

**JUNIOR COLLEGE DISTRICT OF  
EAST CENTRAL MISSOURI**

**UNION, MISSOURI**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2008**

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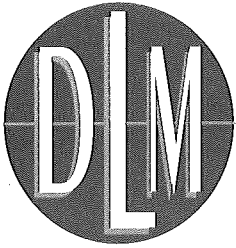
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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities as of and for the years ended June 30, 2008, and June 30, 2007, and the discretely presented component unit as of and for the years ended December 31, 2007 and 2006, of the Junior College District of East Central Missouri (the "College"), which collectively comprise the College's financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits.

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 of material misstatement. The Foundation's financial statements for the years ended December 31, 2007 and 2006, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Junior College District of East Central Missouri as of and for the year ended June 30, 2008 and 2007, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Further, in our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of the College as of December 31, 2007 and 2006, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

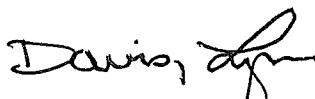
Board of Trustees  
Junior College District of East Central Missouri  
Union, Missouri

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2008, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 7 through 12 are not a required part of the financial statements but are required supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The statistical data on pages 38-41 is presented for the purpose of additional analysis and is not a required part of the financial statements of the College. Such additional information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Junior College District of East Central Missouri's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

 & Moots, PC

DAVIS, LYNN & MOOTS, P.C.

October 17, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008

**Introduction**

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

The College prepared the financial statements in accordance with Government Accounting Standards Board ("GASB") principles. The College has implemented GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 established standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a consolidated basis to focus on the College as a whole. The College has also adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, by including the East Central College Foundation as a discretely presented component unit of the College for fiscal 2006. The East Central College Foundation (the "Foundation") is a legally separate, tax-exempt entity. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs and to provide scholarships to the students attending the College.

There are three financial statements presented for the College: the statements of net assets, the statements of revenues, expenses, and changes in net assets, and the statements of cash flows. In addition, there are three financial statements presented for the Foundation: statements of financial position, statements of activities and statements of cash flows.

**Statements of Net Assets**

The statements of net assets present the assets, liabilities, and net assets of the College at the end of the fiscal years, June 30, 2008 and 2007. The purpose of the statements of net assets is to present a picture of the financial condition of the College. Total net assets, which is the difference between total assets and total liabilities, 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 assets are presented in three major categories: (1) Capital assets, which represents the College's equity in its property, plant, and equipment, (2) Restricted, those funds that are limited in terms of the purpose and time for which the funds can be spent, and (3) Unrestricted, which are available to the College for any lawful purpose.

The following table of the College's net assets at June 30, 2008 and 2007, shows the unrestricted portion at \$25.1 million and \$16.43 million, respectively.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008

	2008	2007
Current assets	\$ 33,628,708	\$ 24,817,694
Other non-current	2,466,769	2,308,809
Capital assets	23,686,058	16,791,325
TOTAL ASSETS	\$ 59,781,535	\$ 43,917,828
Current Liabilities	\$ 6,669,276	\$ 4,205,395
Non-current Liabilities	21,970,441	12,303,165
TOTAL LIABILITIES	\$ 28,639,717	\$ 16,508,560
Invested in capital assets, net of related debt	\$ 5,320,172	\$ 10,421,461
Restricted	708,466	561,142
Unrestricted	25,113,180	16,426,665
TOTAL NET ASSETS	\$ 31,141,818	\$ 27,409,268

In fiscal year 2008, current assets increased by \$8,811,014 to \$33,628,708. This was the result of proceeds from the 2008 Series of General Obligation bonds. Significant capital expenditures in fiscal year 2008 included the following:

• Forklift	\$ 7,900
• Rear projection Smartboard	8,398
• Server-Power Edge 2950	8,491
• Sound system	8,750
• Lathe	78,059
• Server – Xserve Raid	7,918
• Humidity control project	75,669
• Grand piano	14,245
• Network upgrade	288,000
• Firewall	9,700
• Server	5,307
• Server	7,949
• Firewall	6,900
• Audrey Lane lighting project	21,594
• EMT driving simulator	31,010
• Network software security system	22,632
• Refrigerant recovery/recycle unit	5,100
• Fire alarm panel upgrade	6,672
• Digital license and server	17,335
• Storage area network	73,837
TOTAL	\$ 705,465



JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008

Net capital assets increased to \$23,686,058. Capital expenditures, detailed above, totaled \$705,465. Construction in progress was recorded in FY08 at \$7,257,681. Depreciation of \$970,658 was recorded.

**Statements of Revenues, Expenses and Changes in Net Assets**

The statements of revenues, expenses and changes in net assets present the College's financial results for the fiscal year. The statements include the College's revenues and expenses, both operating and non-operating.

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

The following is a summarized version of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2008 and 2007.

	2008	2007
Operating revenue	\$ 11,417,945	\$ 10,325,697
Operating expenses	22,156,821	19,726,948
OPERATING (LOSS)	(10,738,876)	(9,401,251)
Non-operating revenues (expenses)	14,471,426	12,073,635
Increase in net assets	3,732,550	2,672,384
Net Assets, Beginning of year	27,409,268	24,736,884
Net Assets, End of year	\$ 31,141,818	\$ 27,409,268

One of the financial strengths of the College is the diverse stream of revenue, which supplements its student tuition and fees. The following is the College's fiscal years 2008 and 2007 revenues, both operating and non-operating.

	2008	2007
OPERATING REVENUES		
Tuition and fees	\$ 3,800,194	\$ 3,897,229
Federal aid	3,857,649	3,216,901
State aid	714,800	489,080
Other auxiliary services	3,045,302	2,722,487
TOTAL OPERATING REVENUE	\$ 11,417,945	\$ 10,325,697

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008

	2008	2007
NONOPERATING REVENUES (EXPENSES)		
State appropriations	\$ 7,291,636	\$ 5,094,478
Tax revenues	6,802,540	6,611,780
Interest income	1,201,463	865,776
Interest on debt	(726,459)	(566,399)
Land donation	(151,400)	-
Gain on disposal of asset	53,646	-
Loss on impairment of asset	-	68,000
	<u>\$ 14,471,426</u>	<u>\$ 12,073,635</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ 14,471,426</u>	<u>\$ 12,073,635</u>

Operating revenue for fiscal year 2008 increased by \$1,092,248. Cafeteria revenue increased by \$35,000. Approximately \$607,000 in additional Pell grant revenue was awarded in FY08. State revenue increased due to an increase in the appropriation for operating purposes and due to the distribution of \$2,000,000 through the Lewis and Clark Discovery Initiative. Customized training revenue grew by \$92,000. Additional funds available from the state for maintenance and repair amounted to \$168,000. Interest revenue showed an increase due to the new issuance of bonds.

Following are the components of operating expenses for the College during fiscal years 2008 and 2007.

