JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI

UNION, MISSOURI

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities, as of and for the years ended June 30, 2017 and 2016, and the discretely presented component unit as of and for the years ended December 31, 2016 and 2015, of the Junior College District of East Central Missouri (the "College"), and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Junior College District of East Central Missouri as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of the College as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, pension information, and post-employment healthcare plan information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Junior College District of East Central Missouri's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

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

Disclaimer of Opinion on Statistical Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017, on our consideration of the Junior College District of East Central Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Junior College District of East Central Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

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

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

There are three financial statements presented for the College: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. In addition, there are three financial statements presented for the Foundation: Statements of Financial Position, Statements of Activities and Statements of Cash Flows.

Statements of Net Position

The Statements of Net Position present the assets, deferred outflows, liabilities, deferred inflows, and net position of the College at the end of the fiscal years, June 30, 2017 and 2016. The purpose of the Statements of Net Position is to present a picture of the financial condition of the College. Total net position, which is the difference between total assets and deferred outflows and total liabilities and deferred inflows, is one of the indicators of the current financial condition of the College.

The assets and liabilities are categorized as current or noncurrent. Current assets consist primarily of cash and cash equivalents, short-term investments, net accounts receivable, bookstore inventories, and other assets. Noncurrent assets consist primarily of capital assets, including the property, plant and equipment owned by the College, net of any accumulated depreciation.

Net position is presented in three major categories: (1) Capital assets, which represents the College's equity in its property, plant, and equipment, (2) Restricted, those funds that are limited in terms of the purpose and time for which the funds can be spent, and (3) Unrestricted, which are available to the College for any lawful purpose.

The following table of the College's net position at June 30, 2017, 2016 and 2015, shows the unrestricted portion at $(5.9) million, $(3.9) million and $(5.1) million, respectively.

	2017	2016	2015
Current assets	$ 10,549,520	$ 12,315,117	$ 11,278,936
Restricted assets	709,940	4,270,481	1,637,089
Capital assets	44,581,150	40,883,928	40,097,046
Deferred pension outflow	7,971,713	4,901,303	1,898,127
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	63,812,323	62,370,829	54,911,198
Current liabilities	5,915,041	10,139,369	5,489,916
Long-term liabilities	29,985,039	25,416,769	23,290,819
Deferred pension inflow	3,726,851	3,463,193	4,393,002
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	39,626,931	39,019,331	33,173,737
Net investment in capital assets	29,570,942	23,273,172	25,453,406
Restricted for debt service	504,953	4,005,555	1,367,265
Unrestricted	(5,890,503)	(3,927,229)	(5,083,210)
TOTAL NET POSITION	$ 24,185,392	$ 23,351,498	$ 21,737,461

Significant capital expenditures in fiscal year 2017 included the following:

Grounds Shed	$ 5,377
East Central Technical Center Roof	184,887
Culinary Freezer	7,399
Switches and Servers - IT	253,666
Video Equipment	6,334
3D Printer	31,910
Computers	24,499
Refurbished Robot	15,300
Paper Cutter	5,239
Construction In Progress	2,040,416
TOTAL	$ 2,575,027

Net capital assets increased by $3,697,222. Capital expenditures, detailed above, totaled $2,575,027. Depreciation of $1,940,054 was recorded.

Statements of Revenues, Expenses and Changes in Net Position

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

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

The following is a summarized version of the College's revenues, expenses, and changes in net position for the years ended June 30, 2017, 2016 and 2015.

	2017	2016	2015
Operating revenue	$ 18,121,119	$ 18,806,060	$ 20,303,444
Operating expenses	29,972,488	29,436,299	31,279,348
OPERATING (LOSS)	(11,851,369)	(10,630,239)	(10,975,904)
Non-operating revenues (expenses)	12,685,263	12,244,276	12,476,354
Increase in net position	833,894	1,614,037	1,500,450
Net Position, Beginning of year	23,351,498	21,737,461	20,237,011
Net Position, End of year	$ 24,185,392	$ 23,351,498	$ 21,737,461

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 2017, 2016 and 2015, revenues, both operating and non-operating.

	2017	2016	2015
OPERATING REVENUES			
Student tuition and fees	$ 4,215,520	$ 4,184,367	$ 4,356,526
Federal aid	9,030,845	11,249,689	12,925,664
State aid	2,486,546	713,590	453,680
Local grants and contracts	68,389	46,910	31,666
Other auxiliary services	2,319,819	2,611,504	2,535,908
TOTAL OPERATING REVENUE	$ 18,121,119	$ 18,806,060	$ 20,303,444

	2017	2016	2015
NONOPERATING REVENUES (EXPENSES)			
State appropriations	$ 5,385,014	$ 5,432,954	$ 5,168,843
Tax revenues	7,828,261	7,583,315	7,758,912
Contributions	40,000	50,705	42,294
Interest income	101,664	105,343	94,350
Interest and fees on debt	(666,197)	(921,407)	(571,528)
(Loss) on disposal of asset	(3,479)	(6,634)	(16,517)
TOTAL NONOPERATING REVENUES (EXPENSES)	$ 12,685,263	$ 12,244,276	$ 12,476,354

Operating revenue for fiscal year 2017 decreased by $684,941.

Following are the components of operating expenses for the College during fiscal years 2017, 2016 and 2015.

	2017	2016	2015
OPERATING EXPENSES			
Salaries and benefits	$ 16,271,326	$ 14,069,248	$ 14,123,894
Scholarships	5,283,980	6,745,581	8,567,308
Supplies, other services, and utilities	6,477,128	6,841,660	6,783,880
Depreciation	1,940,054	1,779,810	1,804,266
TOTAL OPERATING EXPENSES	$ 29,972,488	$ 29,436,299	$ 31,279,348

Operating expenses increased by $536,189 in FY17. Salaries account for the largest increase in operating expenses. In fiscal year 2016, total operating expenditures decreased from $31,279,348 to $29,436,299.

In addition, the following chart presents the fiscal years 2017, 2016 and 2015, operating expenses of the College by function.

	2017	2016	2015
OPERATING EXPENSES BY FUNCTION			
Instruction	$ 8,739,496	$ 8,654,708	$ 8,863,061
Academic support	2,220,690	2,223,326	2,353,562
Student services	1,538,048	1,556,390	1,457,022
Institutional support	5,916,802	3,908,887	3,548,957
Operations and maintenance	2,347,544	2,499,494	2,469,883
Student financial aid	5,231,221	6,715,663	8,519,604
Public service	74,277	45,688	31,114
Depreciation	1,940,054	1,779,810	1,804,266
Auxiliary enterprise	1,964,356	2,052,333	2,231,879
TOTAL OPERATING EXPENSES BY FUNCTION	$ 29,972,488	$ 29,436,299	$ 31,279,348

Statements of Cash Flows

The Statements of Cash Flows present information about the cash activity of the College. The statements show the major sources and uses of cash. The following is a summary of the Statements of Cash Flows for the years ended June 30, 2017, 2016 and 2015.

	2017	2016	2015
Cash Provided (Used) By:			
Operating activities	$ (8,727,065)	$ (10,135,381)	$ (10,386,310)
Capital and related financing activities	(9,182,676)	(724,000)	(3,089,577)
Noncapital financing activities	13,253,275	13,066,974	12,970,049
Investing activities	5,079,777	(3,220,109)	86,036
Net Change in Cash and Cash Equivalents	423,311	(1,012,516)	(419,802)
Cash and Cash Equivalents, Beginning of year	5,233,332	6,245,848	6,665,650
Cash and Cash Equivalents, End of year	$ 5,656,643	$ 5,233,332	$ 6,245,848

Debt Administration

Total debt of the College as of June 30, 2017, was $15,010,208, which is down $2,600,548 from the prior year. See Note F, long-term liabilities, to the financial statements for details of this decrease.

