferred Outflows of Resources</b>	<b>6,169,337</b>	<b>-</b>	<b>-</b>	<b>6,169,337</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 62,433,471</b>	<b>\$ 14,793,764</b>	<b>\$ (29,419)</b>	<b>\$ 77,197,816</b>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

	College	Foundation	Eliminations	Combined
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 235,911	\$ 35,000	\$ (29,419)	\$ 241,492
Accrued wages and benefits	835,507	-	-	835,507
Accrued interest	110,939	-	-	110,939
Unearned revenue	3,311,196	-	-	3,311,196
Current portion of long-term liabilities	1,656,316	-	-	1,656,316
<b>Total Current Liabilities</b>	6,149,869	35,000	(29,419)	6,155,450
Noncurrent liabilities				
Bonds payable, net	7,164,376	-	-	7,164,376
Leases and loans	3,075,728	-	-	3,075,728
Net pension liability	16,890,031	-	-	16,890,031
Post-employment benefit liability	1,530,198	-	-	1,530,198
Compensated absences	781,194	-	-	781,194
<b>Total Noncurrent Liabilities</b>	29,441,527	-	-	29,441,527
<b>Total Liabilities</b>	35,591,396	35,000	(29,419)	35,596,977
<b>Deferred Inflows of Resources</b>				
Deferred pension inflows	2,223,993	-	-	2,223,993
Deferred OPEB inflows	258,274	-	-	258,274
<b>Total Deferred Inflows of Resources</b>	2,482,267	-	-	2,482,267
<b>Net Position</b>				
Net investment in capital assets	28,768,336	89,000	-	28,857,336
Restricted	105,772	10,309,168	-	10,414,940
Unrestricted	(4,514,300)	4,360,596	-	(153,704)
<b>Total Net Position</b>	24,359,808	14,758,764	-	39,118,572
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	\$ 62,433,471	\$ 14,793,764	\$ (29,419)	\$ 77,197,816

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

<b>Combining Statement of Revenues, Expenses, and Changes in Net Position</b>				
	<b>College</b>	<b>Foundation</b>	<b>Eliminations</b>	<b>Combined</b>
<b>Operating Revenues</b>				
Student tuition and fees (net of scholarship allowance of \$2,767,328)	\$ 4,537,781	\$ -	\$ -	\$ 4,537,781
Federal grants and contracts	861,295	-	-	861,295
State and local grants and contracts	985,903	-	-	985,903
Auxiliary service revenue	1,104,467	-	-	1,104,467
Other operating revenues	161,432	134,574	-	296,006
<b>Total Operating Revenues</b>	<b>7,650,878</b>	<b>134,574</b>	<b>-</b>	<b>7,785,452</b>
<b>Operating Expenses</b>				
Instruction	8,013,310	-	-	8,013,310
Academic support	3,640,723	-	-	3,640,723
Student services	1,502,781	-	-	1,502,781
Institutional support	5,661,959	221,162	(59,286)	5,823,835
Auxiliary services	1,005,190	-	-	1,005,190
Scholarships and fellowships	1,224,462	344,140	(157,683)	1,410,919
Student payments	1,333,102	-	-	1,333,102
Depreciation	2,114,161	-	-	2,114,161
Plant operating expenses	2,364,010	-	-	2,364,010
<b>Total Operating Expenses</b>	<b>26,859,698</b>	<b>565,302</b>	<b>(216,969)</b>	<b>27,208,031</b>
<i>Operating Income (Loss)</i>	<i>(19,208,820)</i>	<i>(430,728)</i>	<i>216,969</i>	<i>(19,422,579)</i>
<b>Nonoperating Revenues (Expenses)</b>				
Nonexchange grant revenue	6,840,440	-	-	6,840,440
State appropriations	5,227,756	-	-	5,227,756
County property tax revenue	8,814,354	-	-	8,814,354
Contributions	241,866	5,359,358	(216,969)	5,384,255
Investment income	75,753	188,968	-	264,721
Gain on investments	-	2,324,434	-	2,324,434
Interest and fees on capital asset - related debt	(434,399)	-	-	(434,399)
<b>Total Nonoperating Revenues (Expenses), Net</b>	<b>20,765,770</b>	<b>7,872,760</b>	<b>(216,969)</b>	<b>28,421,561</b>
<i>Change in Net Position</i>	<i>1,556,950</i>	<i>7,442,032</i>	<i>-</i>	<i>8,998,982</i>
Net Position, Beginning of year	22,802,858	7,316,732	-	30,119,590
<b>Net Position, End of year</b>	<b>\$ 24,359,808</b>	<b>\$ 14,758,764</b>	<b>\$ -</b>	<b>\$ 39,118,572</b>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

