

**NORTH CENTRAL MISSOURI COLLEGE**

**TRENTON, MISSOURI**

**ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2015**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
North Central Missouri College  
Trenton, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, as of and for the year ended June 30, 2015, of the North Central Missouri College (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 North Central Missouri College as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, pension information, Schedule of Funding Progress and Schedule of Employer Contributions 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 North Central Missouri College's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Board of Trustees  
North Central Missouri College  
Trenton, Missouri

The combining financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 combining financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

As discussed in Note A to the basic financial statements, the College adopted the provisions of 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*, during the year ended June 30, 2015.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of North Central Missouri College'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 North Central Missouri College's internal control over financial reporting and compliance.

*KPM CPAs, PC*

KPM CPAs, PC  
Springfield, Missouri  
December 14, 2015

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

**NORTH CENTRAL MISSOURI COLLEGE  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015**

**Using the Annual Report**

The Management’s Discussion and Analysis is an overview of the financial position and activities of North Central Missouri College. Management of the College prepared this discussion. It should be read in conjunction with the basic financial statements and notes that follow.

This annual report consists of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) *Statement No. 35 Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. GASB statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a combined basis to focus on the College as a whole.

**Overview of the Basic Financial Statements and Financial Analysis**

The financial statement presentation format provides a comprehensive, entity-wide perspective of the College’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, changes in net position, and cash flows. The basic financial statements are designed to provide readers with a broad overview of finances and operations of the College. The College reports its activity as a business-type activity using the full accrual basis of accounting. The emphasis of discussions about the basic financial statements will be on current year data. The annual financial report of the College includes the following three financial statements presented with notes to the financial statements: the *Combined Statement of Net Position*; the *Combined Statement of Revenues, Expenses and Changes in Net Position*; and the *Combined Statement of Cash Flows*. As additional information, combining financial statements of the College, the Public Building Corporation, and the Foundation are also included.

Please note that the June 30, 2014, financial statement information has not been retroactively restated as the information was not available from the state retirement system.

**Combined Statement of Net Position**

The Combined Statement of Net Position presents information on all of the College’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating. The purpose of the Combined Statement of Net Position is to present to the readers of the financial statements a fiscal “snapshot” of the College.

The College’s total assets at June 30, 2015, were \$37,053,938, an increase of 0.6%, as reported in the asset section of the Combined Statement of Net Position. Total assets are comprised of current assets in the amount of \$15,866,136 and non-current assets of \$21,187,802. Current assets are cash and other assets expected to be converted into cash or consumed in the subsequent fiscal year. Non-current (capital) assets consist primarily of property and equipment, net of related depreciation.

**NORTH CENTRAL MISSOURI COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015**

This increase in total assets occurred in current categories. Primarily, increases in cash, short-term investments and receivables are due to very modest gains in revenue growth and stable student enrollments.

Capital assets, net of accumulated depreciation, decreased from \$21.7 million to \$21.2 million. Notable additions of capital assets include medical training equipment, computers, and agriculture building improvements. The College also made parking lot improvements and remodeled a bathroom.

The liability section reports total liabilities of the College at June 30, 2015, of \$10,349,145. Current liabilities are obligations of the College that reasonably expect to be liquidated within the next twelve months. The College's current liabilities in the amount of \$2,283,136 consisted of accounts payable and accrued liabilities, student deposits and credits (deferred tuition revenue), and the current portion of debt payable.

Non-current liabilities are long-term obligations of the College that are payable at some date beyond the following fiscal year. Non-current liabilities of \$8,066,009 are comprised of the College's postemployment health care plan liability (OPEB), the cumulative accrued value of college employees' vacation/sick leave plans, notes payable, net pension liability, Title IV adjustment payable, and the long-term portion of bonds payable at June 30, 2015. Long-term obligations increased from \$3,462,751 to \$8,066,009. The increase is due to the net pension liability and Title IV adjustment payable. The inclusion of the net pension liability is the result of GASB 68, which addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through certain pension plans. As with most public K-12 school districts and community colleges in the state, NCMC participates in the Public School and Education Employee Retirement Systems of Missouri (PSRS & PEERS). PSRS and PEERS are Defined Benefit (DB) pension plans providing lifetime retirement benefits to qualified members based on a formula set by Missouri law. These pension plans are not 100% funded, thus resulting in possible future liability if outflows were to exceed inflows. The amount reflected in the financial statement is the PSRS/PEERS net pension liability portion attributed directly to NCMC. This is the first year of the GASB 68 requirement.

**Condensed Combined Statement of Net Position  
June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets	\$ 15,866,136	\$ 15,147,352
Capital assets	<u>21,187,802</u>	<u>21,673,485</u>
<b>TOTAL ASSETS</b>	37,053,938	36,820,837
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred pension outflow	<u>934,454</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<u>\$ 37,988,392</u>	<u>\$ 36,820,837</u>

**NORTH CENTRAL MISSOURI COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015**

(continued)

	<b>2015</b>	<b>2014</b>
<b>LIABILITIES</b>		
Current liabilities	\$ 2,283,136	\$ 2,039,007
Noncurrent liabilities	8,066,009	3,462,751
<b>TOTAL LIABILITIES</b>	10,349,145	5,501,758
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred pension inflow	2,239,358	-
<b>NET POSITION</b>		
Net investment in capital assets	18,550,348	18,573,519
Restricted	4,569,133	4,039,864
Unrestricted	2,280,408	8,705,696
<b>TOTAL NET POSITION</b>	25,399,889	31,319,079
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	\$ 37,988,392	\$ 36,820,837

In the net position section of the Combined Statement of Net Position, there are three main categories of net position. The first category is, "Net Investment in Capital Assets," which provides the College's/Public Building Corporation's equity in property, plant and equipment. The second category is "Restricted Net Position," which consists of expendable resources that are available for expenditure by the College, but must be spent for purposes as determined by donor(s) and/or external entities that have placed purpose and/or time restrictions on the use of the assets. The third category is "Unrestricted Net Position," that is available to be used by the College for any lawful purpose.

The total net investment in capital assets decreased for the fiscal year by <1% to \$18,550,348. This small decrease is due to depreciation slightly outpacing additions to capital assets.

The restricted net position of the College of \$4,569,133 is comprised of the Foundation Restricted Assets in the amount of \$4,220,099 and the Bond Reserve Funds in the amount of \$349,034. The Bond Reserve Funds are held by the Bond Trustee for the purpose of paying principal and interest on outstanding bond issues, in the event of a deficiency by the College.

The remaining amount of net position is classified as unrestricted. The unrestricted net position at June 30, 2015, decreased to \$2,280,408.

**NORTH CENTRAL MISSOURI COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015**

**Combined Statement of Revenues, Expenses & Changes in Net Position**

Changes in total net position, as reported on the Combined Statement of Net Position, is based on the activity presented on the Combined Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to report the operating and non-operating revenues received by the College, and the operating and non-operating expenses paid by the College, along with any other revenues, expenses, and gains/losses received or spent by the College.

In general, operating revenues are received in return for providing goods and services to customers and constituents of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in exchange for operating revenues, and to carry out the mission and operations of the College. Operating revenues and expenses are considered to be exchange transactions.

Non-operating revenues are revenues received for which goods and services are not provided in return for the revenues. State appropriation funds provided by the Missouri State Legislature to the College are reported as non-operating revenue because the Legislature does not receive commensurate goods or services for these revenues. Local property tax revenues and investment income received are also reported as non-operating revenues since goods and services are not provided in exchange for the revenues. Non-operating revenues and expenses are considered to be non-exchange transactions.

Some of the highlights of the information presented on the Condensed Combined Statement of Revenues, Expenses and Changes in Net Position are as follows:

- Total tuition and fee revenues decreased for the fiscal year to \$5,586,006 compared to \$5,605,993 in the previous fiscal year. This is the third consecutive year for a decline in tuition and fees revenue. This is due to continued declines in enrollment (both credit hours and headcount). (Tuition and fee revenue of \$1,852,991 is reported net of scholarship discounts and allowances in the amount of \$3,733,015).
- Instruction comprises the single largest allocation (36.0%) of operating expenses at \$7,599,780 during the current fiscal year (as pass-thru dollars, scholarships/fellowships are removed from this calculation).
- State appropriations of general revenue received during the fiscal year showed an increase in funding of \$161,376 (\$2,494,112 in fiscal year 2015, compared to \$2,332,736 in fiscal year 2014). This increase is a result of increase to state appropriations from the state legislature.
- Total local property tax revenue reported in the fiscal year was \$336,518. This represents a 1.1% decrease from fiscal year 2014.