Economic Outlook

The economic outlook for East Central College heading into 2018 appears good but not without challenges. Enrollment is still showing declines and is not expected to see any increases in the near future. The Governor cut state aid 8% in 2016. We believe the legislators will work to maintain at least current funding levels, however, there is ongoing work both in the Governor's office and legislation that may have an unknown impact for future higher education funding. Assessed valuation is up 3.4% overall for 2017. Property tax indicators seem to show that revenues have leveled out and there is evidence that limited growth in the short-term forecast.

Following sharp increases in enrollment that began in Spring 2008 and continued through Fall 2010, the college began experiencing a contraction in Spring 2011. On the Fall 2017 census date, the college had 2,897 students enrolled for 27,807 credit hours, compared to 2,966 students enrolled for 28,442 credit hours for the Fall 2016 census date. Student headcount decreased by 2% (compared to a 7.9% decline the previous Fall) while credit hours declined by 2% (compared to a 8.2% drop the previous Fall). Enrollment has fallen below the 2008 benchmark. The FY17 appropriation of state aid to community colleges decreased over FY16, but administrative withholdings at the beginning of the fiscal year resulted in an effective reduction of 3% from the appropriation. The College budgeted for a 3% withholding, and the possibility of additional mid-year reductions still exist based on state revenue collection. The third primary component of the college's general revenue is local tax revenue. The college's assessed valuation rose 3.4% between 2016 and 2017, $1,670,240,240 in 2016 to $1,727,792,842 in 2017.

In order to operate in the current climate, the college has addressed both revenue and expenses that fall under its control. The college has a differential tuition model for Precision Machining, Industrial Engineering Technology, Nursing, and Culinary Arts classes (Tier 2). For those classes the in-district rate is $104 per credit hour, $150 for out-of-district, $223 for out-of-state, and $239 for international. In April 2017, the Board approved the following Tier 1 tuition rates: in-district rate is $85 per credit hour, $122 for out-of-district, $181 for out-of- state, and $186 for international. Even with the two-tier model, East Central College continues to have one of the lowest tuition rates of any college or university in Missouri. In addition to addressing revenue through tuition and fees, the college continues to work to reduce costs through operating efficiency improvements. In November, for FY18 the Board authorized a $1,500 increase for full time employees and for part time an equal hourly increase.

Development of the FY19 budget will require careful analysis of state revenue, actual collection of local tax revenue, the level of new construction at the college, local employment levels, enrollment trends, and continued expansion of operational efficiencies.

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 Mr. Philip E. Peña, Vice President of Finance and Administration, East Central College, 1964 Prairie Dell Road, Union, MO 63084-4344.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
STATEMENTS OF NET POSITION – PRIMARY GOVERNMENT
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 5,098,522	$ 5,126,402
Investments	687,866	1,440,045
Receivables:		
Students, net	2,968,402	3,124,711
Federal and state agencies	974,210	1,742,398
Other	60,575	46,116
Inventory	222,778	274,450
Prepaid expenses	537,167	560,995
TOTAL CURRENT ASSETS	10,549,520	12,315,117
Restricted Assets		
Cash and cash equivalents	558,121	106,930
Investments	151,819	4,163,551
TOTAL RESTRICTED ASSETS	709,940	4,270,481
Noncurrent Assets		
Capital assets:		
Nondepreciable	1,533,434	2,595,270
Depreciable, net	43,047,716	38,288,658
TOTAL NONCURRENT ASSETS	44,581,150	40,883,928
TOTAL ASSETS	55,840,610	57,469,526
DEFERRED OUTFLOW OF RESOURCES		
Deferred Pension Outflows	7,971,713	4,901,303
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 63,812,323	$ 62,370,829
LIABILITIES		
Current Liabilities		
Accounts payable	$ 554,471	$ 1,080,156
Due to agency groups	86,052	89,781
Accrued wages and benefits	948,341	658,798
Accrued interest	205,190	266,164
Unearned revenue	2,930,093	3,029,470
Current portion of long-term liabilities	1,190,894	5,015,000
TOTAL CURRENT LIABILITIES	5,915,041	10,139,369
Long-Term Liabilities		
Bonds payable, net	11,779,958	12,595,756
Leases and loans	2,039,356	-
Net pension liability	15,053,065	11,753,832
Post-employment benefit liability	601,100	538,600
Compensated absences	511,560	528,581
TOTAL LONG-TERM LIABILITIES	29,985,039	25,416,769
TOTAL LIABILITIES	35,900,080	35,556,138
DEFERRED INFLOW OF RESOURCES		
Deferred Pension Inflows	3,726,851	3,463,193
NET POSITION		
Net Investment in Capital Assets	29,570,942	23,273,172
Restricted	504,953	4,005,555
Unrestricted	(5,890,503)	(3,927,229)
TOTAL NET POSITION	24,185,392	23,351,498
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	$ 63,812,323	$ 62,370,829

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
EAST CENTRAL COLLEGE FOUNDATION, INC. – COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 119,686	$ 91,609
Investments	2,433,752	2,052,055
Pledges receivable, net	274,676	-
Accrued interest receivable	2,953	4,336
Prepaid expenses	758	992
TOTAL CURRENT ASSETS	2,831,825	2,148,992
Assets Restricted for Permanent Investment		
Cash and cash equivalents	-	2,290
Investments	2,995,888	2,963,571
Pledges receivable, net	30,776	68,124
Land	89,000	89,000
TOTAL ASSETS RESTRICTED FOR PERMANENT INVESTMENT	3,115,664	3,122,985
TOTAL ASSETS	$ 5,947,489	$ 5,271,977
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 4,688	$ 3,029
TOTAL CURRENT LIABILITIES	4,688	3,029
NET ASSETS		
Unrestricted	1,559,127	1,360,463
Temporarily restricted	1,268,009	785,500
Permanently restricted	3,115,665	3,122,985
TOTAL NET ASSETS	5,942,801	5,268,948
TOTAL LIABILITIES AND NET ASSETS	$ 5,947,489	$ 5,271,977

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowance of $2,776,273 in 2017 and $3,067,119 in 2016)	$ 4,215,520	$ 4,184,367
Federal aid	9,030,845	11,249,689
State aid	2,486,546	713,590
Local grants and contracts	68,389	46,910
Other auxiliary services	2,319,819	2,611,504
TOTAL OPERATING REVENUES	18,121,119	18,806,060
OPERATING EXPENSES		
Salaries	12,113,250	11,335,343
Employee benefits	4,158,076	2,733,905
Scholarships	5,283,980	6,745,581
Utilities	980,340	874,356
Supplies	5,496,788	5,967,304
Depreciation	1,940,054	1,779,810
TOTAL OPERATING EXPENSES	29,972,488	29,436,299
OPERATING (LOSS)	(11,851,369)	(10,630,239)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	5,385,014	5,432,954
Tax revenue	7,828,261	7,583,315
Contributions	40,000	50,705
Interest income	101,664	105,343
(Loss) on disposal of assets	(3,479)	(6,634)
Interest and fees on capital asset - related debt	(666,197)	(921,407)
TOTAL NONOPERATING REVENUES (EXPENSES)	12,685,263	12,244,276
INCREASE IN NET POSITION	833,894	1,614,037
NET POSITION, Beginning of year	23,351,498	21,737,461
NET POSITION, End of year	$ 24,185,392	$ 23,351,498