	2008	2007
OPERATING EXPENSES		
Salaries and benefits	12,700,827	\$ 11,234,968
Supplies, other services, and utilities	6,885,470	6,443,266
Scholarships	1,599,866	1,178,188
Depreciation	970,658	870,526
	<u>\$ 22,156,821</u>	<u>\$ 19,726,948</u>
TOTAL OPERATING EXPENSES	<u>\$ 22,156,821</u>	<u>\$ 19,726,948</u>

Operating expenses increased by \$2,429,873 in fiscal year 2008. Salaries and benefits account for the largest share of operating expenses. In fiscal year 2008, salary and benefits expenditures increased from \$11,234,968 to \$12,700,827. This increase was primarily due to salary increases of 6% for employees, increases in the retirement contribution rates, and growth in the number of employees. The college realized increases in the cost of supplies and services due to inflationary growth, additional supply purchases, increased activity in Customized Training, projects funded out of the Campus Improvement Fund, and projects that were not capitalized.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008

In addition, the following chart presents the fiscal years 2008 and 2007 operating expenses of the College by function.

OPERATING EXPENSES BY FUNCTION	2008	2007
Instruction	\$ 7,471,036	\$ 6,338,861
Academic support	2,396,068	2,278,199
Student services	1,258,726	1,064,893
Institutional support	4,854,722	3,943,972
Operations and maintenance	1,614,640	1,634,190
Student financial aid	1,548,296	1,139,743
Public service	159,456	110,686
Depreciation	970,658	870,526
Auxiliary enterprise	1,883,219	2,345,878
TOTAL OPERATING EXPENSES BY FUNCTION	\$ 22,156,821	\$ 19,726,948

**Statements of Cash Flows**

The statements of cash flows present information about the cash activity of the College. The statements show the major sources and uses of cash. The following is a summary of the statements of cash flow for the years ended June 30, 2008 and 2007.

Cash Provided (Used) By:	2008	2007
Operating activities	\$ (6,930,299)	\$ (8,801,775)
Capital and related financing activities	510,424	3,362,696
Noncapital financing activities	14,094,176	11,706,258
Investing activities	512,463	(969,224)
Net Change in Cash and Cash Equivalents	8,186,764	5,297,955
Cash and Cash Equivalents, Beginning of year	6,710,717	1,412,762
Cash and Cash Equivalents, End of year	\$ 14,897,481	\$ 6,710,717

**Economic Outlook**

The College entered fiscal year 2009 in the midst of its seventh major expansion of facilities. Work began in the fall of 2007 on construction of the new allied health and science building. The facility, expected to be completed in January 2009, will be approximately 50,000 square feet in size and will cost approximately \$15.4 million to complete. Voter approval of a general obligation bond issue (August 2006), and \$2 million in state funding as a result of the Lewis and Clark Discovery initiative, provide the funding for the new facility.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008

The College will follow the new construction with renovation of the Administration and CC buildings. Conservative expenditures, combined with contingency budgeting and improved state funding, enabled the College to increase its unrestricted fund balance in fiscal year 2008. These funds will be utilized for the renovation that is expected to begin in 2009. To address the increasing amount of deferred maintenance, the College has established the campus improvement (unexpended plant) fund. At the close of fiscal year 2008, the balance in the fund was \$1,895,478.

The three primary components of the College's operating revenue show indications of growth for FY 2009. The FY 2009 state budget for higher education included an increase in state aid for East Central College. The state appropriation for operating expenses in FY09 totaled \$5,394,921, as compared to \$5,187,543 in FY08, an increase of approximately 4%. Preliminary discussions about the state budget indicate tightening revenue for the pending fiscal year. The college's tax base grew by \$46.2 million in new construction and improvements between 2007 and 2008, in addition to the growth attributed to increases in assessed valuation of existing real and personal property. Total assessed valuation for the 2008 tax year was \$1,589,070,984. Enrollment for the fall semester of 2008 showed a credit hour increase of 2% over the previous fall semester, but a slight decrease in the number of students enrolled. The College had 3,591 students enrolled in 33,328 credit hours at the fourth week of the fall semester, compared to 3,604 students enrolled in 32,677 credit hours in 2007. Modest growth in each revenue stream, combined with conservative spending practices, support the projections assumed by the College in preparing the FY 2009 operating budget. The development of the FY 2010 budget will require careful analysis of tightening state revenue, actual collection of local tax revenue, the amount of new construction in the district, local employment levels and the resulting impact on enrollment.