### Combining Statement of Cash Flows

	College	Foundation	Eliminations	Combined
<b>Cash Flows from Operating Activities</b>				
Student tuition and fees	\$ 4,302,231	\$ -	\$ -	\$ 4,302,231
Payments to suppliers	(4,991,664)	(161,060)	11,661	(5,141,063)
Payments for utilities	(804,279)	-	-	(804,279)
Payments for employees	(10,928,254)	(47,625)	35,564	(10,940,315)
Payments for benefits	(4,216,990)	-	12,061	(4,204,929)
Payments for financial aid, scholarships, and HEERF	(2,888,038)	(344,140)	157,683	(3,074,495)
Auxiliary enterprises charges, bookstore and vending	1,104,467	-	-	1,104,467
Contracts and grants	1,847,198	-	-	1,847,198
Other receipts, net	161,432	86,990	-	248,422
<b>Net Cash (Used) by Operating Activities</b>	<b>(16,413,897)</b>	<b>(465,835)</b>	<b>216,969</b>	<b>(16,662,763)</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
State aid and grants appropriations	5,227,756	-	-	5,227,756
County property tax revenue	8,814,354	-	-	8,814,354
Nonexchange grants received	6,840,440	-	-	6,840,440
Donations	241,866	5,359,358	(216,969)	5,384,255
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>21,124,416</b>	<b>5,359,358</b>	<b>(216,969)</b>	<b>26,266,805</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of property and equipment	(1,043,717)	-	-	(1,043,717)
Debt retired	(1,402,917)	-	-	(1,402,917)
Interest paid	(434,399)	-	-	(434,399)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(2,881,033)</b>	<b>-</b>	<b>-</b>	<b>(2,881,033)</b>
<b>Cash Flows from Investing Activities</b>				
Interest on investments	75,753	188,968	-	264,721
Net (purchase) of investments	74,157	(4,911,890)	-	(4,837,733)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>149,910</b>	<b>(4,722,922)</b>	<b>-</b>	<b>(4,573,012)</b>
<i>Net Increase in Cash and Cash Equivalents</i>	1,979,396	170,601	-	2,149,997
Cash and cash equivalents, Beginning of year	7,853,850	143,675	-	7,997,525
<b>Cash and cash equivalents, End of year</b>	<b>9,833,246</b>	<b>314,276</b>	<b>-</b>	<b>10,147,522</b>

# Junior College District of East Central, Missouri

## Notes to the Financial Statements

June 30, 2021

	College	Foundation	Eliminations	Combined
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ (19,208,820)	\$ (430,728)	\$ 216,969	\$ (19,422,579)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	2,114,161	-	-	2,114,161
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Receivables, net	(943,168)	(47,584)	-	(990,752)
Other receivables, net	(64,646)	-	-	(64,646)
Prepaid expenses	(169,654)	-	-	(169,654)
Inventory	(31,836)	-	-	(31,836)
Deferred pension outflow	(574,949)	-	-	(574,949)
Deferred OPEB outflow	(202,660)	-	-	(202,660)
Accounts payable	3,889	12,477	-	16,366
Accrued and other liabilities	(90,948)	-	-	(90,948)
Unearned revenues	772,264	-	-	772,264
Net pension liability	2,776,816	-	-	2,776,816
Compensated absences payable	76,813	-	-	76,813
OPEB liability	370,330	-	-	370,330
Deferred pension inflow	(1,195,453)	-	-	(1,195,453)
Deferred OPEB inflow	(46,036)	-	-	(46,036)
<b>Net Cash (Used) by Operating Activities</b>	<b>\$ (16,413,897)</b>	<b>\$ (465,835)</b>	<b>\$ 216,969</b>	<b>\$ (16,662,763)</b>

## 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, 2021

<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%
6/30/2021	0.1713%	15,298,317	8,581,278	178.28%	82.01%

<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%
6/30/2021	0.1640%	1,591,714	2,951,875	53.92%	84.06%

\*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, 2021

#### 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%
6/30/2021	1,277,181	1,277,181	-	8,836,165	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%
6/30/2021	209,489	209,489	-	3,053,781	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, 2021 and 2018