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, 2016 AND 2015

	2016	2015
UNRESTRICTED		
Revenues, Gains, Losses, and Other Support		
Contributions	$ 167,333	$ 170,058
Interest and dividends	7,312	6,919
Net realized and unrealized gains (losses)	278,369	(106,231)
Special events	108,019	116,739
Net assets released from restrictions	91,365	65,959
TOTAL REVENUES, GAINS, LOSSES, AND OTHER SUPPORT	652,398	253,444
Expenses		
Program	250,142	188,678
Management and general	30,089	27,179
Fundraising	105,197	107,338
TOTAL EXPENSES	385,428	323,195
CHANGE IN UNRESTRICTED NET ASSETS	266,970	(69,751)
NET ASSETS, Beginning of year	1,360,463	1,472,091
RECLASSIFICATION OF NET ASSETS	(68,306)	(41,877)
NET ASSETS, End of year	$ 1,559,127	$ 1,360,463
TEMPORARILY RESTRICTED		
Revenues, Gains, Losses, and Other Support		
Contributions	$ 332,230	$ 119,241
Interest and dividends	110,359	105,801
Net realized and unrealized gains (losses)	38,964	(5,805)
Net assets released from restrictions	(91,365)	(65,959)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	390,188	153,278
NET ASSETS, Beginning of year	785,500	725,051
RECLASSIFICATION OF NET ASSETS	92,321	(92,829)
NET ASSETS, End of year	$ 1,268,009	$ 785,500
PERMANENTLY RESTRICTED		
Revenues and Other Support		
Contributions	$ 16,695	$ 80,288
Interest and dividends	-	3,413
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	16,695	83,701
NET ASSETS, Beginning of year	3,122,985	2,904,578
RECLASSIFICATION OF NET ASSETS	(24,015)	134,706
NET ASSETS, End of year	$ 3,115,665	$ 3,122,985

See accompanying notes.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 4,272,452	$ 4,069,972
Aid, grants, and contracts	12,353,968	10,714,297
Payments to suppliers	(6,931,042)	(6,008,376)
Payments to employees	(15,443,823)	(14,807,409)
Financial aid issued to students	(5,283,980)	(6,745,581)
Other receipts, net	2,305,360	2,641,716
NET CASH (USED) BY OPERATING ACTIVITIES	(8,727,065)	(10,135,381)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(5,640,755)	(2,573,326)
Principal paid on capital debt and leases	(5,073,333)	(9,545,000)
Bond, lease, and loan proceeds	2,258,583	12,323,972
Interest paid on capital debt and leases	(727,171)	(929,646)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(9,182,676)	(724,000)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local taxes	7,828,261	7,583,315
State aid	5,385,014	5,432,954
Contributions	40,000	50,705
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	13,253,275	13,066,974
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	4,763,911	-
Purchase of investments	-	(3,513,596)
Interest on investments	315,866	293,487
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	5,079,777	(3,220,109)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	423,311	(1,012,516)
CASH AND CASH EQUIVALENTS, Beginning of year	5,233,332	6,245,848
CASH AND CASH EQUIVALENTS, End of year	5,656,643	5,233,332
LESS RESTRICTED CASH AND CASH EQUIVALENTS	558,121	106,930
UNRESTRICTED CASH AND CASH EQUIVALENTS	$ 5,098,522	$ 5,126,402
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES		
Operating (loss)	$ (11,851,369)	$ (10,630,239)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	1,940,054	1,779,810
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivables, net	910,038	(1,144,688)
Inventory	51,672	(2,366)
Prepaid expenses	23,828	(21,439)
Accrued wages and benefits	289,543	40,990
Accounts payable and due to agency groups	(529,414)	857,089
Unearned revenue	(99,377)	(235,387)
Compensated absences	(17,021)	10,522
Deferred outflows - contributions after measurement date	492,481	(881,973)
Post-employment benefit liability	62,500	92,300
NET CASH (USED) BY OPERATING ACTIVITIES	$ (8,727,065)	$ (10,135,381)

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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 673,853	$ 167,228
Adjustments required to reconcile increase in net assets to net cash provided by operating activities:		
Contributions restricted for endowment	(16,695)	(80,288)
Net realized and unrealized losses (gains) on investments	(317,333)	112,036
Change in operating assets and liabilities:		
Pledges receivable	(274,676)	-
Accounts receivable	-	1,250
Accrued interest receivable	1,383	(430)
Prepaid expenses	234	168
Accounts payable and scholarships payable	1,659	(87,131)
NET CASH PROVIDED BY OPERATING ACTIVITIES	68,425	112,833
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(233,108)	(54,963)
Reinvested dividends	(97,898)	(91,783)
Proceeds from sale of investments	234,325	50,677
NET CASH (USED) BY INVESTING ACTIVITIES	(96,681)	(96,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	54,043	20,866
NET CASH PROVIDED BY FINANCING ACTIVITIES	54,043	20,866
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,787	37,630
CASH AND CASH EQUIVALENTS, Beginning of year	93,899	56,269
CASH AND CASH EQUIVALENTS, End of year	$ 119,686	$ 93,899
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Non-cash Transactions		
Donation of services	$ 157,897	$ 161,109

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

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

Component Unit

Discretely Presented Component Unit:

East Central College Foundation, Inc.

East Central College Foundation, Inc. (the "Foundation") is a private non-profit organization that reports under FASB Accounting Standards Codification (ASC) 958-205 and subsections. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the years ended June 30, 2017 and 2016, the Foundation distributed $115,154 and $106,735 to the College or its students for both restricted and unrestricted purposes.

Basis of Accounting

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

The basic financial statements are presented using the current financial resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

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

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple net position categories, net position is depleted in restricted before unrestricted.

Operating Activities

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Investments

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

Receivables

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

Inventories

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

Capital Assets

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Buildings, improvements, infrastructure and equipment assets are depreciated using the modified half-month depreciation method, (straight line depreciation with a half month depreciation if placed in service before the middle of the month, otherwise no depreciation until the next full month) over the following estimated useful lives:

Assets	Years
Buildings	50
Land improvements	20 – 25
Equipment	5 – 7
Vehicles	6

Unearned Revenue

These balances consist of one half of summer student fees of $200,436, all fall session student fees of $2,711,965, and various other unearned amounts totaling $17,692, totaling $2,930,093 for 2017 and totaling $3,029,740 for 2016.

Classification of Revenues

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

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

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

Scholarship Allowance

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-Employment Health Care Benefits

Retiree Benefits – The College offers post-employment health care benefits to all employees who retire from the College. Retirees are eligible as long as they receive retirement benefits under the Public School Retirement System. Retirees pay 100% of their own premiums.

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

There were 69 former employees receiving retiree or COBRA benefits as of June 30, 2017, and 56 as of June 30, 2016.

Compensated Absences

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

Use of Estimates

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

Deferred Outflows/Inflows of Resources

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

New Pronouncements

GASB issued Statement No. 72 – *Fair Value Measurement and Application* for reporting periods beginning after June 15, 2015. The statement addresses accounting and financial reporting issues related to fair value measurement. The College adopted GASB Statement No. 72 for the year ended June 30, 2016.

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

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

Investments of the College as of June 30, 2016, are as follows:

Investment Type	Maturity	Not Subject to Fair Value	Level 1 Inputs	Total
Certificates of Deposit	8/7/16 to 11/14/17	$ 1,590,045	$ -	$ 1,590,045
U.S. Treasury Notes (SLGS)	2/15/2017	-	4,013,551	4,013,551
		$ 1,590,045	$ 4,013,551	$ 5,603,596

U.S. Treasury Notes

At June 30, 2016, the College has U.S. Treasury Notes on deposit at UMB. Fair market value approximates cost. The deposits were held in a trust account for the 2016 refunding Bonds

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, 2017 and 2016, the College's deposits bank balance was insured or collateralized as follows:

	2017	2016
FDIC Insurance	$ 342,499	$ 340,974
Collateralized	6,972,619	6,931,420
TOTAL	$ 7,315,118	$ 7,272,394

At June 30, 2017 and 2016, all of the College's deposits, were insured or collateralized with securities held by the College's agent in the College's name.