### **Contacting the College's Financial Management**

This financial report is designed to provide our citizens, taxpayers, students and investors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional information, contact Dr. Jon Bauer, Executive Dean of Finance and Administration, East Central College, 1964 Prairie Dell Road, Union, MO 63084-4344.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 STATEMENTS OF NET ASSETS  
 JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 14,897,481	\$ 6,710,717
Investments	15,710,000	15,021,000
Receivables:		
Students	1,708,924	1,474,222
Federal and state agencies	141,534	321,768
Other	429,700	565,093
Inventory	360,705	186,978
Prepaid expenses	380,364	537,916
	<u>33,628,708</u>	<u>24,817,694</u>
TOTAL CURRENT ASSETS		
Noncurrent Assets		
Other assets	2,466,769	2,308,809
Property and equipment, net	23,686,058	16,791,325
	<u>26,152,827</u>	<u>19,100,134</u>
TOTAL NONCURRENT ASSETS		
	<u>\$ 59,781,535</u>	<u>\$ 43,917,828</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 2,517,523	\$ 174,231
Due to agency groups	152,203	156,718
Accrued wages and benefits	505,904	494,975
Accrued interest	172,729	113,982
Deferred revenue	1,973,570	1,878,402
Compensated absences	385,138	336,913
Current portion of early retirement liability	162,062	74,415
Current maturing of bonds payable	670,000	885,000
Current maturity of performance lease	130,147	90,759
	<u>6,669,276</u>	<u>4,205,395</u>
TOTAL CURRENT LIABILITIES		
Noncurrent Liabilities		
Bonds payable	20,849,996	11,244,996
Early retirement liability	272,998	80,575
Performance lease	847,447	977,594
	<u>21,970,441</u>	<u>12,303,165</u>
TOTAL NONCURRENT LIABILITIES		
	<u>28,639,717</u>	<u>16,508,560</u>
TOTAL LIABILITIES		
<b>NET ASSETS</b>		
Invested in property and equipment, net of related debt	5,320,172	10,421,461
Restricted	708,466	561,142
Unrestricted	25,113,180	16,426,665
	<u>31,141,818</u>	<u>27,409,268</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 59,781,535</u>	<u>\$ 43,917,828</u>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 EAST CENTRAL COLLEGE FOUNDATION, INC. – COMPONENT UNIT  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 216,301	\$ 178,083
Investments	639,037	483,741
Accrued interest receivable and other assets	17,341	10,361
	<u>872,679</u>	<u>672,185</u>
TOTAL CURRENT ASSETS		
Land	89,000	89,000
Assets Restricted for Permanent Investment		
Promises to give	317,294	512,435
Investments	2,340,476	2,119,914
	<u>2,657,770</u>	<u>2,632,349</u>
TOTAL NONCURRENT ASSETS		
TOTAL ASSETS	<u>\$ 3,619,449</u>	<u>\$ 3,393,534</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 135	\$ 1,348
Scholarships and agency funds payable	42,034	28,529
	<u>42,169</u>	<u>29,877</u>
TOTAL CURRENT LIABILITIES		
<b>NET ASSETS</b>		
Unrestricted	472,060	427,387
Temporarily restricted	271,820	217,447
Permanently restricted	2,833,400	2,718,823
	<u>3,577,280</u>	<u>3,363,657</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,619,449</u>	<u>\$ 3,393,534</u>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowance of \$1,438,293 in 2008 and \$1,297,938 in 2007)	\$ 3,800,194	\$ 3,897,229
Federal aid	3,857,649	3,216,901
State aid	714,800	489,080
Other auxiliary services	3,045,302	2,722,487
<b>TOTAL OPERATING REVENUES</b>	<b>11,417,945</b>	<b>10,325,697</b>
<b>OPERATING EXPENSES</b>		
Salaries	10,151,108	8,904,434
Employee benefits	2,549,719	2,330,534
Scholarships	1,599,866	1,178,188
Utilities	487,565	449,905
Supplies	6,397,905	5,993,361
Depreciation	970,658	870,526
<b>TOTAL OPERATING EXPENSES</b>	<b>22,156,821</b>	<b>19,726,948</b>
<b>OPERATING (LOSS)</b>	<b>(10,738,876)</b>	<b>(9,401,251)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	7,291,636	5,094,478
Tax revenue	6,802,540	6,611,780
Interest income	1,201,463	865,776
Land donation	(151,400)	-
Gain on disposal of asset	53,646	-
Recovery (loss) on impairment of fixed asset	-	68,000
Interest expense on capital asset - related debt	(726,459)	(566,399)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>14,471,426</b>	<b>12,073,635</b>
<b>INCREASE IN NET ASSETS</b>	<b>3,732,550</b>	<b>2,672,384</b>
NET ASSETS, Beginning of year	27,409,268	24,736,884
NET ASSETS, End of year	<u>\$ 31,141,818</u>	<u>\$ 27,409,268</u>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
EAST CENTRAL COLLEGE FOUNDATION, INC. – COMPONENT UNIT  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>UNRESTRICTED</b>		
Revenues		
Contributions	\$ 19,909	\$ 13,926
Interest and dividends	10,234	7,169
Net realized and unrealized gains and losses	35,518	168,455
Special events	93,549	61,687
Net assets released from restrictions	194,662	42,214
TOTAL REVENUES	<u>353,872</u>	<u>293,451</u>
Expenses		
Program	152,406	100,912
Management and general	40,031	20,044
Fundraising expense	116,762	37,931
TOTAL EXPENSES	<u>309,199</u>	<u>158,887</u>
CHANGE IN UNRESTRICTED NET ASSETS	44,673	134,564
NET ASSETS, Beginning of year	<u>427,387</u>	<u>292,823</u>
NET ASSETS, End of year	<u>\$ 472,060</u>	<u>\$ 427,387</u>
<b>TEMPORARILY RESTRICTED</b>		
Contributions	\$ 148,589	\$ 214,516
Interest and dividends	100,446	76,200
Net assets released from restrictions	(194,662)	(42,214)
TOTAL REVENUES	<u>54,373</u>	<u>248,502</u>
Expenses		
Program	-	117,147
Management and general	-	21,245
Fundraising expense	-	54,807
TOTAL EXPENSES	<u>-</u>	<u>193,199</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	54,373	55,303
NET ASSETS, Beginning of year	<u>217,447</u>	<u>162,144</u>
NET ASSETS, End of year	<u>\$ 271,820</u>	<u>\$ 217,447</u>
<b>PERMANENTLY RESTRICTED</b>		
Contributions	\$ 110,740	\$ 49,546
Interest and dividends	3,837	3,581
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	114,577	53,127
NET ASSETS, Beginning of year	<u>2,718,823</u>	<u>2,665,696</u>
NET ASSETS, End of year	<u>\$ 2,833,400</u>	<u>\$ 2,718,823</u>

See accompanying notes.



JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 3,660,660	\$ 4,048,660
Federal aid	4,752,683	3,514,924
Payments to suppliers	(4,562,868)	(6,563,067)
Payments to employees	(12,361,603)	(11,154,585)
Financial aid issued to students	(1,599,866)	(1,178,188)
Other receipts, net	3,180,695	2,530,481
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(6,930,299)</u>	<u>(8,801,775)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(7,865,391)	(1,441,048)
Principal paid on capital debt and leases	(1,133,719)	(758,869)
Interest paid on capital debt and leases	(667,712)	(503,174)
Proceeds from bond issue	10,275,000	5,997,787
Capital related receipts	(97,754)	68,000
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	510,424	3,362,696
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local taxes	6,802,540	6,611,780
State aid	7,291,636	5,094,478
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	14,094,176	11,706,258
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	20,531,000	19,602,000
Purchase of investments	(21,220,000)	(21,437,000)
Interest on investments	1,201,463	865,776
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>512,463</u>	<u>(969,224)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,186,764	5,297,955
CASH AND CASH EQUIVALENTS, Beginning of year	6,710,717	1,412,762
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 14,897,481</u>	<u>\$ 6,710,717</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (10,738,876)	\$ (9,401,251)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:		
Depreciation	970,658	870,526
Changes in assets and liabilities:		
Accounts receivables, net	80,925	(336,079)
Inventory	(173,727)	(18,712)
Prepaid expenses	157,552	(133,384)
Accrued wages and benefits	10,929	88,769
Accounts payable and due to agency groups	2,338,777	32,295
Deferred revenue	95,168	104,447
Compensated absences	48,225	66,550
Early retirement liability	280,070	(74,936)
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (6,930,299)</u>	<u>\$ (8,801,775)</u>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 EAST CENTRAL COLLEGE FOUNDATION, INC. – COMPONENT UNIT  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 213,623	\$ 242,994
Adjustments required to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for endowment	(110,740)	(49,546)
Net realized and unrealized gains on investments	(35,518)	(168,455)
Change in operating assets and liabilities:		
(Decrease) in accrued interest receivable	(6,980)	(6,155)
(Decrease) in accounts payable and scholarships payable	12,292	(25,773)
	<u>72,677</u>	<u>(6,935)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(612,112)	(431,175)
Reinvested dividends	(37,753)	-
Proceeds from sale of investments	309,525	235,661
	<u>(340,340)</u>	<u>(195,514)</u>
NET CASH (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	305,881	232,978
	<u>305,881</u>	<u>232,978</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,218	30,529
CASH AND CASH EQUIVALENTS, Beginning of year	<u>178,083</u>	<u>147,554</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 216,301</u>	<u>\$ 178,083</u>

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The College applies all applicable GASB pronouncements and Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989, except those that conflict with a GASB pronouncement. The more significant of the College’s accounting policies are described below.

Financial Reporting Entity

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

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

Component Units

**East Central College Foundation, Inc.**

The Foundation is a private non-profit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s audited financial information as it is presented.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Foundation's year end is December 31. The College presents the Foundation financial statements of the calendar year end that falls within the College's fiscal year end.

During the years ended June 30, 2008 and 2007, the Foundation distributed \$99,899 and \$69,852 to the College or its students for both restricted and unrestricted purposes. As of June 30, 2008 and 2007, the Foundation owed the College \$1,706 and \$31,002, respectively, which is recorded in other receivables.