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

(in 1,000s)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 126	\$ 84	\$ 99	\$ 98	\$ 106
Interest on total OPEB liability	28	36	49	44	35
Effect of economic/demographic gains or (losses)	224	-	(313)	-	-
Effect of assumption changes or inputs	23	124	11	(28)	76
Benefit payments	(31)	(47)	(92)	(74)	(74)
<i>Net Change in Total OPEB Liability</i>	370	198	(246)	40	(8)
Total OPEB Liability, Beginning	1,160	962	1,208	1,168	1,176
<b>Total OPEB Liability, Ending</b>	<u>\$ 1,530</u>	<u>\$ 1,160</u>	<u>\$ 962</u>	<u>\$ 1,208</u>	<u>\$ 1,168</u>
Covered member payroll	\$ 10,380	\$ 11,084	\$ 11,373	\$ 10,386	\$ 8,417
Total OPEB liability as a % of covered payroll	14.74%	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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<b>Year Ending June 30,</b>	<b>Summer</b>		<b>Fall</b>		<b>Spring</b>	
	<b>Enrollment</b>	<b>Hours</b>	<b>Enrollment</b>	<b>Hours</b>	<b>Enrollment</b>	<b>Hours</b>
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
2021	663	3,122	2,593	24,633	2,228	20,904

# 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>
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>\$ 4,275,000</u>	<u>\$ 520,250</u>	<u>\$ 4,795,250</u>

# Junior College District of East Central, Missouri

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

---

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 358,650</u>	<u>\$ 4,163,650</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, 2021, 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 29, 2021.

**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.

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## **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 29, 2021



## Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

### Report on Compliance for Each Major Federal Program

We have audited the Junior College District of East Central, Missouri's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Junior College District of East Central, Missouri's major federal programs for the year ended June 30, 2021. The Junior College District of East Central, Missouri's major federal programs are 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 programs 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 each major federal program. However, our audit does not provide a legal determination on the Junior College District of East Central, Missouri's compliance.

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### **Opinion on Each 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 programs for the year ended June 30, 2021.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, and 2021-003. Our opinion on the major federal programs are not modified with respect to these matters.

Junior College District of East Central, Missouri's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Junior College District of East Central, Missouri's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **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 certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, and 2021-003, that we consider to be significant deficiencies.

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

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

*KPM CPAs, PC*

KPM CPAs, PC  
Springfield, Missouri  
November 29, 2021

# Junior College District of East Central, Missouri

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

<u>Federal Grantor Pass Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Grantor's Number / Other Identifying Number</u>	<u>Passed-through to Subrecipients</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education</b>				
Direct				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063	N/A	\$ -	\$ 3,772,575
Federal Work-Study Program	84.033	N/A	-	54,591
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	103,600
Federal Direct Student Loans	84.268	N/A	-	1,305,030
<b>Total Student Assistance Cluster</b>			-	5,235,796
COVID 19 - Education Stabilization Fund	84.425E	N/A	-	1,333,102
COVID 19 - Education Stabilization Fund	84.425F	N/A	-	1,331,227
COVID 19 - Education Stabilization Fund	84.425M	N/A	-	225,469
Missouri Department of Higher Education and Workforce Development				
COVID 19 - Education Stabilization Fund	84.425C	-	-	178,141
			-	3,067,939
Missouri Department of Elementary and Secondary Education				
Adult Education - Basic Grants to States	84.002	V002A190026	-	103,938
		V002A200026	-	137,810
			-	241,748
Career and Technical Education - Basic Grants to States	84.048	V048A200025	-	137,898
<b>Total U.S. Department of Education</b>			-	8,683,381
<b>U.S. Department of Labor</b>				
St. Louis Community College				
H-1B Job Training Grant	17.268	HG-33040-19-60	-	126,096
<b>Total U.S. Department of Labor</b>			-	126,096
<b>U.S. Department of Agriculture</b>				
Direct				
Rural Business Development Grant	10.351	N/A	-	185,177
Missouri Community College Association				
Supplemental Nutrition Assistance Program	10.561	CS160897001	-	9,807
<b>Total U.S. Department of Agriculture</b>			-	194,984
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 9,004,461

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, 2021

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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, 2021. 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, 2021.

# Junior College District of East Central, Missouri

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

### Section I: 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>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>	
84.007, 84.033, 84.063 & 84.268	Student Financial Assistance Cluster	
84.425	Education Stabilization Fund	
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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

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

Compliance Finding and Significant Deficiency – 2021-001

U.S. Department of Education

Student Financial Assistance Cluster

Assistance Listing Number(s): 84.007, 84.033, 84.063 and 84.268

Award year: 2020-2021

2021-001 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 proper effective date reporting requirements for NSLDS reporting.

Context: A sample of 40 students revealed that the enrollment status effective date was reported incorrectly for 3 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. Prior year finding was related to late reporting of enrollment status changes.

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 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 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 Findings and Questioned Costs

Year Ended June 30, 2021

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### Compliance Finding and Significant Deficiency – 2021-002

U.S. Department of Education

Student Financial Assistance Cluster

Assistance Listing Number(s): 84.007, 84.033, 84.063 and 84.268

Award year: 2020-2021

2021-002 Special Tests and Provisions: Return of Title IV Funds

Condition: The College did not return unearned Title IV funds within the prescribed timeframe.