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

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. More than 5% of the College's total cash and investments are in the following issuer as of June 30, 2017 and 2016:

	2017	2016
United Bank of Union	$ 6,443,702	$ 7,181,420
UMB	-	4,013,551
	$ 6,443,702	$ 11,194,971

NOTE C – RESTRICTED ASSETS AND NET POSITION

Cash and investments and net position are reported as restricted when there are limitations imposed on their use either through enabling action adopted by the College or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2017 and 2016, restricted cash and investments consisted of $709,940 for restricted lease funds and debt service requirements and $4,270,481, for debt service requirements, respectively. At June 30, 2017 and 2016, restricted net position consisted of $504,953 and $4,005,555, respectively, for fulfillment of debt reserve requirements and lease project.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable is presented net of allowance for doubtful accounts as of June 30, 2017 and 2016, as follows:

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

	2016		
	Gross Receivable	Allowance	Net Receivable
Student receivables	$ 3,196,403	$ 71,692	$ 3,124,711

NOTE E – CAPITAL ASSETS

Activity for capital assets for the years ended June 30, 2017 and 2016, is summarized below:

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

NOTE E – CAPITAL ASSETS (continued)

	Balance June 30, 2015	Additions and Completions	Dispositions	Balance June 30, 2016
Nondepreciable:				
Land	$ 554,854	$ -	$ -	$ 554,854
Construction in progress	-	2,040,416	-	2,040,416
Total Nondepreciable Capital Assets	554,854	$ 2,040,416	$ -	2,595,270
Depreciable:				
Buildings	49,541,185	$ 190,264	$ -	49,731,449
Campus improvements	560,209	-	-	560,209
Furniture and equipment	8,383,966	344,347	(90,256)	8,638,057
Infrastructure	2,326,052	-	-	2,326,052
Total Depreciable Capital Assets	60,811,412	$ 534,611	$ (90,256)	61,255,767
Accumulated depreciation	(21,269,220)	$ (1,779,810)	$ 81,921	(22,967,109)
Total Depreciable Capital Assets, Net	39,542,192			38,288,658
Total Capital Assets, Net	$ 40,097,046			$ 40,883,928

NOTE F – LONG-TERM LIABILITES

Long-term liability activity for the years ended June 30, 2017 and 2016, is as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Bonds payable	$ 17,745,000	$ -	$ (5,015,000)	$ 12,730,000	$ 1,030,000
Add: Bond premium	951,362	-	(102,397)	848,965	-
Less: Bond discount	(1,085,606)	-	316,599	(769,007)	-
	17,610,756	-	(4,800,798)	12,809,958	1,030,000
USDA Loan	-	1,000,000	(58,333)	941,667	99,996
Guaranteed Energy Savings Lease	-	1,258,583	-	1,258,583	60,898
Net pension liability	11,753,832	3,299,233	-	15,053,065	-
Post-employment benefit liability	538,600	62,500	-	601,100	-
Compensated absences	528,581	-	(17,021)	511,560	-
	$ 30,431,769	$ 5,620,316	$ (4,876,152)	$ 31,175,933	$ 1,190,894

NOTE F – LONG-TERM LIABILITIES (continued)

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Bonds payable	$ 15,990,000	$ 11,300,000	$ (9,545,000)	$ 17,745,000	$ 5,015,000
Add: Bond premium	-	1,023,972	(72,610)	951,362	-
Less: Bond discount	(1,346,360)	-	260,754	(1,085,606)	-
	14,643,640	12,323,972	(9,356,856)	17,610,756	5,015,000
Net pension liability	8,702,820	3,051,012	-	11,753,832	-
Post-employment benefit liability	446,300	92,300	-	538,600	-
Compensated absences	518,059	10,522	-	528,581	-
	$ 24,310,819	$ 15,477,806	$ (9,356,856)	$ 30,431,769	$ 5,015,000

Bonds payable at June 30, 2017 and 2016, consists of:

	2017	2016
$6,870,000 serial bonds due in annual principal installments of $230,000 to $995,000 through February 15, 2026; interest at varying rates from 3.90% to 4.00%.	$ 1,740,000	$ 5,965,000
$10,275,000 serial bonds due in annual principal installments of $20,000 to $1,060,000 through February 15, 2026; interest at varying rates from 3.00% to 4.00%.	185,000	975,000
$7,495,000 general obligation refunding bonds due in principal installments of $495,000 to $925,000 through February 15, 2026; interest at varying rates from 2.00% to 4.00%.	7,000,000	7,000,000
$3,805,000 general obligation crossover refunding bonds due in principal installments of $580,000 to $950,000 through February 15, 2026; interest at varying rates from 2.50% to 3.00%.	3,805,000	3,805,000
TOTAL BONDS PAYABLE	$ 12,730,000	$ 17,745,000

NOTE F – LONG-TERM LIABILITIES (continued)

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

Year Ended June 30,	Principal	Interest	Total
2018	$ 1,030,000	$ 370,150	$ 1,400,150
2019	1,130,000	355,150	1,485,150
2020	1,215,000	326,150	1,541,150
2021	1,275,000	303,650	1,578,650
2022	1,355,000	273,650	1,628,650
2023	1,500,000	233,000	1,733,000
2024	1,600,000	179,750	1,779,750
2025	1,750,000	127,000	1,877,000
2026	1,875,000	65,500	1,940,500
	$ 12,730,000	$ 2,234,000	$ 14,964,000

The escrow account created by the 2016 crossover refunding bond paid $3,940,000 of principal due February 15, 2017, on a portion of the 2006 Series bonds, and various interest payments due through February 15, 2017.

The College has recognized the face value of capital appreciation bonds issued in the 2006 and 2008 bond issues. The bonds were received at a discount from the face value. As of June 30, 2017, the discount balance is $709,775 for the 2006 Series and $59,231 for the 2008 Series, for a total of $769,006. As of June 30, 2016, the discount balance is $803,737 for the 2006 series and $281,869 for the 2008 series, for a total of $1,085,606.

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

NOTE F – LONG-TERM LIABILITIES (continued)

Principal and interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 99,996	$ -	$ 99,996
2019	99,996	-	99,996
2020	99,996	-	99,996
2021	99,996	-	99,996
2022	99,996	-	99,996
2023	99,996	-	99,996
2024	99,996	-	99,996
2025	99,996	-	99,996
2026	99,996	-	99,996
2027	41,703	-	41,703
	$ 941,667	$ -	$ 941,667

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

Principal and interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 60,898	$ 54,093	$ 114,991
2019	46,346	32,257	78,603
2020	42,205	31,132	73,337
2021	58,557	29,807	88,364
2022	65,719	28,095	93,814
2023	70,688	26,241	96,929
2024	75,897	24,250	100,147
2025	81,359	22,113	103,472
2026	87,082	19,825	106,907
2027	93,080	17,376	110,456
2028	99,362	14,761	114,123
2029	105,941	11,971	117,912
2030	112,829	8,998	121,827
2031	120,040	5,832	125,872
2032	127,583	2,467	130,050
2033	10,997	70	11,067
	$ 1,258,583	$ 329,288	$ 1,587,871

NOTE F – LONG-TERM LIABILITIES (continued)

Net Pension Liability – see Note G

Post-employment Benefit Liability – see Note M

Compensated Absences – see Note A

NOTE G – RETIREMENT PLAN

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

Summary of Significant Accounting Policies

Financial reporting information included in the notes to the financial statements pertaining to the College's participation in the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (PSRS and PEERS, also referred to as the Systems) are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* as applicable to the College's accrual basis of accounting.