**NORTH CENTRAL MISSOURI COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015**

The following is a condensed summary of the change in net position, with prior year comparable data, which does not reflect changes in net pension activities for fiscal year 2014:

Condensed Combined Statement of Revenues, Expenses & Changes in Net Position  
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Total Operating Revenues	\$ 17,374,495	\$ 17,685,772
Total Operating Expenses	<u>21,137,347</u>	<u>20,585,304</u>
Total Operating Loss	(3,762,852)	(2,899,532)
Total Non-Operating Revenues and Expenses	<u>3,941,595</u>	<u>4,485,809</u>
Increase in Net Position	178,743	1,586,277
Net Position - Beginning of Year, as restated	<u>25,221,146</u>	<u>29,732,802</u>
Net Position - End of Year	<u>\$ 25,399,889</u>	<u>\$ 31,319,079</u>

The following is a summary of the total operating expenses of the College by functional and natural classification:

<b>Operating Expenses by Functional Classification</b>	<u>2015</u>	<u>2014</u>
Instruction	\$ 7,599,780	7,462,041
Academic support	804,396	838,495
Student services	2,748,405	1,193,625
Institutional support	2,022,479	2,623,101
Auxiliary services	2,237,306	2,479,275
Scholarships and fellowships	4,306,225	4,676,927
Depreciation	930,282	909,239
Plant operating expenses	<u>488,474</u>	<u>402,601</u>
TOTAL	<u>\$ 21,137,347</u>	<u>\$ 20,585,304</u>

**NORTH CENTRAL MISSOURI COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015**

<b>Operating Expenses by Natural Classification</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Salaries	\$ 6,817,368	\$ 6,538,733
Fringe benefits	1,315,938	1,778,143
Supplies and services	5,964,565	6,292,523
Scholarships and fellowships	5,738,629	4,666,949
Utilities	370,565	399,717
Depreciation	930,282	909,239
<b>TOTAL</b>	<u><u>\$ 21,137,347</u></u>	<u><u>\$ 20,585,304</u></u>

**Combined Statement of Cash Flows**

The final statement presented by the College is the Combined Statement of Cash Flows. The Combined Statement of Cash Flows is prepared using the direct method and presents detailed information about the cash activity of the College during the year. The statement shows the major sources and uses of cash. A summary of the cash flows for fiscal year 2015, with comparable data from 2014, is as follows:

<b>Cash Provided (Used) By:</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Operating Activities	\$ (2,511,829)	\$ (2,287,830)
Non-Capital Financing Activities	3,870,323	4,105,031
Capital Financing Activities	(1,000,340)	(1,023,084)
Investing Activities	<u>(5,500)</u>	<u>(1,093,403)</u>
Net Change in Cash	352,654	(299,286)
Cash - Beginning of Year	<u>5,696,296</u>	<u>5,995,582</u>
Cash - End of Year	<u><u>\$ 6,048,950</u></u>	<u><u>\$ 5,696,296</u></u>

**Factors Impacting Future Periods**

Enrollment for the College has continued to decline, both in terms of student headcount and credit hour production. This is a trend that community colleges throughout Missouri are experiencing. The College is currently developing an enrollment management plan to increase student enrollment numbers through better marketing efforts and analysis of current programs. As tuition and fees is the largest source of operating revenues, the College must carefully monitor enrollment trends and be prepared to make necessary adjustments to maintain fiscal responsibility.

**NORTH CENTRAL MISSOURI COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015**

Future growth is also impacted by state funding. Over the past few years, there have been reductions and fluctuations in the State appropriations for higher education. The use of performance-based funding is also being utilized for allocation of new monies. These changes have been the result of economic and political conditions. The College has successfully managed its instructional and financial operations during these periods, however, a close watch over College resources and expenses is critical to ensure the ability to plan and react to future internal and external issues. It is imperative that NCMC maintain financial strength in its net asset position and maintain a diverse revenue stream.

**Economic Outlook**

The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variables having a global impact on virtually all types of business operations.

NCMC management is responsible for compliance with the ever-increasing and changing laws, regulations, and provisions of contracts and grant agreements applicable to the College. In conformity with the U.S. generally accepted accounting principles, management will continue to adopt, improve and document sound accounting policies and procedures in order to maintain internal control and prevent and detect fraud.

**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 Tyson Otto, Chief Financial Officer/Director of Operations, North Central Missouri College, 1301 Main Street, Trenton, Missouri 64683.

NORTH CENTRAL MISSOURI COLLEGE  
 COMBINED STATEMENT OF NET POSITION  
 June 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 6,048,950
Short-term investments	6,520,775
Accounts receivable, net	2,403,100
Intergovernmental receivable	178,825
Prepaid expenses	210,200
Inventory	<u>504,286</u>

TOTAL CURRENT ASSETS 15,866,136

Noncurrent Assets

Capital assets:

Nondepreciable	3,586,844
Depreciable assets, net	<u>17,600,958</u>

TOTAL NONCURRENT ASSETS 21,187,802

TOTAL ASSETS 37,053,938

DEFERRED OUTFLOW OF RESOURCES

Deferred pension outflows	<u>934,454</u>
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TOTAL ASSETS AND DEFERRED  
 OUTFLOW OF RESOURCES \$ 37,988,392

LIABILITIES

Current Liabilities

Accounts payable	\$ 357,634
Accrued and other liabilities	36,212
Unearned revenues	1,240,368
Current maturities of long-term debt	<u>648,922</u>

TOTAL CURRENT LIABILITIES 2,283,136

See accompanying notes.

NORTH CENTRAL MISSOURI COLLEGE  
 COMBINED STATEMENT OF NET POSITION (continued)  
 June 30, 2015

Noncurrent Liabilities	
Net pension liability	4,227,685
Post-employment benefit liability	365,100
Notes payable	669,942
Title IV adjustment payable	811,877
Bonds payable	1,530,000
Compensated absences payable	461,405
	<u>8,066,009</u>
TOTAL NONCURRENT LIABILITIES	8,066,009
	<u>10,349,145</u>
TOTAL LIABILITIES	10,349,145
DEFERRED INFLOW OF RESOURCES	
Deferred pension inflows	2,239,358
NET POSITION	
Net investment in capital assets	18,550,348
Restricted	4,569,133
Unrestricted	2,280,408
	<u>25,399,889</u>
TOTAL NET POSITION	25,399,889
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	<u>\$ 37,988,392</u>

See accompanying notes.

NORTH CENTRAL MISSOURI COLLEGE  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 Year Ended June 30, 2015

OPERATING REVENUES

Student tuition and fees (net of scholarship allowance of \$3,733,015)	\$ 1,852,991
Federal grants and contracts	11,079,747
State and local grants and contracts	1,901,837
Auxiliary services revenues	2,189,618
Other operating revenues	350,302
TOTAL OPERATING REVENUES	<u>17,374,495</u>

OPERATING EXPENSES

Instruction	7,599,780
Academic support	804,396
Student services	2,748,405
Institutional support	2,022,479
Auxiliary services	2,237,306
Scholarships and fellowships	4,306,225
Depreciation	930,282
Plant operating expenses	488,474
TOTAL OPERATING EXPENSES	<u>21,137,347</u>
OPERATING (LOSS)	(3,762,852)

NONOPERATING REVENUES (EXPENSES)

State appropriations	2,494,112
County property tax revenue	336,518
Gifts and donations	1,039,693
Investment income	150,402
Miscellaneous	3,800
Unrealized gain on investments	14,099
Interest on debt related to property and equipment	(97,029)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,941,595</u>

INCREASE IN NET POSITION 178,743

NET POSITION, Beginning of year, as restated	<u>25,221,146</u>
NET POSITION, End of year	<u><u>\$ 25,399,889</u></u>

See accompanying notes.

NORTH CENTRAL MISSOURI COLLEGE  
 COMBINED STATEMENT OF CASH FLOWS  
 Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 1,963,464
Payments to suppliers	(5,176,532)
Payments for utilities	(370,565)
Payments for employees	(6,829,789)
Payments for benefits	(1,881,282)
Payments for financial aid and scholarships	(5,738,629)
Auxiliary enterprises charges, bookstore and vending	1,923,083
Contracts and grants	12,981,584
Other receipts	616,837
	<hr/>
NET CASH (USED) BY OPERATING ACTIVITIES	(2,511,829)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State aid and grants appropriations	2,494,112
County property tax revenue	336,518
Donations	1,039,693
	<hr/>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,870,323
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of property and equipment	(440,799)
Principal paid on debt related to property and equipment	(462,512)
Interest paid on debt related to property and equipment	(97,029)
	<hr/>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,000,340)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	150,402
Purchase of investments	(155,902)
	<hr/>
NET CASH (USED) BY INVESTING ACTIVITIES	(5,500)
NET INCREASE IN CASH AND CASH EQUIVALENTS	352,654
NET CASH AND CASH EQUIVALENTS, Beginning of Year	<hr/> 5,696,296
NET CASH AND CASH EQUIVALENTS, End of Year	<hr/> <hr/> \$ 6,048,950

See accompanying notes.