Criteria: In accordance with 34 CFR 668.173(b), the College must return Title IV funds within 45 days after the date the College determined the student withdrew. Additionally, the College is considered an attendance taking school, therefore, they must make the determination that the student withdrew no later than 14 days after the student's last date of attendance as determined by the College from its attendance records.

Cause: The College did have specific procedures in place to ensure timely reporting of withdraws by instructors, which in turn, did not provide enough time for the College to identify, prepare, and return funds within the required timeframe.

Effect: Title IV funds were not returned in a timely manner.

Context: A sample of 25 R2T4 calculations revealed that two students had Title IV funds returned later than the allowable timeframe. One student's Title IV funds were returned 98 days after the date of determination which was 124 days after the student's last date of attendance. Another student's Title IV funds were returned 20 days after the date of determination which was 93 days after the student's last date of attendance. All funds were returned in the proper amount.

Questioned Costs: The questioned costs would be insignificant due to the funds being returned in the proper order and amount.

Repeat Finding: No.

Recommendation: We recommend the College implement procedures to strictly comply with requirements of 34 CFR 668.173 as it relates to the return of Title IV funds.

College Response: The College will investigate and update the existing procedures in subsequent semesters to ensure accurate return of funds. This will include many departments working collaboratively including, but not limited to, the registrar, information technology, and financial aid. The departments will continue to review the procedures regularly.

# Junior College District of East Central, Missouri

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

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### Compliance Finding and Significant Deficiency – 2021-003

U.S. Department of Education

Education Stabilization Fund

Assistance Listing Number(s): 84.425

Award year: 2020-2021

#### 2021-003 Reporting

Condition: The College did not have procedures in place to ensure proper special reporting of the HEERF funds.

Criteria: The U.S. Department of Education requires the College to report quarterly the aggregate amounts of HEERF Institutional funds spent during that quarter. Additionally, the College must report quarterly certain information regarding the Student Aid portion including the total amount of aid distributed, the total number of students at the College eligible for a distribution, total number of students who have received a distribution, and the method used to determine which students were eligible.

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

Effect: The College was not in compliance with accurate quarterly reporting of Institutional funds spent. Additionally, the College was not in compliance with quarterly Student Aid portion reporting by missing key reporting items noted above in the criteria section.

Context: Each quarterly report was reviewed on the College's website.

Questioned Costs: None.

Repeat Finding: No.

Recommendation: We recommend the College implement procedures to strictly comply with the requirements set forth under the CARES(a)(1) and CRRSAA programs and further explained through subsequent HEERF FAQs provided by the Department of Education regarding required quarterly reporting on the College's website.

College Response: The College has subsequently updated all the required reporting elements on the website and will continue to review ongoing guidance from the Department of Education.

# Junior College District of East Central, Missouri

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2021

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## **Compliance Findings and Significant Deficiency – 2020-001**

U.S. Department of Education

Student Financial Assistance Cluster

Assistance Listing Number(s): 84.007, 84.033, 84.063 and 84.268

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

*Recommendation:* We recommended 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 recommended the College follow the guidance provided in the NSLDS Enrollment Reporting Guide and stay abreast of new guidance as published by the Department of Education.

*Status:* Corrected. There were no findings regarding late NSLDS Enrollment Reporting.



November 29, 2021

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, 2021. Contact information for the individual responsible for the corrective action:

DeAnna Cassat, Vice President of Finance and Administration/CFO  
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, 2021

The findings from the June 30, 2021 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered with the number assigned in the schedule.

**Finding – Major Federal Award Program Audit**

2021-001

**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 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 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 2021 semester

*2021-002*

**Recommendation:** We recommend the College implement procedures to strictly comply with requirements of 34 CFR 668.173 as it relates to the return of Title IV funds.

**Corrective Action Taken:** The College will investigate and update the existing procedures in subsequent semesters to ensure accurate return of funds. This will include many departments working collaboratively including, but not limited to, the Registrar, Information Technology, and Financial Aid. The departments will continue to review the procedures regularly.

**Anticipated Completion Date:** Fall 2021 semester

*2021-003*

**Recommendation:** We recommend the College implement procedures to strictly comply with the requirements set forth under the CARES(a)(1) and CRRSAA programs and further explained through subsequent HEERF FAQs provided by the Department of Education regarding required quarterly reporting on the College's website.

**Corrective Action Taken:** The College has subsequently updated all the required reporting elements on the website and will continue to review ongoing guidance from the Department of Education.

**Anticipated Completion Date:** Fall 2021 semester