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

NOTE G – RETIREMENT PLAN (continued)

General Information about the Pension Plan

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

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

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

NOTE G – RETIREMENT PLAN (continued)

Benefits Provided. PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

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

Cost-of-Living Adjustments ("COLA"). The Board of Trustees has established a policy providing a 0% COLA for years in which the CPI increases between 0.00% and 2.00%, a 2.00% COLA for years in which the CPI increases between 2.00% and 5.00%, and a COLA of 5.00% if the CPI increase is greater than 5.00% for 2017. The Board of Trustees has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00% for 2016. If the CPI decreases, no COLA is provided. For any PSRS member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. For PEERS members, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2017 and 2016. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

Contributions. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2017 and 2016. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

NOTE G – RETIREMENT PLAN (continued)

The College's contributions to PSRS and PEERS were $1,285,971 and $207,907, respectively, for the year ended June 30, 2017. The College's contributions to PSRS and PEERS were $1,214,804 and $205,400, respectively, for the year ended June 30, 2016.

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

At June 30, 2017, the College had a liability of $13,479,337 for its proportionate share of PSRS' net pension liability and $1,555,728 for its proportionate share of PEERS' net pension liability. In total the College had a net pension liability of $15,053,065. The net pension liability for the plans in total was measured as of June 30, 2016, and determined by an actuarial valuation as of that date. The College's proportionate share of the total net pension liability was based on the ratio of its actual contributions paid to PSRS and PEERS of $1,214,804 and $205,400, respectively, for the year ended June 30, 2016, relative to the actual contributions of $669,858,142 for PSRS and $105,934,385 for PEERS from all participating employers. At June 30, 2017, the College's proportionate share was 0.1814% for PSRS and 0.1939% for PEERS.

For the year ended June 30, 2017, the College recognized pension expense of $1,603,197 for PSRS and $365,256 for PEERS, its proportionate share of the total pension expense. The College also recognized expense of $6,977 for contributions to PSRS related to employee reciprocity and other service transfers. For the year ended June 30, 2016, the College recognized pension expense of $612,627 for PSRS and $91,910 for PEERS; its proportionate share of the total pension expense.

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

NOTE G – RETIREMENT PLAN (continued)

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

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS and PEERS pension benefits:

	PSRS		PEERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:						
Differences between expected and actual experience	$ 1,219,869	$ -	$ 72,613	$ 15,701	$ 1,292,482	$ 15,701
Net differences between projected and actual earnings on pension plan investments	1,862,755	2,725,764	242,547	345,507	2,105,302	3,071,271
Changes in proportion and differences between Employer contributions and proportionate share of contributions	83,315	295,201	-	81,020	83,315	376,221
Employer contributions subsequent to the measurement date	1,214,804	-	205,400	-	1,420,204	-
TOTAL	$ 4,380,743	$ 3,020,965	$ 520,560	$ 442,228	$ 4,901,303	$ 3,463,193

NOTE G – RETIREMENT PLAN (continued)

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2016, will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as collective deferred (inflows) / outflows of resources are to be recognized in pension expense as follows:

Year Ending June 30,		PSRS	PEERS	Total
2018		$ 1,632,085	$ 210,551	$ 1,842,636
2019		346,114	33,265	379,379
2020		1,240,891	139,996	1,380,887
2021		731,466	99,743	831,209
2022		(144,831)	-	(144,831)
Thereafter		(44,418)	-	(44,418)
	TOTAL	$ 3,761,307	$ 483,555	$ 4,244,862

Payable to the Pension Plan

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

At June 30, 2016, the College reported a payable of $228,183 and $36,211, respectively, for the outstanding PSRS and PEERS contributions to the pension plan required for the year ended June 30, 2016.

Actuarial Assumptions – 2017

Actuarial valuations of the Systems involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the study and effective with the June 30, 2016 valuation. Significant actuarial assumption and method changes are detailed below. For additional information please refer to the Systems' CAFR. The next experience studies are scheduled for 2021.

NOTE G – RETIREMENT PLAN (continued)

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

- Measurement Date – June 30, 2016
- Valuation Date – June 30, 2016
- Expected Return on Investments – 7.75%, net of investment expenses and including 2.5% inflation
- Inflation – 2.25%
- Total Payroll Growth
  - PSRS – 2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
  - PEERS – 3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
- Future Salary Increases
  - PSRS – 3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
  - PEERS – 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
- Cost-Of-Living Increases
  - PSRS & PEERS – The long-term cost-of-living adjustment (COLA) assumed in the valuation is 1.50% per year, based on the current policy of the Board to grant a 0.00% COLA when annual inflation, as measured by the CPI-U index for a fiscal year, increases between 0.00% and 2.00% and to grant 2.00% when the increase is between 2.00% and 5.00%. The actuarial assumption increases from 1.00% to 1.50% over ten years (from fiscal year 2017 to fiscal year 2027). The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.

NOTE G – RETIREMENT PLAN (continued)

Mortality Assumption

- Actives
  - PSRS – RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
  - PEERS – RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
- Non-Disabled Retirees, Beneficiaries and Survivors
  - PSRS – RP 2006 White Collar Employee Mortality Tables with plan specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
  - PEERS – RP 2006 Total Dataset Employee Mortality Tables with plan specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
- Disabled Retirees
  - PSRS & PEERS – RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

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

NOTE G – RETIREMENT PLAN (continued)

    - The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA to the RP 2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
    - The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
  - PEERS
    - The payroll growth assumption decreased from 3.75% to 3.25% per year.
    - The future salary increase assumption decreased from 5.00% to 12.00%, depending on service to 4.00% to 11.50%, depending on service.
    - The investment return assumption decreased from 8.00% to 7.75% per year.
    - The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP 2006 Total Dataset Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
    - The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA to the RP 2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
    - The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
- Fiduciary Net Position – The Systems issue a publicly available financial report that can be obtained at www.psrs-peers.org.

NOTE G – RETIREMENT PLAN (continued)

- Expected Rate of Return – The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on the Systems' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems' target allocation as of June 30, 2016, are summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cash flows.

Asset Class	**Target Asset Allocation**	**Long-Term Expected Real Return Arithmetic Basis**	**Weighted Long-Term Expected Real Return Arithmetic Basis**
U.S. Public Equity	27.0%	5.16%	1.39%
Public Credit	7.0%	2.17%	0.15%
Hedged Assets	6.0%	4.42%	0.27%
Non-U.S. Public Equity	15.0%	6.01%	0.90%
U.S. Treasuries	16.0%	0.96%	0.15%
U.S. TIPS	4.0%	0.80%	0.03%
Private Credit	4.0%	5.60%	0.22%
Private Equity	12.0%	9.86%	1.18%
Private Real Estate	9.0%	3.56%	0.32%
Total	100.0%		4.61%
		Inflation	2.25%
		Long-term arithmetical nominal return	6.86%
		Effect of covariance matrix	0.89%
		Long-term expected geometric return	7.75%

NOTE G – RETIREMENT PLAN (continued)

- Discount Rate – The long-term expected rate of return used to measure the total pension liability was 7.75% as of June 30, 2016, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return on 7.75% based on the actuarial experience studies and asset-liability study conducted during the current year. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.
- Discount Rate Sensitivity – The sensitivity of the College's net pension liability to changes in the discount rate is presented below. The College's net pension liability calculated using the discount rate of 7.75% is presented as well as the net pension liability using a discount rate that is 1.0% lower (6.75%) or 1.0% higher (8.75%) than the current rate.

Actuarial Assumptions – 2016

Actuarial valuations of the Systems involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011.

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

- Measurement Date – June 30, 2015
- Valuation Date – June 30, 2015
- Expected Return on Investments – 8.00%, net of investment expenses and including 2.5% inflation
- Inflation – 2.50%
- Total Payroll Growth
    - PSRS – 3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
    - PEERS – 3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.