NORTH CENTRAL MISSOURI COLLEGE  
 COMBINED STATEMENT OF CASH FLOWS (continued)  
 Year Ended June 30, 2015

RECONCILIATION OF NET OPERATING (LOSS) TO  
 NET CASH (USED) BY OPERATING ACTIVITIES

Operating (loss)	\$ (3,762,852)
Adjustments to reconcile net operating (loss) to net cash (used) by operating activities:	
Depreciation	930,282
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Receivables, net	33,982
Intergovernmental receivable	52,363
Prepaid expenditures	(152,847)
Other current assets	(129,627)
Deferred pension outflows	(173,848)
Accounts payable	47,220
Accrued and other liabilities	(13,629)
Unearned revenues	24,128
Net pension liability	(2,630,854)
Compensated absences payable	(31,592)
Post-employment benefit liability	32,800
Deferred pension inflows	2,239,358
Title IV adjustment payable	<u>1,023,287</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (2,511,829)</u>

See accompanying notes.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North Central Missouri College was created in 1925, as Trenton Junior College and operates under an elected Board of Trustees form of government. North Central Missouri College is comprised of all or a part of the following counties: Andrew, Atchison, Caldwell, Clinton, Daviess, Dekalb, Gentry, Grundy, Harrison, Holt, Linn, Livingston, Mercer, Nodaway, Putnam, and Sullivan.

The accounting methods and procedures adopted by the College conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the basic financial statements are an integral part of the College's basic financial statements.

### 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 units discussed below are included in the College's reporting entity because of the significance of its operational or financial relationships with the College.

### Component Units

#### Blended Component Units

The North Central Missouri College Public Building Corporation is governed by a five-member board appointed by the College. Although it is legally separate from the College, the Public Building Corporation is reported as if it were part of the primary government because its sole purpose is for the planning, development, acquisition, construction, reconstruction, improvement, extension, repair, remodeling, renovation and financing of sites, buildings, structures, facilities, furnishings and equipment for the benefit or use of the College.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Although legally separate from the College, the North Central Missouri College Foundation is reported as if it were part of the primary government because its sole purpose is to raise monies for scholarships and the benefit of the College.

Basis of Accounting and Measurement Focus

For financial reporting purposes, the College is considered a special purpose government engaged only in business-type activities. Accordingly, the College's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, which is similar to that often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

The College adopted GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities*, during the year ended June 30, 2003. GASB Statement No. 35 established standards for external financial reporting for public colleges and universities, which is meant to present information in a format that more closely resembles that of the private sector. 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.

It is the College's policy to first use restricted net position prior to the use of unrestricted net position when expenditures are made for purposes for which both restricted and unrestricted net position are available.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Activities

Operating revenues and expenses are distinguished from non-operating items. Operating revenues generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues of the College are tuition and fees, federal grants and contracts, state and local grants and contracts and auxiliary service revenues. Operating expenses include the cost of instruction, the learning resource center, academic support, student services, institutional support, auxiliary services, scholarships and fellowships, plant expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations and local property taxes.

Cash and Cash Equivalents

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

Investments

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

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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	20-25
Equipment	5-7
Vehicles	6

Compensated Absences

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned Revenues

This is future revenue received primarily from early enrollments for the fall 2015 semester. This revenue will be recognized as income when earned at the beginning of the 2015-2016 fiscal year. At June 30, 2015, unearned revenues consisted of unearned tuition of \$1,240,368.

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 net of scholarship discounts and allowances; 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, state apportionments, property taxes, investment income, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

Scholarship Allowance

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

Post-Employment Health Care Benefits

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

*COBRA Benefits* – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the College makes health care benefits available to eligible former employees and their eligible 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncement

The Government Accounting Standards Board (GASB) issued 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*, for reporting periods beginning after June 15, 2014. The statement establishes standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses relating to pensions, note disclosures, and required supplementary information. The College adopted GASB Statement No. 68 and 71 for the year ended June 30, 2015.

Reclassification

Certain June 30, 2014, amounts have been reclassified to the June 30, 2015, presentation.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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.

In addition to liabilities, the statement of financial 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 only 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.

Income Tax Status

The College is exempt from income taxes as a local government unit. The Public Building Corporation and the Foundation have qualified for exemption from income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE B – CASH, CASH EQUIVALENTS, AND INVESTMENTS

*College*

By State statute, the College may invest in Certificates of Deposit, U.S. Treasury Bills, and other obligations of the U.S. Government, U.S. Government Agency, or a corporation guaranteed by the full faith and credit of the U.S. Government.

As of June 30, 2015, the College had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Level 1</u>
Certificates of Deposit	7/1/2015 - 5/7/2016	\$ 2,305,326
Fixed Income Bond Funds	N/A	222,909
Equity Funds	N/A	95,443
Mutual Funds	N/A	57,925
		<u>\$ 2,681,603</u>

Interest Rate Risk and Credit Risk

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

Custodial Credit Risk

For an investment, custodial rate 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 statutes require that the College's deposits with financial institutions must be collateralized in the name of the College by the trust department of a bank that does not hold the collateralized deposits.

As of June 30, 2015, all bank balances on deposit were fully insured or collateralized with appropriate securities. At June 30, 2015, the bank balances and certificates of deposit of the College totaled \$7,670,689. Of this amount, \$1,500,000 was covered by FDIC Insurance and the remaining was supported by collateral, held by banks in the College's name that do not hold the collateralized deposit.

Investments of the College, other than the timed certificates of deposit, which are included above, totaled \$376,277 as of June 30, 2015. These are invested in multi-strategy bond funds, multi-strategy equity funds and mutual funds with various institutions and are subject to custodial credit risk.

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

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

Concentration of Credit Risk

The College places no limit on the amount the College may place at any one institution. More than 5% of the total cash and investments are in the following institutions as of June 30, 2015:

- Citizens Banks - \$943,525
- Farmers State Bank - \$1,503,660
- BTC Bank - \$1,181,174
- Farmers Bank of Northern Missouri - \$1,996,862
- Investor’s Community Bank - \$1,124,152
- US Bank - \$1,225,462

*Foundation*

Investments at June 30, 2015, consisted of the following:

<u>Investments</u>	<u>Maturity</u>	<u>Level 1</u>
Certificates of Deposit	11/30/2015 - 10/30/2018	\$ 1,154,000
Fixed Income Bond Funds	N/A	750,732
Equity Funds	N/A	1,934,390
US Savings Bond	N/A	50
		<u>\$ 3,839,172</u>

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).

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

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 June 30, 2015, using quoted prices in active markets.

Interest Rate Risk

The Foundation 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

At June 30, 2015, the bank balances and certificates of deposit of the Foundation totaled \$1,901,867. Of this balance, \$1,520,941 is secured by FDIC insurance, and the remaining balance of \$380,926 that is held at Edward Jones is subject to custodial risk. Other investments are invested in multi-strategy equity funds and bond funds and are subject to custodial credit risk. Custodial risk is the risk that, in the event of failure, the Foundation's deposits may not be recovered.

Credit Risk

The Foundation has no investment policy that would limit its investment choices. The Foundation's investment objectives would be conservative to moderate with a return objective of current income and capital appreciation.

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

Concentration of Credit Risk

The Foundation places no limit on the amount the Foundation may invest in any one issuer. The Foundation’s investments are in mutual funds that meet the Foundation’s investment and return objectives.

***Public Building Corporation***

Cash balances of the Public Building Corporation as of June 30, 2015, consist of \$356,525 held in trust by United Missouri Bank for the bond issues and are maintained in US Government backed securities; therefore, there is limited credit risk involved.

NOTE C – TAXES

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

The assessed valuation of the tangible taxable property for the calendar year 2014 for purposes of local taxation was:

Real Estate	\$ 48,360,459
Personal property	<u>25,506,609</u>
TOTAL ASSESSED VALUATION	<u><u>\$ 73,867,068</u></u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2014 for purposes of local taxation was:

General Fund	<u><u>\$ .4000</u></u>
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NORTH CENTRAL MISSOURI COLLEGE  
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NOTE C – TAXES (continued)

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a district to 5 percent of the assessed valuation of the district. The legal debt margin of the College at June 30, 2015, was:

Constitutional debt limit	\$ 3,693,353
General obligation bonds payable	-
Funds available and restricted for debt service	-
	<hr/>
	\$ 3,693,353
	<hr/> <hr/>

NOTE D – RETIREMENT PLAN

**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 ("PSRS") and the Public Education Employee Retirement System of Missouri (“PEERS”) is 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 PSRS and PEERS. 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 statues governing PSRS and PEERS. 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 outflows and inflows of resources related to pensions and pension expense.