Basis of Accounting

The College has adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. GASB Statement No. 35 established standards for external financial reporting for public colleges and universities. The College reports as a Business-Type Activity, as defined by GASB Statement No. 35.

The College's resources are classified for accounting and reporting purposes into the following net assets categories:

***Invested in Capital Assets – Net of Related Debt*** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

***Restricted*** – Net assets whose use by the College is subject to externally imposed stipulations that they can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. When the College is able to utilize restricted expendable assets or unrestricted assets, it utilizes the restricted assets first. The College's restricted net assets reflect unspent tax levy proceeds restricted for debt service and unspent contributions with purpose restrictions.

***Unrestricted*** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets 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.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Activities

The College's policy for defining operating activities as reported on the statements of revenues, expenses and changes in net assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations and local property taxes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash and cash equivalents.

Investments

Investments, which consist of certificates of deposits, are recorded at cost which approximates market value.

Receivables

Receivables from students are deemed to be substantially collectible. All property tax receivables are delinquent and have been written off. Other receivables are comprised mainly of receivables related to book store operations and interest income and no allowances are deemed necessary.

Inventories

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

Capital Assets

Land, buildings, improvements, infrastructure, and equipment are stated on the basis of historical cost. Major fixed asset additions are financed primarily from bond proceeds. Assets acquired through gifts or donations are recorded at their estimated fair value at time of acquisition. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives. Net interest expense incurred during the construction of debt-financed facilities is included in the capitalization of the related facilities.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

These balances consist of one half of summer and all of fall session student fees.

Classification of Revenues

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

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

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

Scholarship Allowance

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

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.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

There were 48 former employees receiving retiree or COBRA benefits as of June 30, 2008, and 40 as of June 30, 2007.

Compensated Absences

Vacation time, personal business days, and sick leave are recorded as expenses and liabilities in the fiscal year earned.

Use of Estimates

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

New Accounting Pronouncements

In April 2004 the GASB issued GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes uniform financial reporting standards for Other Postretirement Benefits (OPEB) plans. The statement is effective for the College beginning July 1, 2007. The College is currently evaluating the effect that the statement will have on the financial statements.

In July 2004 the GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities (assets), note disclosure, and, if applicable, required supplementary information in the financial statements. The statement is effective for the College beginning July 1, 2008. The College is currently evaluating the effect that the statement will have on the financial statements.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2008 and 2007, the College’s investments consisted entirely of certificates of deposit due in less than one year.

Interest Rate Risk and Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the College will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State law requires depository financial institutions to pledge as collateral for public funds on deposit by governmental unit securities which, when combined with the Federal Deposit Insurance Corporation (FDIC) insurance, are at least equal to the amount on deposit at all times. The College’s policy is to have collateral and insurance equal to at least 100% of the amount on deposit. At June 30, 2008 and 2007, the College’s deposits bank balance was insured or collateralized as follows:

	<u>2008</u>	<u>2007</u>
FDIC Insurance	\$ 214,288	\$ 305,043
Collateralized	<u>30,683,465</u>	<u>22,152,135</u>
TOTAL	<u>\$ 30,897,753</u>	<u>\$ 22,457,178</u>

At June 30, 2008 and 2007, 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 investments are in the following issuers as of June 30, 2008:

- United Bank of Union - \$24,383,466
- Heartland Bank - \$6,500,000



JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007.

NOTE C – CAPITAL ASSETS

Activity for capital assets is summarized below:

	Balance June 30, 2007	Additions and Completions	Dispositions	Balance June 30, 2008
Land	\$ 385,000	\$ -	\$ (2,303)	\$ 382,697
Buildings	19,914,461	75,669	-	19,990,130
Campus improvements	560,209	-	-	560,209
Furniture and equipment	4,341,473	608,202	(900,291)	4,049,384
Infrastructure	1,676,575	21,594	-	1,698,169
Construction in progress	581,613	7,257,681	-	7,839,294
	<u>27,459,331</u>	<u>7,963,146</u>	<u>(902,594)</u>	<u>34,519,883</u>
Accumulated depreciation	<u>(10,668,006)</u>	<u>(970,658)</u>	<u>804,839</u>	<u>(10,833,825)</u>
TOTAL	<u>\$ 16,791,325</u>	<u>\$ 6,992,488</u>	<u>\$ (97,755)</u>	<u>\$ 23,686,058</u>

	Balance June 30, 2006	Additions and Completions	Dispositions	Balance June 30, 2007
Land	\$ 385,000	\$ -	\$ -	\$ 385,000
Buildings	19,862,551	51,910	-	19,914,461
Campus improvements	596,909	-	(36,700)	560,209
Furniture and equipment	3,793,719	568,354	(20,600)	4,341,473
Infrastructure	1,251,986	424,589	-	1,676,575
Construction in progress	148,720	581,613	(148,720)	581,613
	<u>26,038,885</u>	<u>1,626,466</u>	<u>(206,020)</u>	<u>27,459,331</u>
Accumulated depreciation	<u>(9,818,083)</u>	<u>(870,526)</u>	<u>20,603</u>	<u>(10,668,006)</u>
TOTAL	<u>\$ 16,220,802</u>	<u>\$ 755,940</u>	<u>\$ (185,417)</u>	<u>\$ 16,791,325</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE D – LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2008 and 2007, is as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Bonds payable	\$ 12,129,996	\$ 10,275,000	\$ (885,000)	\$ 21,519,996	\$ 670,000
Performance lease	1,068,353	-	(90,759)	977,594	130,147
Early retirement liability	154,990	354,485	(74,415)	435,060	162,062
	<u>\$ 13,353,339</u>	<u>\$ 10,629,485</u>	<u>\$ (1,050,174)</u>	<u>\$ 22,932,650</u>	<u>\$ 962,209</u>

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
Bonds payable	\$ 6,244,996	\$ 6,870,000	\$ (985,000)	\$ 12,129,996	\$ 885,000
Performance lease	1,131,621	-	(63,268)	1,068,353	90,759
Early retirement liability	229,906	-	(74,916)	154,990	74,415
	<u>\$ 7,606,523</u>	<u>\$ 6,870,000</u>	<u>\$ (1,123,184)</u>	<u>\$ 13,353,339</u>	<u>\$ 1,050,174</u>

Bonds payable at June 30, 2008 and 2007, consists of:

	2008	2007
\$6,964,004 serial bonds due in annual principal installments of \$190,000 to \$830,000 through February 15, 2015; interest at varying rates from 3.80% to 8.50%.	\$ 5,049,996	\$ 5,659,996
\$6,870,000 serial bonds due in annual principal installments of \$230,000 to \$995,000 through February 15, 2026; interest at varying rates from 3.90% to 4.00%.	6,195,000	6,470,000
\$10,275,000 serial bonds due in annual principal installments of \$20,000 to \$1,060,000 through February 15, 2026; interest at varying rates from 3.00% to 4.00%.	10,275,000	-
TOTAL	<u>\$ 21,519,996</u>	<u>\$ 12,129,996</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE D – LONG-TERM LIABILITIES (continued)