NOTE G – RETIREMENT PLAN (continued)

- Future Salary Increases
  - PSRS – 4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%.
  - PEERS – 5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.
- Cost-Of-Living Increases
  - PSRS – 2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.
  - PEERS – 2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.
- Mortality Assumption
  - Actives
    - PSRS – RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
    - PEERS – RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
  - Non-Disabled Retirees, Beneficiaries and Survivors
    - PSRS – RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
    - PEERS – RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA.
  - Disabled Retirees
    - PSRS – RP 2000 Disabled Mortality Table
    - PEERS – RP 2000 Disabled Mortality Table
- Changes in Actuarial Assumptions and Methods – There were no changes in actuarial assumptions or methods for the June 30, 2015, valuation.
- Fiduciary Net Position – The Systems issue a publicly available financial report that can be obtained at www.psrs-peers.org.

NOTE G – RETIREMENT PLAN (continued)

- Expected Rate of Return – The long-term expected rate of return on the Systems' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems' target allocation as of June 30, 2015, is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

Asset Class	Target Asset Allocation	Long-Term Expected Real Return Arithmetic Basis	Weighted Long-Term Expected Real Return Arithmetic Basis
U.S. Public Equity	27.0%	5.85%	1.58%
Public Credit	12.0%	2.44%	0.29%
Hedged Assets	6.0%	5.22%	0.31%
Non-U.S. Public Equity	15.0%	6.64%	1.00%
U.S. Treasuries	16.0%	1.01%	0.16%
U.S. TIPS	4.0%	1.12%	0.04%
Private Credit	2.0%	7.61%	0.15%
Private Equity	10.5%	8.61%	0.90%
Private Real Estate	7.5%	4.60%	0.35%
Total	100.0%		4.78%
		Inflation	2.50%
		Long-term arithmetical nominal return	7.28%
		Effect of covariance matrix	0.81%
		Long-term expected geometric return	8.09%

NOTE G – RETIREMENT PLAN (continued)

- Discount Rate – The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015, and is consistent with the long-term expected geometric return on the Systems' investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.
- Discount Rate Sensitivity – The sensitivity of the College's net pension liability to changes in the discount rate is presented below. The College's net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

The sensitivity of the College's net pension liabilities to changes in the discount rate is presented below. The College's net pension liabilities calculated using the discount rate of 7.75% for 2017 and 8.0% for 2016 is presented as well as the net pension liabilities using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

PSRS

2017 Discount Rate 2016 Discount Rate	1% Decrease (6.75%) 1% Decrease (7.00%)	Current Rate (7.75%) Current Rate (8.00%)	1% Increase (8.75%) 1% Increase (9.00%)
2017 Proportionate share of the Net Pension Liability / (Asset)	$ 22,897,673	$ 13,497,337	$ 5,670,129
2016 Proportionate share of the Net Pension Liability / (Asset)	19,557,140	10,633,608	3,138,836

PEERS

2017 Discount Rate 2016 Discount Rate	1% Decrease (6.75%) 1% Decrease (7.00%)	Current Rate (7.75%) Current Rate (8.00%)	1% Increase (8.75%) 1% Increase (9.00%)
2017 Proportionate share of the Net Pension Liability / (Asset)	$ 2,705,466	$ 1,555,728	$ 590,815
2016 Proportionate share of the Net Pension Liability / (Asset)	2,261,546	1,120,224	155,333

NOTE H – TAXES

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

The assessed valuations of the College on January 1, 2017 and 2016, upon which the levies for fiscal years 2017 and 2016 were based, were $1,667,134,045 and $1,625,608,304, respectively. The tax levy per $100 of assessed valuation was as follows:

	2017	2016
General operations	$ .3700	$ .3700
Debt service	.0841	.0841
TOTAL LEVY	$ .4541	$ .4541

NOTE I – OPERATING LEASES

The College was committed under the following operating leases, all which were entered into on July 1, 2016, and expired on June 30, 2017, with the exception of the Columbia College lease, which was entered into on November 1, 2013, and will expire on October 31, 2018 and the Rolla lease, which was renewed for an additional year.

	2017	2016
Southwest Area Center	$ -	$ 22,536
R-Tech (Washington)	-	77,991
R-Tech (Rolla)	145,530	145,530
Columbia College	143,846	138,244
TOTAL REMAINING LEASE OBLIGATIONS	$ 289,376	$ 384,301

NOTE J – RISK MANAGEMENT

The College participates in a public entity risk pool to insure against its general liability risks. The risk of loss is transferred to this risk pool, with the pool retaining the right to raise insurance premiums in the subsequent calendar year if claims experience is unfavorable. The insurance premiums for the 2017 and 2016 calendar year were $232,859 and $247,945, respectively. Management is aware of no events or circumstances which would generate a significant increase in future insurance premiums.

NOTE K – CLAIMS AND ADJUSTMENTS

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the College may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of expenditures have not been audited by grantor governments, but the College believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the College.

NOTE L – CONTINGENCIES, COMMITMENTS AND SUBSEQUENT EVENTS

Contingencies

The College is subject to various lawsuits and claims. Although the outcome of a pending claim is not presently determinable, in the opinion of the College's attorney, the resolution of these matters will not have material adverse effects on the financial condition of the College.

Commitments

As of June 30, 2017, the College was committed to Johnson Controls, In. in the amount of $275,002 for construction as part of the energy savings program.

NOTE M – POSTEMPLOYMENT HEALTH CARE PLAN

Plan Description – The College's postemployment health care plan is a single-employer defined benefit health care plan. To be eligible for participation in the plan, retirees must meet the retirement eligibility requirements as set by the Public School Retirement System of Missouri (PSRS) or the Public Education Employee Retirement System of Missouri (PEERS). Eligible participants receive benefits in the form of an implicit rate subsidy where participants receive health insurance coverage by paying a blended retiree/active rate.

Funding Policy – The contribution requirements of plan members and the College are established and may be amended by the Board of Trustees. Current contribution requirements require participants to pay the full blended premium. The College funds the plan on a pay-as-you-go basis.

NOTE M – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

Annual OPEB Cost and Net OPEB Obligation – The College's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the College, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the College's annual OPEB cost for the years ended June 30, 2017 and 2016:

	2017	2016
Annual required contribution (ARC)	$ 136,400	$ 157,800
Interest on net OPEB obligation	18,900	13,300
Adjustment to ARC	(19,200)	(13,100)
Annual OPEB cost (expense)	$ 136,100	$ 158,000

The change in net OPEB obligation was as follows:

	Beginning Balance Net OPEB Obligation	Annual OPEB Cost	Employer Contributions	Ending Balance Net OPEB Obligation
June 30 2017	$ 538,600	$ 136,100	$ 73,600	$ 601,100
June 30 2016	$ 446,300	$ 158,000	$ 65,700	$ 538,600

Schedule of Funding Progress – As a pay-as-you-go plan, the plan was 0% funded at June 30, 2017.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2013	$ -	$ 829,000	$ 829,000	0%	Not Available	Not Available
6/30/2015	-	1,285,000	1,285,000	0%	7,540,000	17.00%
6/30/2017	-	1,080,000	1,080,000	0%	8,417,000	12.80%

NOTE M – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

Schedule of Employer Contributions

Fiscal Year Ending June 30,	Annual Required Contribution	Interest on Net OPEB Obligation	Adjustment to the ARC	Net OPEB Cost	Actual Contribution	Net OPEB Obligation
2009	$ 113,000	$ -	$ -	$ 113,000	$ -	$ 113,000
2010	113,000	-	-	113,000	-	226,000
2011	86,000	10,000	9,000	87,000	72,000	241,000
2012	86,000	10,000	9,000	87,000	72,000	256,000
2013	104,000	12,000	10,000	106,000	57,000	305,000
2014	104,000	12,000	10,000	106,000	57,000	354,000
2015	157,800	13,300	13,100	158,000	65,700	446,300
2016	157,800	13,300	13,100	158,000	65,700	538,600
2017	136,400	18,900	19,200	136,100	73,600	601,100

Actuarial Methods and Assumptions – 2017 – The actuarial methods and assumptions used at June 30, 2017 include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The most recent OPEB liability actuarial valuation was completed for the year ended June 30, 2017. In the 2017 actuarial valuation, the projected unit credit cost method was used, and the interest rate used for discounting liabilities was 3.50%. The actuarial valuation assumed a medical premium inflation rate based on long term health care trends generated by the Getzen Model. The medical premium inflation rate was 7.50% for 2017, with annual rate reductions to an ultimate rate of 4.1% in 2075. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of 30 years, and the valuation assumed that 50% of all future retirees will elect medical coverage.