NOTE D – RETIREMENT PLAN (continued)

**PUBLIC SCHOOL RETIREMENT SYSTEM (PSRS)**

**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 districts in Missouri (except the school districts 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. A Comprehensive Annual Financial Report ("CAFR") can be obtained at [www.psrs-peers.org](http://www.psrs-peers.org).

*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. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at [www.psrs-peers.org](http://www.psrs-peers.org). Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.

NOTE D – RETIREMENT PLAN (continued)

*Cost-of-Living Adjustments (“COLA”).* The PSRS Board 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%. If the CPI decreases, no COLA is provided. For any member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

*Contributions.* PSRS members were required to contribute 14.5% of their annual covered salary during fiscal year 2015. 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.

The College’s contributions to PSRS were \$531,454 for the year ended June 30, 2015.

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

At June 30, 2015, the College had a liability of \$3,396,932 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014, 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 of \$533,001 paid to PSRS for the year ended June 30, 2014, relative to the actual contributions of \$643,964,894 from all participating employers. At June 30, 2014, the College’s proportionate share was 0.0828%.

For the year ended June 30, 2015, the College recognized a pension expense of \$104,461, its proportionate share of the total pension expense.

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
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NOTE D – RETIREMENT PLAN (continued)

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS pension benefits:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows Due to:		
Differences between expected and actual experience	\$ 158,257	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,633,683
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	86,142
Employer contributions subsequent to the measurement date	<u>531,454</u>	<u>-</u>
Total	<u>\$ 689,711</u>	<u>\$ 1,719,825</u>

\$531,454 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014, will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows) / outflows of resources to be recognized in pension expense:

<u>Year Ending June 30,</u>	
2016	\$ (395,041)
2017	(395,041)
2018	(395,041)
2019	(395,041)
2020	13,379
Thereafter	<u>5,218</u>
	<u>\$ (1,561,567)</u>

NOTE D – RETIREMENT PLAN (continued)

**Payable to the Pension Plan**

At June 30, 2015, the College had no outstanding PSRS contributions reported as payable to the pension plan.

**Actuarial Assumptions**

Actuarial valuations of PSRS 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 and the next experience study is scheduled for 2016.

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

- Measurement Date – June 30, 2014
- Valuation Date – June 30, 2014
- Expected Return on Investments – 8.00%, net of investment expenses and including 2.5% inflation
- Inflation – 2.50%
- Total Payroll Growth – 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.
- Future Salary Increases – 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%.
- Cost-Of-Living Increases – 2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.
- Mortality Assumption:
  - Actives – 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 – RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
  - Disabled Retirees – RP 2000 Disabled Mortality Table
- Changes in Actuarial Assumptions and Methods – There were no changes in actuarial assumptions or methods for the June 30, 2014, valuation.

NOTE D – RETIREMENT PLAN (continued)

- Fiduciary Net Position – PSRS issues a publicly available financial report that can be obtained at [www.psrs-peers.org](http://www.psrs-peers.org).
- Expected Rate of Return – The long-term expected rate of return on PSRS’ 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 PSRS’ target allocation as of June 30, 2014, 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 D – RETIREMENT PLAN (continued)

- Discount Rate – The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014, and is consistent with the long-term expected geometric return on plan 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 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 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.

Discount Rate	<u>1% Decrease (7.00%)</u>	<u>Current Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Proportionate share of the Net Pension Liability / (Asset)	\$ 7,193,038	\$ 3,396,932	\$ 212,854

**PUBLIC SCHOOL RETIRMENT SYSTEM (PEERS)**

**General Information about the Pension Plan**

*Plan Description.* PEERS is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts 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. A Comprehensive Annual Financial Report ("CAFR") can be obtained at [www.psr-peers.org](http://www.psr-peers.org).

NOTE D – 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. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at [www.psrs-peers.org](http://www.psrs-peers.org).

*Cost-of-Living Adjustments (“COLA”).* The PEERS Board 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%. If the CPI decreases, no COLA is provided. For any member, 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.* PEERS members were required to contribute 6.86% of their annual covered salary during fiscal year 2015. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The College’s contributions to PEERS were \$237,330 for the year ended June 30, 2015.

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

At June 30, 2015, the College had a liability of \$830,753 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014, 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 of \$227,605 paid to PEERS for the year ended June 30, 2014, relative to the actual contributions of \$100,035,580 from all participating employers. At June 30, 2014, the College’s proportionate share was 0.2275%.

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE D – RETIREMENT PLAN (continued)

For the year ended June 30, 2015, the College recognized a pension expense of \$98,979, its proportionate share of the total pension expense.

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PEERS pension benefits:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 24,708
Net difference between projected and actual earnings on pension plan investments	-	494,825
Changes in proportion and differences between Employer contributions and proportionate share of contributions	7,413	-
Employer contributions subsequent to the measurement date	<u>237,330</u>	<u>-</u>
	<u>\$ 244,743</u>	<u>\$ 519,533</u>

\$237,330 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014, will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows) / outflows of resources to be recognized in pension expense:

<u>Year Ending June 30,</u>	
2016	\$ (129,197)
2017	(129,197)
2018	(129,197)
2019	(124,530)
2020	-
Thereafter	<u>-</u>
	<u>\$ (512,121)</u>

NOTE D – RETIREMENT PLAN (continued)

**Payable to the Pension Plan**

At June 30, 2015, the College had no outstanding PEERS contributions reported as payable to the pension plan.

**Actuarial Assumptions**

Actuarial valuations of PEERS 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 and the next experience study is scheduled for 2016.

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

- Measurement Date – June 30, 2014
- Valuation Date – June 30, 2014
- Expected Return on Investments – 8.00%, net of investment expenses and including 2.5% inflation
- Inflation – 2.50%
- Total Payroll Growth – 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.
- Future Salary Increases – 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 – 2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.
- Mortality Assumption:
  - Actives – 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 – RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
  - Disabled Retirees – RP 2000 Disabled Mortality Table
- Changes in Actuarial Assumptions and Methods – There were no changes in actuarial assumptions or methods for the June 30, 2014, valuation.

NOTE D – RETIREMENT PLAN (continued)

- Fiduciary Net Position – PEERS issues a publicly available financial report that can be obtained at [www.psrs-peers.org](http://www.psrs-peers.org).
- Expected Rate of Return – The long-term expected rate of return on PEERS’ 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 PEERS’ target allocation as of June 30, 2014, 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.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Return Arithmetic Basis</u>	<u>Weighted Long-Term Expected Real Return Arithmetic Basis</u>
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	<u>100.0%</u>		<u>4.78%</u>
		Inflation	<u>2.50%</u>
		Long-term arithmetical nominal return	7.28%
		Effect of covariance matrix	<u>0.81%</u>
		Long-term expected geometric return	<u>8.09%</u>

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE D – RETIREMENT PLAN (continued)

- **Discount Rate** – The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014, and is consistent with the long-term expected geometric return on plan 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 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 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.

Discount Rate	<u>1% Decrease (7.00%)</u>	<u>Current Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Proportionate share of the Net Pension Liability / (Asset)	\$ 1,993,485	\$ 830,753	\$ (151,515)

NOTE E – ACCOUNTS RECEIVABLE

Accounts Receivable

Student and other accounts receivable are presented net of allowances for uncollectible accounts receivable. As of June 30, 2015, these amounts were as follows:

	<u>College</u>	<u>Building Corporation</u>	<u>Foundation</u>	<u>Total</u>
Accounts Receivable	\$ 2,461,202	\$ -	\$ -	\$ 2,461,202
Allowance	(58,102)	-	-	(58,102)
Net Accounts Receivable	<u>\$ 2,403,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,403,100</u>

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE F – 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, 2015, 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 G – BONDS PAYABLE

Bonded debt activity for the year ended June 30, 2015, is as follows:

Outstanding Balance, July 1, 2014	\$ 2,025,000
Additions	-
Retirements	<u>(260,000)</u>
Outstanding Balance, June 30, 2015	<u><u>\$ 1,765,000</u></u>

Leasehold revenue bonds of the Public Building Corporation, payable from lease proceeds from the College, consist of the following at June 30, 2015:

\$1,860,000, Series 2010A, Leasehold Improvement and Revenue Refunding Bonds (North Central Missouri College Project). Principal is due in annual installments, interest is due in semi-annual installments from June 1, 2011 to June 1, 2017. Interest ranges from 1.20% to 3.40%.	\$ 405,000
 \$1,705,000, Series 2010B, Taxable Leasehold Revenue Bonds (North Central Missouri College Project) (Build America Bonds). Principal is due in annual installments and interest is due in semi-annual installments from June 1, 2011 to June 1, 2026. Interest ranges from 1.80% to 6.60% with interest subsidy payments expected to be at 35% of each interest payment.	 <u>1,360,000</u>
	<u><u>\$ 1,765,000</u></u>