The College has recognized the face value of capital appreciation bonds issued in the 1998, 2006, and 2008 bond issues. The bonds were received at a discount from the face value. The discount on capital appreciation bonds is recorded under other assets on the statement of net assets. As of June 30, 2008, the discount balance is \$1,120,409 for the 1998 series, \$872,213 for the 2006 series, and \$474,147 for the 2008 series, for a total of \$2,466,769.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 323,233	\$ 639,718	\$ 962,951
2010	287,780	665,173	952,953
2011	298,576	694,377	992,953
2012	750,000	292,953	1,042,953
2013	830,000	262,424	1,092,424
2014-2018	4,389,041	1,180,143	5,569,184
2019-2023	6,454,597	1,349,603	7,804,200
2024-2026	5,720,000	221,400	5,941,400
	<u>\$ 19,053,227</u>	<u>\$ 5,305,791</u>	<u>\$ 24,359,018</u>

During 2005 and in prior years, the College defeased various bond issued by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the College's net assets. As of June 30, 2008 and 2007, the amount of defeased debt outstanding but removed from the statement of net assets amounted to \$1,105,000 and \$1,105,000, respectively.

In 2005, the Board of Trustees authorized the defeasance of a portion of Series 1998 Bonds. On June 13, 2005, the College paid to UMB Bank \$799,564, which UMB Bank deposited into an irrevocable trust with an escrow agent, to defease a portion of the outstanding 1998 bonds maturing on or after February 2015. This transaction reduced total debt service payments by approximately \$322,862. At June 30, 2008, \$5,049,996 of the bonds are outstanding. No economic gain was realized as a result of the defeasance.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE D – LONG-TERM LIABILITIES (continued)

*Voluntary Retirement Plan* – In fiscal year 2005, the College offered a voluntary retirement incentive program. Full-time employees with 15 consecutive years of employment were eligible. The incentive included 50% of the final base pay, payable over three years beginning in September 2006 and paid health insurance until June 30, 2006. In addition, in fiscal year 2008, the College offered a new incentive for those full-time employees who have at least 10 years of service and who are eligible for “normal retirement” as defined by the Public School Retirement System (PSRS) or Public Education Employee Retirement System (PEERS). The incentive included 50% of the final base salary, payable over three years beginning in September 2009 and paid health, dental, and vision insurance until June 30, 2009. As of June 30, 2008 and 2007, the College’s liability to participants electing these programs was \$435,060 and \$154,990, respectively.

*Performance Lease* – The College entered into a performance lease for energy efficient light fixtures and air conditioning units. Facilities under capitalized leases are recorded at the present value of future minimum lease payments. The future minimum payments on all significant leases with initial or remaining terms of one year or more at June 30, 2008, are as follows:

<u>Fiscal Year</u>	
2009	\$ 172,395
2010	172,395
2011	172,395
2012	172,395
2013	172,395
2013-2015	<u>272,960</u>
	TOTAL FUTURE MINIMUM PAYMENTS 1,134,935
	LESS AMOUNT REPRESENTING INTEREST <u>(157,341)</u>
	PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS <u>\$ 977,594</u>

Gross amount of assets acquired was \$1,776,767.

The charge to income resulting from amortization of assets recorded under capital lease is included with depreciation expense.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE E – RETIREMENT PLAN

The Junior College District of East Central Missouri contributes to the Public School Retirement System of Missouri (PSRS), a cost-sharing multiple-employer defined benefit pension plan. PSRS provides retirement and disability benefits to full-time (and certain part-time) certificated employees and death benefits to members and beneficiaries. Positions covered by the Public School Retirement System are not covered by Social Security. PSRS benefit provisions are set forth in Chapter 169.010 - .141 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to a seven-member Board of Trustees. PSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public School Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

PSRS members are required to contribute 12.5% of their annual covered salary and the Junior College District of East Central Missouri is required to contribute a matching amount. The contribution requirements of members and the Junior College District of East Central Missouri are established and may be amended by the PSRS Board of Trustees. The Junior College District of East Central Missouri's contributions to PSRS for the years ending June 30, 2008, 2007, 2006, 2005, and 2004 were \$825,625, \$742,267, \$668,596, \$590,009, and \$526,391, equal to the required contributions.

The Junior College District of East Central Missouri also contributes to the Public Education Employee Retirement System of Missouri (PEERS), a cost-sharing multiple-employer defined benefit pension plan. PEERS provides retirement and disability benefits to employees of the district who work 20 or more hours per week and who do not contribute to the Public School Retirement System of Missouri. Positions covered by the Public Education Employee Retirement System are also covered by Social Security. Benefit provisions are set forth in Chapter 169.600 - .715 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to the Board of Trustees of the Public School Retirement System. PEERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Education Employee Retirement System of Missouri, P. O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

PEERS members are required to contribute 6% of their annual covered salary and the Junior College District of East Central Missouri is required to contribute a matching amount. The contribution requirements of members and the Junior College District of East Central Missouri are established and may be amended by the Board of Trustees. The Junior College District of East Central Missouri's contributions to PEERS for the years ending June 30, 2008, 2007, 2006, 2005, and 2004 were \$170,876, \$145,562, \$127,622, \$117,115, and \$106,354, equal to the required contributions.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE F – TAXES

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

The assessed valuations of the College on January 1, 2007 and 2006, upon which the levies for fiscal years 2008 and 2007 were based, were \$1,555,003,910 and \$1,423,920,141, respectively. The tax levy per \$100 of assessed valuation was as follows:

	<u>2008</u>	<u>2007</u>
General operations	\$ .3488	\$ .3632
Debt service	.0825	.0839
TOTAL LEVY	<u>\$ .4313</u>	<u>\$ .4471</u>

NOTE G – OPERATING LEASES

The College was committed under the following operating leases, all which expire in one year, as of June 30, 2008:

	<u>2008</u>	<u>2007</u>
Southwest Area Center	\$ 18,828	\$ 18,828
R-Tech (Washington)	75,000	75,000
R-Tech (Rolla)	117,200	92,250
Storage Facility Franklin Street	7,800	7,800
Nursing School Facility (Rolla)	33,000	-
TOTAL REMAINING LEASE OBLIGATIONS	<u>\$ 251,828</u>	<u>\$ 193,878</u>

Lease expenditures for the fiscal year ended 2008 and 2007 were \$251,828 and \$195,592, respectively.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE H – RISK MANAGEMENT

The College participates in a public entity risk pool to insure against its general liability risks. The risk of loss is transferred to this risk pool, with the pool retaining the right to raise insurance premiums in the subsequent calendar year if claims experience is unfavorable. The insurance premiums for the 2008 and 2007 calendar year were \$174,610 and \$167,566, respectively. Management is aware of no events or circumstances which would generate a significant increase in future insurance premiums.

NOTE I – CLAIMS AND ADJUSTMENTS

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the College may be required to reimburse the grantor government. As of June 30, 2008, significant amounts of expenditures have not been audited by grantor governments, but the College believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the College.