Actuarial Methods and Assumptions – 2016 – The actuarial methods and assumptions used at June 30, 2016 include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. This OPEB liability actuarial valuation was completed for the year ended June 30, 2015. In the 2015 actuarial valuation, the projected unit credit cost method was used, and the interest rate used for discounting liabilities was 3.75%. The actuarial valuation assumed a medical premium inflation rate based on long term health care trends generated by the Getzen Model. The medical premium inflation rate was 6.6% for 2015, with annual rate reductions to an ultimate rate of 4.5% in 2100. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of 30 years, and the valuation assumed that 50% of all future retirees will elect medical coverage.

NOTE N – REFUNDING BONDS

On April 7, 2016, the College issued $3,805,000 in general obligation refunding bonds with varying interest rates of 2.50% to 3.00%. The College issued the bonds to refund on February 15, 2017, $3,940,000 of outstanding 2006 general obligation bonds with an interest rate of 4.00%. The College used $4,013,551 of the proceeds to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust and will be used to pay the 2006 general obligation bonds on February 15, 2017. The bonds are not considered defeased at June 30, 2016.

As a result of the refunding, the College reduced its debt service requirements by $477,950, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $435,444.

NOTE O – COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the audited financial statements of the Foundation for the years ended December 31, 2016 and 2015.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

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

Basis of Presentation – The Foundation prepares financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections. Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Foundation is required to present a Statement of Cash Flows.

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

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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

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

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

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

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

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

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

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

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

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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

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

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

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

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

Advertising – Costs for advertising are expensed as incurred.

Income Tax Status – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events – Management has evaluated subsequent events through June 1, 2017, the date the financial statements were available to be issued.

Income Taxes – The Foundation adopted the provisions of FASB ASC 740-10-25. Under this standard, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the assets will be sustained. The implementation of this standard had no impact on the Foundation's financial statements. The Foundation does not believe there are any material uncertain tax assets and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended December 31, 2016, there were no interest or penalties recorded or included in the Foundation's financial statements. The Foundation's Forms 990, *Returns of Organization Exempt from Income Tax*, for the years ending 2013, 2014 and 2015, are subject to examination by the IRS, generally for three years after they were filed.

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

2. *ENDOWMENT*

The Foundation's endowment consists of both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the State of Missouri effective August 28, 2009, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

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

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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

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

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

Endowment Net Assets Composition by Type of Fund as of December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 131,930	$ 3,122,985	$ 3,254,915
Board-designated endowment funds	392,714	-	-	392,714
TOTAL FUNDS	$ 392,714	$ 131,930	$ 3,122,985	$ 3,647,629

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 305,300	$ 114,866	$ 2,904,577	$ 3,324,743
Net assets reclassification	110,692	-	134,706	245,398
Investment return:				
Investment income	-	70,081	3,414	73,495
Net (loss) (realized and unrealized)	(8,953)	-	-	(8,953)
Total investment return	(8,953)	70,081	3,414	64,542
Contributions	-	3,020	80,288	83,308
Board-designated	8,636	-	-	8,636
Appropriation of endowment assets for expenditures	(22,961)	(56,037)	-	(78,998)
Endowment net assets, end of year	$ 392,714	$ 131,930	$ 3,122,985	$ 3,647,629

3. *PLEDGES RECEIVABLE*

Unconditional promises to give consist of the following:

	2016	2015
Unrestricted promises to give	$ 281,000	$ -
Permanently restricted promises to give	32,793	72,742
Less: Allowance for uncollectible amounts	(1,148)	(2,546)
Discount for promises to give	(7,193)	(2,072)
Promises to give, net	$ 305,452	$ 68,124

The promises are collectible in future years as shown below:

	2016	2015
Less than one year	$ 53,234	$ 23,064
One to five years	252,218	45,060
	$ 305,452	$ 68,124

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

Unconditional promises to give to establish a permanent scholarship endowment are included in the financial statements as permanently restricted assets and support. They are recorded after discounting at the rate of 2% to the present value of the future cash flows.

4. *INVESTMENTS*

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

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

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

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

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

Investments are recorded at fair value on a recurring basis during the years ended December 31, 2016 and 2015, using quoted prices in active markets.

Investments at December 31, 2016 and 2015, consist of the following:

	Level I Quoted Prices in Active Markets For Identical Assets	
	2016	2015
Equity securities and mutual funds	$ 4,068,937	$ 3,653,206
Certificates of deposit	1,342,714	1,343,367
Cash surrender value of life insurance policy	17,989	19,053
	$ 5,429,640	$ 5,015,626

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

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

	2016	2015
Unrestricted and temporarily restricted investments	$ 2,433,752	$ 2,052,055
Investments restricted for permanent investment	2,995,888	2,963,571
	$ 5,429,640	$ 5,015,626

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

5. *INVESTMENT RETURN*

Investment return during 2016 and 2015 consisted of the following:

	2016	2015
Interest and dividends	$ 117,671	$ 116,133
Realized and unrealized gains (losses) on investments, net	317,333	(112,036)
	$ 435,004	$ 4,097

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

	2016	2015
Unrestricted	$ 285,681	$ (99,312)
Temporarily restricted	149,323	99,996
Permanently restricted	-	3,413
	$ 435,004	$ 4,097

NOTE O – COMPONENT UNIT DISCLOSURES (continued)

6. *NET ASSETS*

Temporarily restricted net assets of $1,268,009 and $785,500 at December 31, 2016 and 2015, respectively, are available for scholarships and other uses based on donor-imposed restrictions.

Net assets were released from donor restrictions during 2016 and 2015, by incurring expenses satisfying the restricted purposes or time restrictions specified by donors as follows:

	2016	2015
Scholarships	$ 75,736	$ 49,256
Miscellaneous activities	3,382	6,344
Special projects	12,247	10,359
	$ 91,365	$ 65,959

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

7. *RELATED PARTY TRANSACTIONS*

The Foundation utilizes employees, materials and office space from the Junior College District of East Central Missouri (the College) at no charge. The value of these in-kind donations from the College, is included in unrestricted contribution revenue, amounted to $157,897 for the year ended December 31, 2016, and temporarily restricted contribution revenue in the amount of $161,109 for the year ended December 31, 2015.

8. *RECLASSIFICATION OF NET ASSETS*

Net assets were reclassified between temporarily restricted, unrestricted, and permanently restricted in the amount of $92,321, $68,306 and $24,015 respectively at December 31, 2016. Net assets were reclassified between temporarily restricted, unrestricted, and permanently restricted in the amount of $92,829, $41,877, and $134,706, respectively. Net assets were reclassified due to a recalculation of scholarship requirements of restriction.

9. COMMITMENTS

As of December 31, 2016, the Foundation was committed to various students in the amount of $58,650 for the Spring of 2017 scholarships. The Foundation was also committed to the Junior College District of East Central Missouri in the amount of $22,500 for their annual Legacy Scholarship.