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE G – BONDS PAYABLE (continued)

Debt Service Requirements

The amount available in the Public Building Corporation to service the leasehold revenue bonds at June 30, 2015, is \$979,726. The debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Expected Federal Interest Subsidy	Total
2016	\$ 235,000	\$ 89,898	\$ (26,848)	\$ 298,050
2017	355,000	82,082	(25,634)	411,448
2018	95,000	69,157	(24,205)	139,952
2019	100,000	64,655	(22,626)	142,029
2020	105,000	59,645	(20,876)	143,769
2021	105,000	54,185	(18,964)	140,221
2022	110,000	48,410	(16,944)	141,466
2023	115,000	42,140	(14,749)	142,391
2024	120,000	35,240	(12,334)	142,906
2025	125,000	27,800	(9,730)	143,070
2026	300,000	19,800	(6,930)	312,870
	<u>\$ 1,765,000</u>	<u>\$ 593,012</u>	<u>\$ (199,840)</u>	<u>\$ 2,158,172</u>

NOTE H – NOTES PAYABLE

Notes payable activity for the year ended June 30, 2015, is as follows:

Outstanding Balance, July 1, 2014	\$ 1,074,966
Additions	-
Retirements	(202,512)
Outstanding Balance, June 30, 2015	<u>\$ 872,454</u>

On August 29, 2008, the Foundation entered into a Rural Economic Development loan agreement with Grundy Electric Cooperative, Inc. in the amount of \$740,000 for the purpose of rural economic development. Monthly payments of \$6,167 are required until paid off. The loan is non-interest bearing.

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE H – NOTES PAYABLE (continued)

Also on August 29, 2008, the Foundation entered into an additional Rural Economic Development loan agreement with Grundy Electric Cooperative, Inc. in the amount of \$360,000 for the purpose of rural economic development. Monthly payments of \$3,000 are required until paid off. The loan is non-interest bearing.

On March 31, 2011, the Foundation entered into a Rural Economic Development loan agreement with Grundy Electric Cooperative in the amount of \$740,000 for the purpose of rural economic development. Monthly payments of \$7,709 are required until paid off. The loan is non-interest bearing.

Debt Service Requirements

Year Ended June 30,	Principal	Interest	Total
2016	\$ 202,512	\$ -	\$ 202,512
2017	202,512	-	202,512
2018	202,512	-	202,512
2019	110,802	-	110,802
2020	92,508	-	92,508
2021	61,608	-	61,608
	<u>\$ 872,454</u>	<u>\$ -</u>	<u>\$ 872,454</u>

NOTE I – TITLE IV ADJUSTMENT PAYABLE

Title IV Adjustment payable activity for the year ended June 30, 2015, is as follows:

Outstanding Balance, July 1, 2014	\$ -
Additions	1,350,912
Retirements	(327,625)
Outstanding Balance, June 30, 2015	<u>\$ 1,023,287</u>

The Department of Education conducted a program review for federal student financial assistance programs under Title IV for the period July 1, 2010, through June 30, 2011. The final determination of the findings of the program review resulted in a liability of \$1,350,912 owed to the Department of Education. Monthly payments of \$18,390 are required through April 1, 2020, with interest at 1.0%. A down payment of \$275,102 was required and was paid in April 2015.

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE I – TITLE IV ADJUSTMENT PAYABLE (continued)

Debt Service Requirements

Year Ended June 30,	Principal	Interest	Total
2016	\$ 211,410	\$ 9,266	\$ 220,676
2017	213,534	7,142	220,676
2018	215,679	4,997	220,676
2019	217,845	2,831	220,676
2020	164,819	688	165,507
	<u>\$ 1,023,287</u>	<u>\$ 24,924</u>	<u>\$ 1,048,211</u>

NOTE J – PROPERTY AND EQUIPMENT

The College's property and equipment consists of the following as of June 30, 2015:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Non-depreciable Capital Assets				
Land	\$ 2,246,344	\$ 3,500	\$ -	\$ 2,249,844
Total Non-depreciable Capital Assets	2,246,344	<u>\$ 3,500</u>	<u>\$ -</u>	2,249,844
Depreciable Capital Assets				
Buildings and improvements	19,871,299	\$ 93,726	\$ -	19,965,025
Furniture and equipment	6,344,499	347,373	(28,207)	6,663,665
Total Depreciable Capital Assets	26,215,798	<u>\$ 441,099</u>	<u>\$ (28,207)</u>	26,628,690
Less accumulated depreciation	(10,583,987)	<u>\$ (867,644)</u>	<u>\$ 28,207</u>	(11,423,424)
Total Depreciable Capital Assets, net	<u>15,631,811</u>			<u>15,205,266</u>
Capital Assets, net	<u>\$ 17,878,155</u>			<u>\$ 17,455,110</u>

The College has elected not to capitalize its collection of library books. This collection adheres to the College's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at the time of purchase rather than be capitalized.

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE J – PROPERTY AND EQUIPMENT (continued)

The Public Building Corporation’s property consists of the following as of June 30, 2015:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Depreciable Capital Assets				
Buildings and improvements	\$ 3,131,878	\$ -	\$ -	\$ 3,131,878
Less accumulated depreciation	<u>(673,548)</u>	<u>(62,638)</u>	<u>-</u>	<u>(736,186)</u>
Capital Assets, net	<u>\$ 2,458,330</u>	<u>\$ (62,638)</u>	<u>\$ -</u>	<u>\$ 2,395,692</u>

The Foundation property consists of the following as of June 30, 2015:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Nondepreciable Capital Assets				
Land	<u>\$ 1,337,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,337,000</u>

NOTE K – RESTRICTED NET POSITION

Net position is reported as restricted when there are limitations imposed on its 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, 2015, restricted net position consisted of the following:

	<u>College</u>	<u>Public Building Corporation</u>	<u>Foundation</u>	<u>Total</u>
Restricted Bond Reserves	\$ -	\$ 349,034	\$ -	\$ 349,034
Temporarily Restricted	-	-	1,606,002	1,606,002
Permanently Restricted	-	-	<u>2,614,097</u>	<u>2,614,097</u>
Total Restricted Net Position	<u>\$ -</u>	<u>\$ 349,034</u>	<u>\$ 4,220,099</u>	<u>\$ 4,569,133</u>

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE L – RISK MANAGEMENT

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

NOTE M – EXPENSES BY NATURAL CLASSIFICATION

Expenses by natural classification for the year ended June 30, 2015, were as follows:

	College	Public Building Corporation	Foundation	Eliminations	Combined
Salaries	\$ 6,817,368	\$ -	\$ -	\$ -	\$ 6,817,368
Fringe benefits	1,315,938	-	-	-	1,315,938
Supplies and services	6,193,553	-	238,852	(467,840)	5,964,565
Scholarships and fellowships	5,587,483	-	151,146	-	5,738,629
Utilities	370,565	-	-	-	370,565
Depreciation	867,644	62,638	-	-	930,282
	<u>\$ 21,152,551</u>	<u>\$ 62,638</u>	<u>\$ 389,998</u>	<u>\$ (467,840)</u>	<u>\$ 21,137,347</u>

NOTE N – RESTRICTED SHORT-TERM INVESTMENTS

Bond reserve funds have been established for each of the outstanding revenue bond issues. The funds were established from the sale of each bond issue in an amount equal to the Bond Reserve Requirement of each issue. Earnings accrued on the short-term investment of moneys in the Bond Reserve Fund shall be disbursed and expended by the Trustee, without any further authorization from the College or the Building Corporation, solely for the payment of the principal and interest on the Bonds to the extent of any deficiency. As of June 30, 2015, the balance of restricted cash and cash equivalents was \$356,525.

NOTE O – POSTEMPLOYMENT HEALTH CARE PLAN

*Plan Description* – The College’s postemployment health care plan is a single-employer defined benefit medical and dental 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 rare 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.

*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-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 year ended June 30, 2015:

ARC	\$ 72,900
Interest on net OPEB obligation	12,100
Adjustment to ARC	<u>(11,900)</u>
Annual OPEB cost (expense)	<u><u>\$ 73,100</u></u>

The change in net OPEB obligation was as follows:

Balance June 30, 2014			Balance June 30, 2015
Net OPEB Obligation	Annual OPEB Cost	Employer Contributions	Net OPEB Obligation
<u>\$ 332,300</u>	<u>\$ 73,100</u>	<u>\$ 40,300</u>	<u>\$ 365,100</u>

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE O – POSTEMPLOYMENT HEALTH CARE PLAN (continued)

*Funding Status and Funding Progress* – As a pay-as-you-go plan, the plan was 0% funded at June 30, 2015.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
6/30/2015	\$ -	\$ 700,800	\$ 700,800	0%	\$ 5,124,300	13.7%

*Actuarial Methods and Assumptions* – The actuarial methods and assumptions used 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, 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 6.5% for 2015, with annual rate reductions to an ultimate rate of 4.5% in 2100. The valuation also assumed an initial dental premium inflation rate of 5.0%, with four annual decreases in the rate to an ultimate inflation rate of 4.3%. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of 30 years, and the valuation assumed that 40% of all future retirees will elect medical coverage, 40% will elect dental coverage, and 25% will elect both medical and dental coverage for spouses.