NOTE J – INDUSTRIAL NEW JOBS TRAINING CERTIFICATES

In accordance with sections 178.892 through and including 178.896, RSMo and 4 CSR 195-3.010 to provide tax-aided training for employees of industries, which are new to, or expanding their operations within the State of Missouri, the College has issued Industrial New Jobs Training Certificates. Proceeds of the certificates are used to reimburse the employer for training related costs. The certificates are to be repaid up to eight years using payroll tax withholdings related to the new jobs created. If such funds are not sufficient to repay the debt, then other withholding taxes paid by the employer shall be applied. A special (trust) fund is maintained for the deposit of tax withholdings received from the state and to disburse amounts received for program costs and debt service. The certificates do not constitute indebtedness of the College and, accordingly, are not included in the accompanying balance sheet.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE J – INDUSTRIAL NEW JOBS TRAINING CERTIFICATES (continued)

The 2007 Harman/Becker project was issued under the “alternative structure”. This structure reimburses training costs incurred by the Employer on a “cash flow” basis and does not involve the sale of Certificates to a third party. Under this structure monies from the New Jobs Training Credit deposited in the Job Training Program Fund is applied to reimburse the Employer for training costs. As the Employer incurred training costs it submits evidence of those costs to the College for approval, similar to the standard payment structure. However, rather than being immediately reimbursed for such costs from monies in the Program Fund representing proceeds of the sale of the Certificates, the training costs approved by the College would be owed to the Employer. The Employer is then reimbursed for these training costs only as monies are available from the New Jobs Training Credit in the Job Training Program Fund.

Accordingly, the outstanding balance column on the following schedule represents the remaining balance of unretired certificates on the standard structure and the remaining balance to be reimbursed to the employer for the alternative structure.

As of June 30, 2008, the Industrial New Jobs Training Certificates outstanding were \$893,595 and were comprised of the following:

<u>Company</u>	<u>Total Certificates Sold</u>	<u>Outstanding Balance June 30, 2008</u>
Harman/Becker 2007 - Phase I, Washington, MO	\$ 514,000	\$ 407,572
Harman/Becker 2007 - Phase II, Washington, MO	570,000	486,023
	<u>\$ 1,084,000</u>	<u>\$ 893,595</u>

NOTE K – COMMITMENT

At June 30, 2008, the College had begun a project for the construction of a new science building. Total costs for the project are estimated at \$14,600,225. As of June 30, 2008, \$7,839,294 had been completed and paid. The remaining commitment on this project is \$6,760,931.

NOTE L – COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the audited financial statements of the Foundation for the years ended December 31, 2007 and 2006.



JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE L – COMPONENT UNIT DISCLOSURES (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting*** – The financial statements of East Central College Foundation, Inc. (the Foundation) have been prepared on the accrual basis.

***Basis of Presentation*** – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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

***Cash*** – The Foundation invests its excess cash in debt instruments and securities with financial institutions with strong credit ratings and has established guidelines relative to diversification and maturities that maintain safety and liquidity. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation insured amounts.

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

***Investments and Assets Restricted for Permanent Investment*** – Investments and assets restricted for permanent investment are reported at fair value. Gains or losses on sales of investments are determined on a specific cost identification basis. Unrealized gains and losses are determined based on year-end fair value fluctuations.

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

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

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE L – COMPONENT UNIT DISCLOSURES (continued)

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

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

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

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

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

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

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

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

***Income Taxes*** – The Foundation is exempt from income taxes under Section 201(c)(3) of the Internal Revenue Code.

2. ORGANIZATION

East Central College Foundation, Inc. is a nonprofit organization incorporated under the laws of the State of Missouri, primarily as the official fundraising and gift-receiving agency of East Central College.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE L – COMPONENT UNIT DISCLOSURES (continued)

3. PROMISES TO GIVE

Unconditional promises to give are included in the financial statements as permanently restricted assets and support. They are recorded after discounting at the rate of 4% to the present value of the future cash flows.

	<u>2007</u>	<u>2006</u>
Legacy Campaign	\$ 337,233	\$ 555,758
Less: Allowance for uncollectible amounts	(13,209)	(22,220)
Discount for promises to give	<u>(6,730)</u>	<u>(21,103)</u>
	<u>\$ 317,294</u>	<u>\$ 512,435</u>

The promises are collectible in future years as shown below:

	<u>2007</u>	<u>2006</u>
Less than one year	\$ 199,642	\$ 152,556
One to five years	<u>117,652</u>	<u>359,879</u>
	<u>\$ 317,294</u>	<u>\$ 512,435</u>

4. INVESTMENTS AND ASSETS RESTRICTED FOR PERMANENT INVESTMENT

Investments and assets restricted for permanent investment consist of:

	<u>2007</u>	<u>2006</u>
Equity securities and mutual funds	\$ 1,808,365	\$ 1,668,492
Government and corporate obligations	114,871	136,053
Certificates of deposit	<u>1,056,277</u>	<u>799,110</u>
	<u>\$ 2,979,513</u>	<u>\$ 2,603,655</u>

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

	<u>2007</u>	<u>2006</u>
Investments	\$ 639,037	\$ 483,741
Assets restricted for permanent investment	<u>2,340,476</u>	<u>2,119,914</u>
	<u>\$ 2,979,513</u>	<u>\$ 2,603,655</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE L – COMPONENT UNIT DISCLOSURES (continued)

Investments are carried at fair value in accordance with generally accepted accounting principles. Net realized and unrealized gains totaling \$35,518 and \$168,455 were recorded in 2007 and 2006, respectively.

5. SCHOLARSHIPS AND AGENCY FUNDS

Scholarships payable consist of amounts awarded to students for the Spring 2008 and Spring 2007 semesters but not paid as of December 31, 2007 and 2006, respectively.

The Foundation serves as a fiscal agent for both outside organizations and specific groups at East Central College. Such amounts are not included in the revenues and expenses of the Foundation.

6. NET ASSETS

Temporarily restricted net assets of \$271,820 and \$217,447 at December 31, 2007 and 2006, respectively, are available for scholarships based on donor-imposed restrictions.

Net assets of \$194,662 and \$42,214 were released from donor-imposed restrictions for general scholarships for the years ending December 31, 2007 and 2006, respectively.

Permanently restricted net assets consist of donations that are restricted for permanent investment in an endowment. The earnings of the endowment are restricted for the funding of various scholarships and are therefore included in temporarily restricted net assets.

7. RELATED PARTY TRANSACTIONS

The Foundation utilizes employees, materials and office space from the Junior College District of East Central Missouri (the College) at no charge. The value of these in-kind donations from the College, which is included in unrestricted contribution revenue, amounted to \$124,755 and \$131,872 for the years ended December 31, 2007 and 2006, respectively.

NOTE M – SUBSEQUENT EVENTS

Subsequent to year end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result the Foundation's investments have likely incurred a significant decline in fair value since December 31, 2007.