REQUIRED SUPPLEMENTARY INFORMATION

Public School Retirement System (PSRS)

Year Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2015	0.1927%	$ 7,905,663	$ 8,597,783	91.95%	89.30%
6/30/2016	0.1842%	10,633,608	8,382,790	126.85%	85.78%
6/30/2017	0.1814%	13,497,337	8,413,364	160.43%	82.18%

Public Education Employee Retirement System (PEERS)

Year Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2015	0.2183%	$ 797,157	$ 3,183,612	25.04%	91.33%
6/30/2016	0.2118%	1,120,224	3,175,988	35.27%	88.28%
6/30/2017	0.1939%	1,555,728	2,994,166	51.96%	83.32%

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

*The data provided in the schedule is based as of the measurement date of the Systems' net pension liability, which is as of the beginning of the College's fiscal year.

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULES OF EMPLOYER CONTRIBUTIONS – PSRS AND PEERS
Year Ended June 30, 2017

Public School Retirement System (PSRS)

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess / (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	$ 1,199,011	$ 1,199,011	$ -	$ 8,297,617	14.45%
6/30/2014	1,240,618	1,240,618	-	8,597,783	14.43%
6/30/2015	1,209,650	1,209,650	-	8,382,790	14.43%
6/30/2016	1,214,804	1,214,804	-	8,413,364	14.44%
6/30/2017	1,285,971	1,285,971	-	8,899,644	14.45%

Public Education Employee Retirement System (PEERS)

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess / (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	$ 228,492	$ 228,492	$ -	$ 3,330,775	6.86%
6/30/2014	218,396	218,396	-	3,183,612	6.86%
6/30/2015	217,873	217,873	-	3,175,988	6.86%
6/30/2016	205,400	205,400	-	2,994,166	6.86%
6/30/2017	207,907	207,907	-	3,030,718	6.86%

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

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF FUNDING PROGRESS – POST-EMPLOYMENT HEALTHCARE PLAN
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2013	$ -	$ 829,000	$ 829,000	0%	Not Available	Not Available
6/30/2015	-	1,285,000	1,285,000	0%	7,540,000	17.00%
6/30/2017	-	1,080,000	1,080,000	0%	8,417,000	12.80%

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF EMPLOYER CONTRIBUTIONS – POST-EMPLOYMENT HEALTHCARE PLAN
Year Ended June 30, 2016

Fiscal Year Ending June 30,	Annual Required Contribution	Interest on Net OPEB Obligation	Adjustment to the ARC	Net OPEB Cost	Actual Contribution	Net OPEB Obligation
2009	$ 113,000	$ -	$ -	$ 113,000	$ -	$ 113,000
2010	113,000	-	-	113,000	-	226,000
2011	86,000	10,000	9,000	87,000	72,000	241,000
2012	86,000	10,000	9,000	87,000	72,000	256,000
2013	104,000	12,000	10,000	106,000	57,000	305,000
2014	104,000	12,000	10,000	106,000	57,000	354,000
2015	157,800	13,300	13,100	158,000	65,700	446,300
2016	157,800	13,300	13,100	158,000	65,700	538,600
2017	136,400	18,900	19,200	136,100	73,600	601,100

STATISTICAL INFORMATION (UNAUDITED)

ENROLLMENT DATA (UNAUDITED)

Year Ending	Summer		Fall		Spring	
June 30,	Enrollment	Hours	Enrollment	Hours	Enrollment	Hours
2013	1,251	5,980	4,043	39,383	4,188	38,572
2014	1,167	5,652	3,901	37,670	3,555	33,647
2015	1,109	5,350	3,606	35,125	3,231	29,978
2016	900	4,294	3,222	30,982	2,881	27,345
2017	698	3,190	2,966	28,442	2,710	25,172

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

Year Ended June 30,	Principal	Interest	Total
2018	$ 345,000	$ -	$ 345,000
2019	405,000	-	405,000
2020	465,000	-	465,000
2021	525,000	-	525,000
	$ 1,740,000	$ -	$ 1,740,000

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

Year Ended June 30,	Principal	Interest	Total
2018	$ 185,000	$ -	$ 185,000

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

Year Ended June 30,	Principal	Interest	Total
2018	$ 500,000	$ 259,750	$ 759,750
2019	725,000	244,750	969,750
2020	750,000	215,750	965,750
2021	750,000	193,250	943,250
2022	775,000	163,250	938,250
2023	825,000	140,000	965,000
2024	850,000	107,000	957,000
2025	900,000	73,000	973,000
2026	925,000	37,000	962,000
	$ 7,000,000	$ 1,433,750	$ 8,433,750

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

Year Ended June 30,	Principal	Interest	Total
2018	$ -	$ 110,400	$ 110,400
2019	-	110,400	110,400
2020	-	110,400	110,400
2021	-	110,400	110,400
2022	580,000	110,400	690,400
2023	675,000	93,000	768,000
2024	750,000	72,750	822,750
2025	850,000	54,000	904,000
2026	950,000	28,500	978,500
	$ 3,805,000	$ 800,250	$ 4,605,250

OTHER REPORTING REQUIREMENTS

KPM CPAS & ADVISORS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the financial reporting entity of the Junior College District of East Central Missouri, as of and for the year ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Junior College District of East Central Missouri's financial statements, and have issued our report thereon, dated November 17, 2017.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Junior College District of East Central Missouri’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Junior College District of East Central Missouri’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 17, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the Junior College District of East Central Missouri's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Junior College District of East Central Missouri's major federal programs for the year ended June 30, 2017. The 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.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Junior College District of East Central Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Junior College District of East Central Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on the Major Federal Programs

In our opinion, the Junior College District of East Central Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Junior College District of East Central Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Junior College District of East Central Missouri 's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 17, 2017

JUNIOR COLLEGE DISTRICT OF EAST CENTRAL MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number / Other Identifying Number	Passed- through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Direct				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063	N/A	$ -	$ 4,867,232
Federal Work-Study Program	84.033	N/A	-	104,775
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	110,494
Federal Direct Student Loans	84.268	N/A	-	2,852,799
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			-	7,935,300
Missouri Department of Elementary and Secondary Education				
Adult Education - Basic Grants to States	84.002	V002A160026	-	174,638
Career and Technical Education - Basic Grants to States	84.048	V048A160025	-	185,902
TOTAL U.S. DEPARTMENT OF EDUCATION			-	8,295,840
U.S. DEPARTMENT OF LABOR				
Metropolitan Community College				
Trade Adjustment Assistance Community College and Career Training Grants (TAACCCT)	17.282	TC-26470-14-60-A-29	-	239,900
TOTAL U.S. DEPARTMENT OF LABOR			-	239,900
U.S, DEPARTMENT OF COMMERCE				
Direct				
Investment for Public Works and Economic Development Facilities	11.300	05-01-05778	-	416,049
TOTAL U.S DEPARTMENT OF COMMERCE			-	416,049
U.S. DEPARTMENT OF AGRICULTURE				
Direct				
Rural Business Development Grant	10.351	N/A	-	47,259
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	47,259
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Missouri Department of Elementary and Secondary Education				
Childcare and Development Block Grant	93.575	1601MOCCDF	-	13,617
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	13,617
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 9,012,665

N/A – Not Applicable

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

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Junior College District of East Central Missouri under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Junior College District of East Central Missouri, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Junior College District of East Central Missouri.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported in the Schedule are reported on the accrual basis of accounting, which is described in Note A to the College's basic financial statements.

2. Pass-through entity identifying numbers are presented where available.

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

NOTE C – SUBRECIPIENTS

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

Section I – Summary of Audit Results

Financial Statements

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

Federal Awards

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

Identification of major federal programs:

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

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

Section II – Financial Statement Findings

None

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

None

Federal Award Findings and Questioned Costs

2016-001 Special Tests and Provisions - Enrollment Reporting

Status: Corrected