NOTE P – CONCENTRATIONS OF CREDIT RISK

The College grants credit without collateral to its students for tuition and fees, the majority of whom are College residents.

NOTE Q – COLLATERAL

On March 31, 2011, the College signed a promissory note to finance the cost of North Central Missouri College’s construction of a new campus facility. The College assigned and granted the lender a security interest in certificates of deposit that had a balance of \$721,417 at June 30, 2015. The assignment expires when the final payment of the note is made.

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE R – COMMITMENTS

At June 30, 2015, the College had an agreement with Ellison-Auxier Architects, Inc. in the amount of \$320,000 for Geyer Hall remodeling and renovations.

NOTE S – RESTATEMENT

During the year ended June 30, 2015, the College adopted the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. Net position has been restated as follows:

	College	Public Building Corporation	Foundation	Combined
NET POSITION, June 30, 2014	\$ 26,174,703	\$ 781,715	\$ 4,362,661	\$ 31,319,079
Deferred pension outflows	760,606	-	-	760,606
Net pension liability	<u>(6,858,539)</u>	<u>-</u>	<u>-</u>	<u>(6,858,539)</u>
NET POSITION, July 1, 2014, as restated	<u>\$ 20,076,770</u>	<u>\$ 781,715</u>	<u>\$ 4,362,661</u>	<u>\$ 25,221,146</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

NORTH CENTRAL MISSOURI COLLEGE  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS – PSRS  
 Year Ended June 30, 2015

**Public School Retirement System (PSRS)**

<u>Year Ended</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
6/30/2015	0.0828%	\$ 3,396,932	\$ 3,675,870	92.41%	89.30%

Note: This schedule is 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 PSRS' net pension liability, which is as of the beginning of the College's fiscal year.

NORTH CENTRAL MISSOURI COLLEGE  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS – PSRS  
 Year Ended June 30, 2015

**Public School Retirement System (PSRS)**

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess / (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2013	\$ 530,401	\$ 530,401	\$ -	\$ 3,657,938	14.50%
6/30/2014	533,001	533,001	-	3,675,870	14.50%
6/30/2015	531,454	531,454	-	3,665,202	14.50%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

NORTH CENTRAL MISSOURI COLLEGE  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS – PEERS  
 Year Ended June 30, 2015

**Public Education Employee Retirement System (PEERS)**

<u>Year Ended</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
6/30/2015	0.2275%	\$ 830,753	\$ 3,317,848	25.0%	91.3%

Note: This schedule is 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 PSRS' net pension liability, which is as of the beginning of the College's fiscal year.

NORTH CENTRAL MISSOURI COLLEGE  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS – PEERS  
 Year Ended June 30, 2015

**Public Education Employee Retirement System (PEERS)**

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess / (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2013	\$ 217,844	\$ 217,844	\$ -	\$ 3,175,565	6.86%
6/30/2014	227,605	227,605	-	3,317,848	6.86%
6/30/2015	237,330	237,330	-	3,459,620	6.86%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

NORTH CENTRAL MISSOURI COLLEGE  
 SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTH CARE PLAN  
 Year Ended June 30, 2015

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)
6/30/2011	\$ -	\$ 795,400	\$ 795,400	0%	\$ 6,899,200	11.5%
6/30/2013	-	701,900	701,900	0%	7,785,000	9.0%
6/30/2015	-	700,800	700,800	0%	5,124,300	13.7%

NORTH CENTRAL MISSOURI COLLEGE  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS – POSTEMPLOYMENT HEALTH CARE PLAN  
 Year Ended June 30, 2015

<u>Fiscal Year Ending June 30,</u>	<u>Annual Required Contribution</u>	<u>Interest on Net OPEB Obligation</u>	<u>Adjustment to the ARC</u>	<u>Net OPEB Cost</u>	<u>Actual Contribution</u>	<u>Net OPEB Obligation</u>
2009	\$ 83,600	\$ -	\$ -	\$ 83,600	\$ 27,300	\$ 56,300
2010	83,600	-	-	83,600	30,000	109,900
2011	81,900	4,400	3,700	82,600	23,400	169,100
2012	81,900	6,800	5,600	83,100	36,600	215,600
2013	73,100	8,100	7,200	74,000	15,900	273,700
2014	73,100	10,300	9,400	74,000	24,600	323,100
2015	72,900	12,100	11,900	73,100	31,100	365,100

## **OTHER FINANCIAL INFORMATION**

NORTH CENTRAL MISSOURI COLLEGE  
 COMBINING STATEMENT OF NET POSITION  
 June 30, 2015

	College	Public Building Corporation	Foundation	Eliminations	Combined
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 4,959,940	\$ 356,525	\$ 732,485	\$ -	\$ 6,048,950
Investments	2,681,603	-	3,839,172	-	6,520,775
Accounts receivable, net	2,403,100	-	-	-	2,403,100
Intergovernmental receivable	178,825	-	-	-	178,825
Prepaid expenses	210,200	-	-	-	210,200
Inventory	504,286	-	-	-	504,286
<b>TOTAL CURRENT ASSETS</b>	<b>10,937,954</b>	<b>356,525</b>	<b>4,571,657</b>	<b>-</b>	<b>15,866,136</b>
Noncurrent Assets					
Nondepreciable	2,249,844	-	1,337,000	-	3,586,844
Depreciable assets, net	15,205,266	2,395,692	-	-	17,600,958
<b>TOTAL NONCURRENT ASSETS</b>	<b>17,455,110</b>	<b>2,395,692</b>	<b>1,337,000</b>	<b>-</b>	<b>21,187,802</b>
<b>TOTAL ASSETS</b>	<b>28,393,064</b>	<b>2,752,217</b>	<b>5,908,657</b>	<b>-</b>	<b>37,053,938</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Deferred pension outflows	934,454	-	-	-	934,454
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 29,327,518</b>	<b>\$ 2,752,217</b>	<b>\$ 5,908,657</b>	<b>\$ -</b>	<b>\$ 37,988,392</b>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	\$ 350,143	\$ 7,491	\$ -	\$ -	\$ 357,634
Accrued and other liabilities	36,212	-	-	-	36,212
Unearned revenues	1,240,368	-	-	-	1,240,368
Current maturities of long-term debt	211,410	235,000	202,512	-	648,922
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,838,133</b>	<b>242,491</b>	<b>202,512</b>	<b>-</b>	<b>2,283,136</b>
Noncurrent Liabilities					
Net pension liability	4,227,685	-	-	-	4,227,685
Post-employment benefit liability	365,100	-	-	-	365,100
Notes payable	-	-	669,942	-	669,942
Title IV adjustment payable	811,877	-	-	-	811,877
Bonds payable	-	1,530,000	-	-	1,530,000
Compensated absences payable	461,405	-	-	-	461,405
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>5,866,067</b>	<b>1,530,000</b>	<b>669,942</b>	<b>-</b>	<b>8,066,009</b>
<b>TOTAL LIABILITIES</b>	<b>7,704,200</b>	<b>1,772,491</b>	<b>872,454</b>	<b>-</b>	<b>10,349,145</b>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Deferred pension inflows	2,239,358	-	-	-	2,239,358
<b>NET POSITION</b>					
Net investment in capital assets	17,455,110	630,692	464,546	-	18,550,348
Restricted	-	349,034	4,220,099	-	4,569,133
Unrestricted	1,928,850	-	351,558	-	2,280,408
<b>TOTAL NET POSITION</b>	<b>19,383,960</b>	<b>979,726</b>	<b>5,036,203</b>	<b>-</b>	<b>25,399,889</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>	<b>\$ 29,327,518</b>	<b>\$ 2,752,217</b>	<b>\$ 5,908,657</b>	<b>\$ -</b>	<b>\$ 37,988,392</b>

NORTH CENTRAL MISSOURI COLLEGE  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 Year Ended June 30, 2015