**STATISTICAL INFORMATION (UNAUDITED)**

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

Year Ending June 30,	Summer		Fall		Spring	
	Enrollment	Hours	Enrollment	Hours	Enrollment	Hours
1996	947	4,005	2,972	24,221	2,999	21,355
1997	1,045	3,847	3,184	24,742	3,018	21,515
1998	937	3,720	3,288	24,931	3,124	20,681
1999	1,117	3,820	3,390	25,246	3,651	22,759
2000	1,165	4,472	3,396	27,744	3,216	23,538
2001	1,383	4,801	3,383	28,365	3,206	25,468
2002	1,135	4,455	3,631	29,333	3,432	26,284
2003	1,163	4,954	3,305	29,409	3,370	26,718
2004	1,190	5,003	3,618	30,073	3,569	28,477
2005	1,106	4,615	3,734	31,692	3,986	29,684
2006	1,159	5,036	3,979	31,250	3,695	28,423
2007	1,172	5,063	3,810	32,196	3,917	30,412
2008	1,105	4,684	3,991	32,833	4,033	30,967

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 SCHEDULE OF BOND AND INTEREST REQUIREMENTS  
 \$6,964,004 BOND ISSUE – SERIES 1998

Year Ending June 30,	Rate	Principal	Interest	Total
2009	7.800%	\$ 293,233	\$ 482,118	\$ 775,351
2010	7.550%	287,780	507,573	795,353
2011	7.450%	278,576	536,777	815,353
2012	4.300%	710,000	135,353	845,353
2013	4.375%	770,000	104,824	874,824
2014	4.450%	830,000	71,136	901,136
2015	4.500%	760,000	34,197	794,197
		<u>\$ 3,929,589</u>	<u>\$ 1,871,978</u>	<u>\$ 5,801,567</u>

The principal amounts are presented net of the discount on capital appreciation bonds.

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

Year Ending June 30,	Rate	Principal	Interest	Total
2009	4.000%	\$ -	\$ 157,600	\$ 157,600
2010	4.000%	-	157,600	157,600
2011	4.000%	-	157,600	157,600
2012	4.000%	-	157,600	157,600
2013	4.000%	-	157,600	157,600
2014	4.000%	-	157,600	157,600
2015	4.000%	-	157,600	157,600
2016	3.900%	161,524	226,076	387,600
2017	3.980%	191,038	251,562	442,600
2018	4.050%	220,627	281,972	502,599
2019	4.110%	247,046	315,554	562,600
2020	4.160%	270,588	352,012	622,600
2021	4.190%	291,963	390,637	682,600
2022	4.000%	595,000	157,600	752,600
2023	4.000%	685,000	133,800	818,800
2024	4.000%	780,000	106,400	886,400
2025	4.000%	885,000	75,200	960,200
2026	4.000%	995,000	39,800	1,034,800
		<u>\$ 5,322,786</u>	<u>\$ 3,433,813</u>	<u>\$ 8,756,599</u>

The principal amounts are presented net of the discount on capital appreciation bonds.

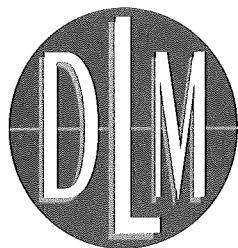


JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 SCHEDULE OF BOND AND INTEREST REQUIREMENTS  
 \$10,275,000 BOND ISSUE – SERIES 2008

Year Ending June 30,	Rate	Principal	Interest	Total
2009	3.000%	\$ 30,000	\$ 268,694	\$ 298,694
2010	3.000%	-	328,113	328,113
2011	3.000%	20,000	328,112	348,112
2012	3.000%	40,000	327,513	367,513
2013	3.000%	60,000	326,312	386,312
2014	3.000%	85,000	324,513	409,513
2015	3.500%	245,000	321,962	566,962
2016	3.600%	597,722	505,666	1,103,388
2017	3.790%	567,362	536,026	1,103,388
2018	3.790%	730,768	372,619	1,103,387
2019	3.750%	810,000	290,700	1,100,700
2020	3.750%	840,000	260,324	1,100,324
2021	3.750%	870,000	228,825	1,098,825
2022	4.000%	905,000	196,200	1,101,200
2023	4.000%	940,000	160,000	1,100,000
2024	4.000%	980,000	122,400	1,102,400
2025	4.000%	1,020,000	83,200	1,103,200
2026	4.000%	1,060,000	42,400	1,102,400
		<u>\$ 9,800,852</u>	<u>\$ 5,023,579</u>	<u>\$ 14,824,431</u>

The principal amounts are presented net of the discount on capital appreciation bonds.

**OTHER INFORMATION**



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MOOTS, P.C.  
Certified Public  
Accountants

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**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 the business-type activities of Junior College District of East Central Missouri, as of and for the year ended June 30, 2008, which comprise Junior College District of East Central Missouri's financial statements and have issued our report thereon dated October 17, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Junior College District of East Central Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Junior College District of East Central Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting 2008-1.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

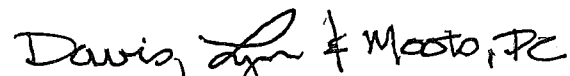
Our consideration of the internal control over reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance or Other Matters

As part of obtaining reasonable assurance about whether Junior College District of East Central Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

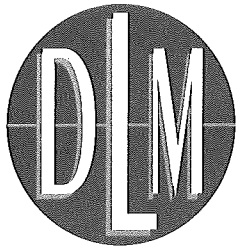
Junior College District of East Central Missouri's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Junior College District of East Central Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DAVIS, LYNN & MOOTS, P.C.

October 17, 2008



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

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**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Junior College District of East Central Missouri with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Junior College District of East Central Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Junior College District of East Central Missouri's management. Our responsibility is to express an opinion on Junior College District of East Central Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program have occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on Junior College District of East Central Missouri's compliance with those requirements.

In our opinion, Junior College District of East Central Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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

### Internal Control Over Compliance

The management of Junior College District of East Central Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Junior College District of East Central Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures, for the purpose of expressing our opinion on compliance, 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 College's internal control over compliance.

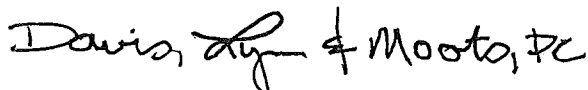
A *control deficiency* is an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-2 to be a significant deficiency in internal controls over major programs.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Junior College District of East Central Missouri's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Junior College District of East Central Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DAVIS, LYNN & MOOTS, P.C.  
October 17, 2008

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2008

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Student Financial Aid Cluster			
Pell Grants	84.063		\$ 2,656,082
College Work-Study	84.033		70,684
Supplemental Educational Opportunity Grants	84.007		107,725
FFEL	84.032		3,384,972
Academic Competitiveness Grant	84.375		<u>83,853</u>
TOTAL STUDENT FINANCIAL AID CLUSTER			6,303,316
Title III Institutional Aid Strengthening Institutions Program	84.031A		<u>348,019</u>
TOTAL U.S. DEPARTMENT OF EDUCATION DIRECT			6,651,335
Passed Through Missouri Department of Elementary and Secondary Education			
Adult Education (AEL) - State Grant Program	84.002	5436	66,604
Perkins Vocational	84.048	5427	171,045
Tech-Prep	84.243A	5431	<u>265,634</u>
TOTAL U.S. DEPARTMENT OF EDUCATION PASS-THROUGH			<u>503,283</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			7,154,618
<u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u>			
Passed Through St Louis Agency on Training & Employment			
Nurse Education, Practice and Retention Grants	93.359		<u>60,089</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			60,089
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</u>			
Passed through Job Point			
Youthbuild Grant	14.243		<u>18,251</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)			18,251
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>			
Passed Through Missouri Secretary of State			
Library Services and Technology	45.310		<u>1,017</u>
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES			1,017
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through Missouri Department of Elementary and Secondary Education			
WIA Incentive Grant	17.267		<u>2,416</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>2,416</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,236,391</u>

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2008

NOTE A - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the College's financial statements.



JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Junior College District of East Central Missouri.
2. One significant deficiency was disclosed during the audit of the financial statements as reported in the REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*. The condition is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Junior College District of East Central Missouri, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency was disclosed during the audit of the major federal award programs as reported in the REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.
5. The auditor's report on compliance for the major federal award programs for Junior College District of East Central Missouri expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The program tested as a major program is the Student Financial Aid Cluster (84.063, 84.007, 84.033, 84.032 and 84.375).
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. Junior College District of East Central Missouri was not determined to be a low-risk auditee.

B. FINDINGS -- FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

2008 -1 Inventory Cut-Off Procedures

*Condition:* During our testing of year-end inventory, we noted that certain cut-off procedures were not in place to identify and record the receipt of Bookstore inventory in transit at year-end. In addition, the offsetting liabilities for these items were not identified and recorded in the appropriate period.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2008

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (continued)

*Criteria:* Inventory items shipped prior to year-end as free on board (FOB) shipping point have transferred ownership and risk of loss to the Bookstore and accordingly the asset and liability must be recorded at that time.

*Effect:* Prior to identifying the proposed audit adjustment, bookstore inventory was understated by \$169,272 as a result of the items that were shipped FOB shipping point, initially being recorded in the subsequent fiscal year.

*Cause:* The College placed an order for inventory replenishment late in the fiscal year. These books were not received prior to the year end, and therefore the items were not included and counted during the year-end physical inventory count. In addition, the College had not implemented procedures to identify and record in the general ledger the inventory in transit at year-end.

*Recommendation:* The amount of these cut-off issues were not considered material to the financial statements. We recommend that the College re-evaluate its year end cut-off procedures to ensure that the receipt and shipment of inventory items are recorded in the proper period. These procedures should include a review by the College Business Office, subsequent to year-end, of accounts payable invoices for items shipped FOB shipping point to the campus bookstore prior to year end. All invoices identified as being shipped FOB shipping point prior to the year-end should be included in the yearend inventory value and offset by the appropriate liability.

*College's Response:* The College's Business Office has adopted a new procedure to identify and record inventory items in transit at year-end.

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

SIGNIFICANT DEFICIENCIES

U.S. DEPARTMENT OF EDUCATION

2008 - 2 Student Financial Aid Cluster – CFDA's 84.063, 84.007, 84.033, 84.032, and 84.375.  
Grant period – Year ended June 30, 2008

*Condition:* Through an examination of a sample of selected student files of students having been eligible for student financial aid and withdrawing from enrollment, it was noted in 1 of 9 files sampled that Junior College District of East Central Missouri was not in compliance with the 45-day requirement to return federal student financial aid for students determined to have withdrawn during the semester.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2008

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

*Criteria:* The College is required to return Title IV finds no later than 45 days after the College has determined that a student has withdrawn and refunds are due. (34 CFR, Section 668.173((b)) and OMB A-133 Compliance Supplement, page 5-3-32.

*Effect:* The College correctly determined in all instances tested that a return of Title IV funds was due. However, the actual transfer of funds was not always performed within the required 45 day time period

*Cause:* The College's process for returning Pell refunds was completed through the G5 drawdown system. The College did not deposit funds into a bank account restricted for the purpose of returning Title IV awards. Instead, new awards were reduced in the G5 system by the amount of the refunds. The return of the Pell refunds was completed once the drawdown was initiated in the G5 system for the new awards less the refund amount. At certain times in the year, after all Pell awards for a semester had been disbursed, no available balance was left to draw from the G5 system. Under these circumstances, if refunds are submitted by the Financial Aid Office during this time, the Business Office would not be able to complete the transaction to return the funds by initiating a draw from G5 because the G5 system would show a negative available balance. The Business Office would be forced to wait until new Pell awards were approved for the corresponding increase in available funds on G5. Then the next drawdown can be completed. By waiting for the funds to become available, the College risks exceeding the 45-day limit for the return of Title IV funds.

*Recommendation:* Junior College District of East Central Missouri should closely monitor the student financial aid drawdown system to ensure that the return of federal funds is completed within the 45 day limit. The return of Pell refunds is considered complete once an electric funds transfer (EFT) is initiated, once the College issues a check for the refund, or once the College deposits or transfers funds into a separate bank account restricted for the purpose of returning Title IV funds. In accordance with Chapter 2 of the Financial Aid Handbook, the College may maintain Title IV funds and general operating funds in the same bank account, as long as the funds are segregated on the general ledger. Therefore, the College will not be required to establish a separate bank account to process the return of Title IV funds. Instead, the returns of Title IV funds will be considered complete once the appropriate entries in the general ledger have been made.

*College's Response:* The College has adopted new daily and semester-end procedures for the timely return of funds. These procedures ensure close monitoring of the student financial aid draw-down system to conform to the required 45-day limit.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2008

U.S. DEPARTMENT OF EDUCATION

2007 – 2 Student Financial Aid Cluster – CFDA’s 84.063, 84.007, 84.033, 84.032, and 84.375. Grant period – Year ended June 30, 2007

*Condition:* Through an examination of a sample of selected student files of students having been eligible for student financial aid and withdrawing from enrollment, it was noted in 2 of 7 files sampled that Junior College District of East Central Missouri was not in compliance with the 45-day requirement to return federal student financial aid for students determined to have withdrawn during the semester.

*Recommendation:* It was recommended that the Junior College District of East Central Missouri more closely monitor the student financial aid draw-down system to ensure that the return of federal funds is completed within the 45 day limit.

*Current Status:* The College adopted new daily and semester-end procedures for the timely return of funds within the 45 day time limit. A similar finding was noted in the June 30, 2008, audit.

2007 – 3 Student Financial Aid Cluster – CFDA’s 84.063, 84.007, 84.033, 84.032, and 84.375. Grant period – Year ended June 30, 2007

*Condition:* The Junior College District of East Central Missouri has adopted a fair and equitable refund policy under which the institution determines whether a refund of unearned tuition and other charges is due to a student who receives federal student aid, as required by 34 CFR 668.22. However, in 7 of 10 refund determinations sampled, the Junior College District of East Central Missouri did not apply the refund determination within the 30 day period after receiving notice the student had voluntarily or involuntarily withdrawn from classes as required by the regulation. In all 7 instances the determination of whether or not a refund was due was correctly determined.

*Recommendation:* The Junior College District of East Central Missouri should monitor their system for detection of all voluntary or involuntary withdrawals to ensure the 30 day requirement for determining whether refunds or overpayments are present is met.

*Current Status:* The College adopted new daily and semester-end procedures that provide timely monitoring of all voluntary and involuntary withdrawals. No similar findings were noted in the June 30, 2008, audit.