	College	Public Building Corporation	Foundation	Eliminations	Combined
<b>OPERATING REVENUES</b>					
Student tuition and fees (net of scholarship allowance of \$3,733,015)	\$ 1,852,991	\$ -	\$ -	\$ -	\$ 1,852,991
Federal grants and contracts	11,079,747	-	-	-	11,079,747
State and local grants and contracts	1,901,837	-	-	-	1,901,837
Auxiliary services revenues	1,923,083	-	266,535	-	2,189,618
Other operating revenues	350,302	357,678	110,162	(467,840)	350,302
<b>TOTAL OPERATING REVENUES</b>	<b>17,107,960</b>	<b>357,678</b>	<b>376,697</b>	<b>(467,840)</b>	<b>17,374,495</b>
<b>OPERATING EXPENSES</b>					
Instruction	7,599,780	-	-	-	7,599,780
Academic support	804,396	-	-	-	804,396
Student services	2,509,553	-	238,852	-	2,748,405
Institutional support	2,022,479	-	-	-	2,022,479
Auxiliary Services	2,237,306	-	-	-	2,237,306
Scholarships and fellowships	4,155,079	-	151,146	-	4,306,225
Depreciation	867,644	62,638	-	-	930,282
Plant operating expenses	956,314	-	-	(467,840)	488,474
<b>TOTAL OPERATING EXPENSES</b>	<b>21,152,551</b>	<b>62,638</b>	<b>389,998</b>	<b>(467,840)</b>	<b>21,137,347</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(4,044,591)</b>	<b>295,040</b>	<b>(13,301)</b>	<b>-</b>	<b>(3,762,852)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State appropriations	2,494,112	-	-	-	2,494,112
County property tax revenue	336,518	-	-	-	336,518
Gifts and donations	464,768	-	574,925	-	1,039,693
Investment income	45,688	-	104,714	-	150,402
Gain on disposal of asset	3,800	-	-	-	3,800
Unrealized gain on investments	6,895	-	7,204	-	14,099
Interest on debt related to property and equipment	-	(97,029)	-	-	(97,029)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>3,351,781</b>	<b>(97,029)</b>	<b>686,843</b>	<b>-</b>	<b>3,941,595</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>(692,810)</b>	<b>198,011</b>	<b>673,542</b>	<b>-</b>	<b>178,743</b>
NET POSITION, Beginning of year, as restated	20,076,770	781,715	4,362,661	-	25,221,146
NET POSITION, End of year	<u>\$ 19,383,960</u>	<u>\$ 979,726</u>	<u>\$ 5,036,203</u>	<u>\$ -</u>	<u>\$ 25,399,889</u>

NORTH CENTRAL MISSOURI COLLEGE  
 COMBINING STATEMENT OF CASH FLOWS  
 Year Ended June 30, 2015

	College	Public Building Corporation	Foundation	Eliminations	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Student tuition and fees	\$ 1,963,464	\$ -	\$ -	\$ -	\$ 1,963,464
Payments to suppliers	(5,404,871)	(649)	(238,852)	467,840	(5,176,532)
Payments for utilities	(370,565)	-	-	-	(370,565)
Payments for employees	(6,829,789)	-	-	-	(6,829,789)
Payments for benefits	(1,881,282)	-	-	-	(1,881,282)
Payments for financial aid and scholarships	(5,587,483)	-	(151,146)	-	(5,738,629)
Auxiliary enterprises charges, bookstore and vending	1,923,083	-	-	-	1,923,083
Contracts and grants	12,981,584	-	-	-	12,981,584
Other revenues	350,302	357,678	376,697	(467,840)	616,837
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,855,557)	357,029	(13,301)	-	(2,511,829)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
State aid and grants appropriations	2,494,112	-	-	-	2,494,112
County property tax revenue	336,518	-	-	-	336,518
Donations	464,768	-	574,925	-	1,039,693
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,295,398	-	574,925	-	3,870,323
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of property and equipment	(440,799)	-	-	-	(440,799)
Principal paid on debt related to property and equipment	-	(260,000)	(202,512)	-	(462,512)
Interest paid on debt related to property and equipment	-	(97,029)	-	-	(97,029)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITY	(440,799)	(357,029)	(202,512)	-	(1,000,340)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments	45,688	-	104,714	-	150,402
Purchase of investments	(13,749)	-	(142,153)	-	(155,902)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	31,939	-	(37,439)	-	(5,500)
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,981	-	321,673	-	352,654
NET CASH AND CASH EQUIVALENTS, Beginning of year	4,928,959	356,525	410,812	-	5,696,296
NET CASH AND CASH EQUIVALENTS, End of year	<u>\$ 4,959,940</u>	<u>\$ 356,525</u>	<u>\$ 732,485</u>	<u>\$ -</u>	<u>\$ 6,048,950</u>

NORTH CENTRAL MISSOURI COLLEGE  
 COMBINING STATEMENT OF CASH FLOWS (continued)  
 Year Ended June 30, 2015

	<u>College</u>	<u>Public Building Corporation</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (4,044,591)	\$ 295,040	\$ (13,301)	\$ -	\$ (3,762,852)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:					
Depreciation	867,644	62,638	-	-	930,282
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
Receivables, net	33,982	-	-	-	33,982
Intergovernmental receivable	52,363	-	-	-	52,363
Prepaid expenditures	(152,847)	-	-	-	(152,847)
Inventory	(129,627)	-	-	-	(129,627)
Deferred pension outflows	(173,848)	-	-	-	(173,848)
Accounts payable	47,869	(649)	-	-	47,220
Accrued and other liabilities	(13,629)	-	-	-	(13,629)
Unearned revenues	24,128	-	-	-	24,128
Net pension liability	(2,630,854)	-	-	-	(2,630,854)
Compensated absences payable	(31,592)	-	-	-	(31,592)
Post-employment benefit liability	32,800	-	-	-	32,800
Deferred pension inflows	2,239,358	-	-	-	2,239,358
Title IV adjustment payable	1,023,287	-	-	-	1,023,287
	<u>1,023,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,023,287</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (2,855,557)</u>	<u>\$ 357,029</u>	<u>\$ (13,301)</u>	<u>\$ -</u>	<u>\$ (2,511,829)</u>



**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  
North Central Missouri College  
Trenton, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the primary government of North Central Missouri College, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise North Central Missouri College's financial statements, and have issued our report thereon, dated December 14, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Central Missouri College'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 a 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  
North Central Missouri College  
Trenton, 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 over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Central Missouri College'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 North Central Missouri College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Central Missouri College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC  
Springfield, Missouri  
December 14, 2015



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees  
North Central Missouri College  
Trenton, Missouri

### **Report on Compliance for Each Major Federal Program**

We have audited North Central Missouri College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal programs for the year ended June 30, 2015. North Central Missouri College's major federal programs are identified in the summary of audit 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 North Central Missouri College'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we consider 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 North Central Missouri College's compliance.

### **Basis for Qualified Opinion on the Student Financial Assistance Cluster**

As described in the accompanying Schedule of Findings and Questioned Costs, North Central Missouri College did not comply with requirements for the Student Financial Assistance Cluster as described in finding 2015-001 for enrollment reporting. Compliance with such requirements is necessary in our opinion, for North Central Missouri College to comply with the requirements applicable to that program.

### **Qualified Opinion on the Student Financial Assistance Cluster**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, North Central Missouri College complied in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended June 30, 2015.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, North Central Missouri College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

### **Other Matters**

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

### **Report on Internal Control over Compliance**

Management of North Central Missouri College 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 College'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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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 of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, identified as item 2015-002, to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC  
Springfield, Missouri  
December 14, 2015

NORTH CENTRAL MISSOURI COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2015

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct			
Student Financial Assistance Cluster			
Federal Pell Grants	84.063	N/A	\$ 3,049,958
Federal Supplemental Educational Opportunity Grants	84.007	N/A	27,400
Federal Work-Study Program	84.033	N/A	41,764
Federal Direct Student Loans	84.268	N/A	<u>3,006,225</u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			6,125,347
Trio Cluster			
Trio-Student Support Services	84.042	N/A	247,920
Trio-Upward Bound	84.047	N/A	<u>258,008</u>
TOTAL TRIO CLUSTER			505,928
Passed Through Missouri Department of Elementary and Secondary Education			
Career and Technical Education - Basic Grants to States	84.048	198-198	<u>70,474</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			6,701,749
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Missouri Department of Health and Senior Services			
Child and Adult Care Food Program	10.558	ERS46110149	<u>90,516</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			90,516
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct			
Head Start	93.600	N/A	1,936,629
Temporary Assistance for Needy Families	93.558	N/A	34,316
Passed Through Missouri Department of Elementary and Secondary Education			
Child Care and Development Block Grant	93.575	198-198	<u>14,999</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,985,944

NORTH CENTRAL MISSOURI COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
Year Ended June 30, 2015

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through Missouri Division of Workforce Development			
WIA Cluster			
WIA Adult Program	17.258	10-01-01-14	117,269
		10-01-01-15	350,371
WIA Youth Activities	17.259	10-01-01-14	472,742
WIA Dislocated Worker Formula Grants	17.278	10-01-01-14	242,049
		10-01-01-15	277,594
		99-01-01-14	19,005
		99-01-01-15	34,829
TOTAL WIA CLUSTER			<u>1,513,859</u>
Passed Through Ozarks Technical Community College			
Trade Adjustment Assistance Community College and Career Training Grants	17.282	TC-22499-11-60-A-29	481,252
Passed Through Missouri Division of Workforce Development			
Workforce Investment Act (WIA) National Emergency Grants	17.277	MO-36 01	149,765
		MO-37 01	102,919
		MO-40 01	55,231
TOTAL U.S. DEPARTMENT OF LABOR			<u>2,303,026</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 11,081,235</u></u>

N/A – Not applicable

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

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 June 30, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of North Central Missouri College under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of North Central Missouri College, it is not intended to and does not present the financial position, changes in net position, or cash flows of North Central Missouri College.

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.

NOTE C – SUBRECIPIENTS

The College provided the following to subrecipients during the year ended June 30, 2015:

Pass-through Grant Expenditures	Federal CFDA Number	Amount
St. Joseph Youth Alliance		
WIA Youth Activities	17.259	\$ 226,602
Temporary Assistance for Needy Families	93.558	2,448
Green Hills Regional Planning Commission		
WIA Adult Program	17.258	111,249
WIA Dislocated Worker Formula Grants	17.278	60,000
WIA National Emergency Grants	17.277	11,894

NORTH CENTRAL MISSOURI COLLEGE  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
 June 30, 2015

Pass-through Grant Expenditures	Federal CFDA Number	Amount
Northwest Regional Council of Governments		
WIA Adult Program	17.258	65,614
WIA Dislocated Worker Formula Grants	17.278	15,379
WIA National Emergency Grants	17.277	76,024
Green Hills Community Action Agency		
WIA Youth Activities	17.259	152,108
Temporary Assistance for Needy Families	93.558	19,004
Mo-Kan Regional Council		
WIA Adult Program	17.258	143,231
WIA Dislocated Worker Formula Grants	17.278	79,234
WIA National Emergency Grants	17.277	193,595
TOTAL PASS-THROUGH GRANT EXPENDITURES		\$ 1,156,382

NORTH CENTRAL MISSOURI COLLEGE  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. A material weakness was disclosed during the audit of the major federal award programs. No significant deficiencies were noted.
5. The auditor's report on compliance for the major federal award programs expresses a qualified opinion on the Student Financial Assistance Cluster and an unmodified opinion on the three remaining major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in the section C of this Schedule.
7. The programs tested as major programs were:

Student Financial Assistance Cluster	84.007, 84.033, 84.063 and 84.268
Head Start	93.600
Trio Cluster	84.042 & 84.047
WIA Cluster	17.258, 17.259 & 17.278
8. The threshold to determine a Type A program was \$332,437.
9. North Central Missouri College was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

COMPLIANCE

U.S. Department of Education  
Student Financial Assistance Cluster  
CFDA Nos. 84.007, 84.033, 84.063 and 84.268  
Award year: 2014-2015

2015-001 Special Tests and Provisions - Enrollment Reporting

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

**Condition:** The College did not have procedures in place to correctly report changes in student enrollment status within the required timeframe.

**Effect:** A sample of students revealed that enrollment statuses were not updated within the required timeframe and in several instances the student statuses in the NSLDS did not match the student statuses in the College's system.

**Cause:** The College did not have specific procedures in place to properly report or review reports provided by a third-party servicer to the NSLDS.

**Questioned Costs:** The questionable costs are undeterminable and more likely than not would be clearly trivial, and therefore, there are no questioned costs.

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

**College Response:** The College works with a third-party provider to provide enrollment data to the National Student Loan Data System. The College has worked with this third-party provider, as well as the College's administrative software vendor, to implement software updates and change reporting procedures to meet federal reporting guidelines. In addition, the third-party provider is on target to release automated SSCR roster functionality by December 31, 2015. Finally, the College is implementing monthly quality control measures to assure that accurate, timely information is provided to the National Student Loan Data System.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT (cont.)

MATERIAL WEAKNESS

U.S. Department of Education  
Student Financial Assistance Cluster  
CFDA Nos. 84.007, 84.033, 84.063 and 84.268  
Award year: 2014-2015

2015-002 Review of Student Enrollment Data

**Criteria:** The U.S. Department of Education requires a College to report certain information when students who receive Title IV financial aid change status.

**Condition:** The College did not have procedures in place to ensure enrollment data was accurately being reported through a third-party provider to the Department of Education.

**Effect:** The College was not in compliance with enrollment reporting to the National Student Loan Data System (NSLDS) for student status changes.

**Cause:** The College relied on the information being generated from its software and transmitted from its third-party provider to the NSLDS.

**Recommendation:** We recommend the College implement procedures to strictly comply with the requirements of 34 CFR 682.610 and 34 CFR 685.309 as it relates to enrollment reporting.

**College Response:** The College works with a third-party provider to provide enrollment data to the National Student Loan Data System. The College has worked with this third-party provider, as well as the College's administrative software vendor, to implement software updates and change reporting procedures to meet federal reporting guidelines. In addition, the third-party provider is on target to release automated SSCR roster functionality by December 31, 2015. Finally, the College is implementing monthly quality control measures to assure that accurate, timely information is provided to the National Student Loan Data System.

NORTH CENTRAL MISSOURI COLLEGE  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2015

This section represents a summary schedule of prior audit findings.

MATERIAL WEAKNESSES

2014-001 Student Verification Process

U.S. Department of Education  
Student Financial Assistance Cluster  
CFDA Nos. 84.007, 84.033, 84.063 and 84.268

**Recommendation:** We recommend the College implement specific procedures to strictly comply with the requirements of 34 CFR 668 as it relates to the student verification process.

**Current Status:** Corrected

2014-002 Review of Student Enrollment Data

U.S. Department of Education  
Student Financial Assistance Cluster  
CFDA Nos. 84.007, 84.033, 84.063 and 84.268

**Recommendation:** We recommend the College implement procedures to strictly comply with the requirements of 34 CFR 668 as it relates to the student withdrawal information reported to the NSLDS.

**Current Status:** Corrected

COMPLIANCE

2014-003 Special Tests and Provisions – Direct Loan Enrollment Reporting

U.S. Department of Education  
Federal Direct Student Loans  
CFDA No. 84.268

**Recommendation:** We recommend the College implement procedures in order to strictly comply with the requirements of 34 CFR 685.305 and 668.22(c) as it relates to the withdrawal date that is required to be reported to the NSLDS. We further recommend that the College follow the guidance provided in the NSLDS Enrollment Reporting Guide and stay abreast of new guidance as published by the Department of Education.

**Current Status:** Corrected

NORTH CENTRAL MISSOURI COLLEGE  
CORRECTIVE ACTION PLAN  
June 30, 2015

U.S. DEPARTMENT OF EDUCATION

North Central Missouri College respectfully submits the following corrective action plan for the year ended June 30, 2015.

Contact information for the individual responsible for the corrective action:

Dr. Kristen Alley, Dean of Student Services  
North Central Missouri College  
1301 Main Street  
Trenton, MO 64683  
(660) 359-3948

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

Audit Period: Year ended June 30, 2015

The findings from the June 30, 2015, Schedule of Findings and Questioned Costs - Major Federal Award Programs Audit are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

## **FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

### COMPLIANCE

#### 2015-001 Special Tests and Provisions - Enrollment Reporting

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

*Corrective Action Plan Taken:* The College works with a third-party provider to provide enrollment data to the National Student Loan Data System. The College has worked with this third-party provider, as well as the College's administrative software vendor, to implement software updates and change reporting procedures to meet federal reporting guidelines. In addition, the third-party provider is on target to release automated SSCR roster functionality by December 31, 2015. Finally, the College is implementing monthly quality control measures to assure that accurate, timely information is provided to the National Student Loan Data System.

*Anticipated Completion Date:* December 31, 2015

## MATERIAL WEAKNESS

### 2015-002 Review of Student Enrollment Data

*Recommendation:* We recommend the College implement procedures to strictly comply with the requirements of 34 CFR 682.610 and 34 CFR 685.309 as it relates to enrollment reporting.

*Corrective Action Plan Taken:* The College works with a third-party provider to provide enrollment data to the National Student Loan Data System. The College has worked with this third-party provider, as well as the College's administrative software vendor, to implement software updates and change reporting procedures to meet federal reporting guidelines. In addition, the third-party provider is on target to release automated SSCR roster functionality by December 31, 2015. Finally, the College is implementing monthly quality control measures to assure that accurate, timely information is provided to the National Student Loan Data System.

*Anticipated Completion Date:* December 31, 2015